



Simplified Cost Options – a practitioners' manual

ESF Transnational Cooperation Platform

Community of Practice on Results-based Management

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What is the European Social Fund (ESF) Transnational Cooperation Platform?

Mutual learning is at the core of the ESF Transnational Cooperation Platform and its four Communities of Practice (CoP): employment, education and skills; social inclusion; results-based management; and social innovation.

The ESF Transnational Cooperation Platform gives CoP members, including managing authorities, intermediate bodies and other ESF stakeholders, the opportunity to participate in mutual learning activities and tackle common challenges together. The CoPs were created as a place for members to share ideas and concerns, deepen knowledge and expertise, and help one another to solve problems with practical approaches.

The mutual learning activities generate hands-on outputs such as toolkits, guides, practice mapping, checklists and recommendation papers that can inspire practitioners and policymakers alike.

Acknowledgements

This manual has been prepared by Luca Santin, Lead Thematic Expert of the ESF Community of Practice on Results-based Management, as established under the ESF Transnational Platform.

The manual is based on the experience of ESF managing authorities, audit authorities, national coordination bodies from all (27) EU Member States, which shared good (and not-so-good) practices and recommendations within 2015-2019 ESF Thematic Network on Simplification and the ESF Community of Practice on Results-based Management (CoP RBM). Practical examples included in the manual are mostly based on information provided by managing authorities through their *case reports on ESF SCO practices*. The reports cover practices selected by the Member States out of 257 SCO mapped by the ESF Thematic Network on Simplification. Key contributions for the preparation of the manual were also provided by members of the CoP RBM's subgroup on 'Simplified Cost Options' and by officials of the European Commission DG EMPL – Units G1 '*European Social Fund +*' and former G2 '*Audit Shared Management I*'. This manual would not have been possible without your engagement and support!

¹ DG EMPL Unit G2 'Audit - Shared Management' is now part of the Joint Audit Directorate for Cohesion (Direction d'audit de la Cohésion - DAC)

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List of abbreviations

CA: Certifying authority

CoP RBM: ESF Community of Practices on Results-based Management

CPR: Common Provisions Regulation

EC: European Commission

ERDF: European Regional Development Fund

ESF: European Social Fund

ESIF: European Structural and Investment Funds

FNLC: Financing not linked to costs

IB: Intermediate body

JAP: Joint action plan

MA: Managing authority

MS: Member State

NCB: National coordination body for Cohesion Policy / EU Funds

OP: Operational Programme

OTS: Off-the-shelf option

SCO: Simplified Cost Option

SSUC: Standard Scales of Unit Costs

TN: ESF Thematic Network on Simplification

1. Introduction

The concept and key contents of this practitioners' manual on Simplified Cost Options (SCOs) were designed by the ESF Thematic Network (TN) on Simplification and further developed by the ESF Community of Practice on Results-based Management (CoP RBM), which builds on the experience carried out by the TN between 2015 and 2020.

Established under the ESF Transnationality Platform, the Simplification TN and the CoP RBM carried out work programmes involving ESF managing authorities (MA), intermediate bodies (IB) and audit authorities (AA), national coordination bodies (NCB) and ESF stakeholders from all Member States (MS) of the European Union (EU), as well as several Directorates-General of the European Commission (EC), coordinated by the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL), Unit G.1.

Aim of the manual

The aim of the practitioners' manual on SCOs is to support ESF authorities and stakeholders in designing and implementing SCOs. This will be achieved through the presentation of a set of practical references which are drawn from the rich experience and remarkable practical knowledge of CoP RBM members.

Target audience

This document is primarily aimed at representatives of ESF authorities and stakeholders who have little or no experience in SCO design and implementation. The target audience would also include more experienced ESF SCO users as well as authorities from other EU Funds and Programmes.

Approach

The manual was developed around the following key assumptions, validated by TN and CoP RBM members:

- The manual should present practical information and tips and should include links to actual practices carried out by ESF authorities.
- Contents of this document do not constitute, in any way, (additional) requirements or interpretation of legal provisions on SCOs. In other terms, the manual should not be seen as a source of 'Gold-plating'².

² Gold-plating describes a process by which a Member State which has to transpose EU Directives into its national law, or has to implement EU legislation, uses the opportunity to impose additional requirements, obligations or standards on the addressees of its national law that go beyond the requirements or standards foreseen in the transposed EU legislation. (Source: European Commission. (2015). Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of the Regions. Better regulation for better results - An EU agenda. COM (2015) 215 final. Strasbourg). Moreover, 'gold-plating' is a term often used to describe, in the context of the implementation of the European Structural and Investment Funds (ESIFs), the administrative supplementary requirements and burdens imposed on beneficiaries by the ESIF national and sub-national authorities. (omissis) Gold-plating has been created not only as a response by national and sub-national authorities to EU level

- The manual should present both good and not-so-good practices (do's and don'ts).

Sources and legal framework

Main sources considered for the preparation of this document:

- Maps and case reports on SCOs prepared by the TN on Simplification and maps of practices further developed within the CoP RBM.
- Outcomes of peer-to-peer interviews and group discussions carried out within the ESF TN on Simplification.
- EC guidance note on SCO – also taking into account the outcomes of the Q&A session at the joint ESF/ERDF meeting organised by the CoP RBM, on 6 November 2020, to present the draft revised Guidance Note.
- Outcomes of CoP RBM's plenary and subgroup meetings.
- Studies carried out by the EC on the use of SCO and other simplification measures.

The manual refers to provisions under the legal framework of the European Structural and Investment (ESI) Funds for the 2014-2020 programming period and, in particular, to the Common Provisions Regulation (CPR) adopted for the 2014-2020 period³ as amended by the Omnibus Regulation⁴. The manual also includes references to the CPR for the 2021-2027 period⁵.

Structure of the manual

The contents of this document are structured around the main phases of SCO design and implementation:

- *Deciding to use SCOs*: after an introduction (section 1), section 2 presents the main aspects related to preliminary decision-making around SCOs (what, why, where/when to use SCOs, who should be involved and how).
- *Selecting options*: section 3 illustrates available options (types of SCOs and approaches to SCO design) and implications.

procedures, but also as burden coming from their own national administrative traditions and customs. (Source: *High-Level-Group on Simplification – Report on Gold Plating– June 2016 Brussels*)

³ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the ERDF, the ESF, the CF, the EARDF, and the EMFF and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

⁴ Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union.

⁵ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.

- **Setting up the SCO system:** section 4 presents an overview of the key steps involved in designing SCOs.
- **Implementing SCOs:** section 5 includes principles and references relevant for the implementation phase.
- **Lesson learned:** section 6 presents a set of recommendations based on the experience of CoP RBM members.

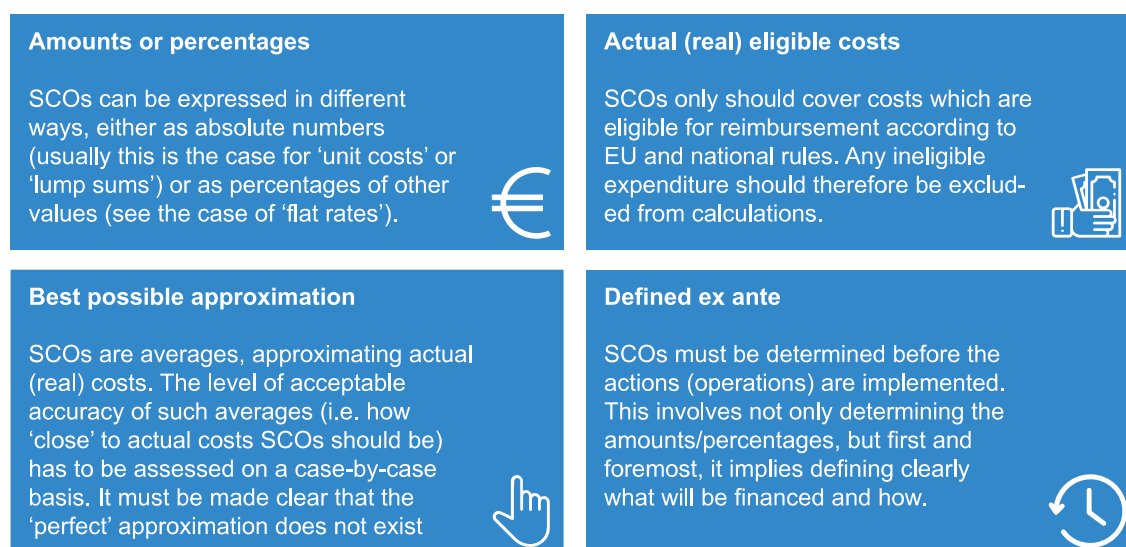
2. The decision to use Simplified Cost Options

2.1. What are SCOs

Further to rules and interpretations provided by the EC, defining SCOs in legal terms, an empirical definition of SCOs, based on the practical experience of ESF MAs and AAs, could be formulated as follows:

'SCOs are amounts or percentages that represent the best possible approximation of actual (real) eligible costs incurred in practice when implementing an action; they shall be defined ex ante'⁶.

Figure 1 – Key elements of the SCO definition



2.2. Why SCOs should be used

SCOs are often seen as a measure to reduce administrative costs and burden involved in financial management of operations co-financed by EU Funds. As mentioned in the EC guidance note⁷, when SCOs are used, *'the tracing of every euro of co-financed expenditure*

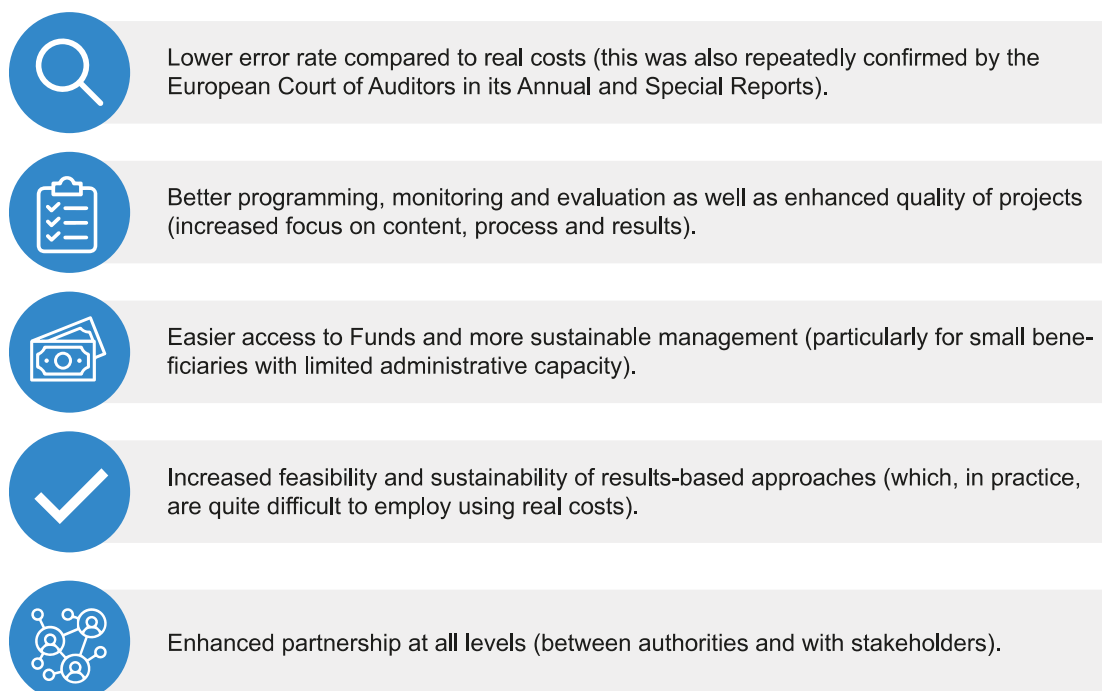
⁶ SCOs must be defined at the latest in the document setting out the conditions for support.

⁷ European Commission - *Guidance on Simplified Cost Options (SCOs) Flat rate financing, Standard scale of unit costs, Lump sums*. (Revised Edition following the entry into force of Regulation (EU, Euratom) 2018/1046).

to individual supporting documents is no longer required and, indeed, this *'significantly alleviates the administrative burden'*.

Authorities and stakeholders involved in the ESF TN on Simplification (and now in the ESF CoP RBM) have demonstrated that there are several other good reasons to use SCOs.

Figure 2 – Significant advantages of the introduction of SCOs



2.3. When and where to use SCOs

Optional use

In principle, SCOs are optional: the managing authorities can decide whether to use them or not for operations financed through grants and repayable assistance. Exceptions to this approach can be seen in the next section on 'Mandatory use'.

A study carried out by the EC⁸ in 2018 foresaw that 97% of ESF MA would use SCOs by the end of the 2014-2020 period (95% of authorities had already reported the use of SCOs by the end of 2017), with around 33% of costs expected to be declared under a form of SCOs.

To provide additional perspective, according to the members of the ESF CoP RBM: ***managing authorities should adopt an 'SCO-by-default' approach.***

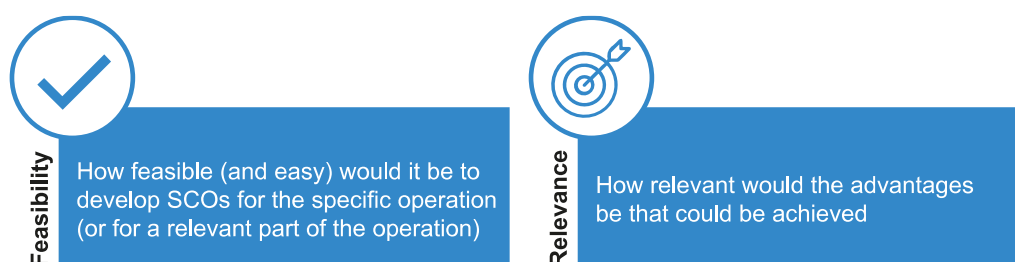
⁸ See "Use and intended use of simplified cost options in European Social Fund (ESF), European Regional Development Fund (ERDF), Cohesion Fund (CF) and European Agricultural Fund for Rural Development (EAFRD)", European Commission (2018) available at: http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/use_sco_esif_en.pdf

This means that whenever designing a new call for proposals, managing authorities should aim at using SCOs to cover all parts and all costs of the operation (and for all beneficiaries involved in its implementation) unless proven too difficult or burdensome (which is not often the case).

Still, we need to consider that, besides knowledge and experience, developing SCOs requires time and administrative capacity (it is an investment) and resources are not unlimited. Thus, in practice, managing authorities would need to select and prioritise the operations to be covered by SCOs, as it would be difficult to develop, in parallel, SCO methodologies for all operations.

The selection of the interventions to be covered by SCOs could be based on a balanced assessment of two key factors.

Figure 3 – Key factors for the selection of interventions to be covered by SCOs



The main aspects to consider when carrying out the assessment are presented in the following table.

Table 1 – Selection of the actions to be covered by SCOs: criteria for the assessment

Feasibility	
Criteria	Description
Incidence of procured services within the operation	Provided that SCOs cannot be used in the case of fully procured operations ⁹ - except for delegated acts adopted under Art. 14(1) or in the case of a Joint Action Plan (JAP) – and considering that the use of SCOs could be less convenient where the operation is mostly procured (as, similarly to SCOs, the implementation of an operation through public procurement procedures results in payments that are already determined on the basis of predefined amounts and do not involve the verification of every single expenditure incurred by the contractor)
Actions can be expressed in standard terms	Designing SCOs, particularly in the case of unit costs and lump sums, implies an <i>ex ante</i> definition of technical standards and indicators (to which the unit costs or the lump sum have to be linked). In some cases (e.g. innovative actions, addressing very specific issues under several variable conditions) standard-setting could be particularly complicated, as it would be difficult to identify <i>ex ante</i> a limited amount of input, outputs or results to define the action in standard terms to be applied to all operations covered by the specific SCO
Availability of data	Representative, consistent and good quality data are available to support the development of the calculation methodology for the concerned operation
Timing and workload	The definition of an SCO system may require a relevant workload for the MA/IB. Decisions related to the implementation of SCOs (and the type of SCOs to be used) in a specific operation should be based on a preliminary assessment of the time and resources available to develop the process.

⁹ It is important to note that such a limitation is not envisaged by CPR for the 2021-2027 programming period. In 2021-2027 programming period it would be possible to use SCOs for any fully procured operations.

Relevance	
Criteria	Description
Share of budget covered by the SCO	The workload required to establish SCOs for a specific (type of) operation or cost should be compared to the potential impact of the simplification measure in terms of the share of the budget that could be covered with SCOs.
Average size of the projects and types of cost involved	In some cases, particularly for ESF, implementation of the operation could involve very complicated budget structures (several cost categories) for very small amounts. Thus, the use of SCOs could be very effective in reducing administrative costs and burdens compared to real costs.
Administrative burden and risk of error	Certain types of operations (e.g. mobility projects, or projects involving small NGOs) could imply a higher risk of error related to administrative and financial aspects due to the complexity of rules and procedures set out under real cost systems.

Mandatory use

Mandatory use of SCOs was initially introduced, by art. 14(4) of the ESF Regulation, at the beginning of the 2014-2020 programming period for 'small' ESF projects (below 50,000 EUR of public support) as an exception to the 'optional use' principle. The exception was then extended to the ERDF with the implementation of the 'Omnibus' Regulation, which also increased the threshold to 100,000 EUR¹⁰.

As clearly explained in the EC guidance note, the purpose of provisions on mandatory use is to *'limit controls on real costs that, taking into account the low value of these operations, would not be cost-effective'*.

Further to legal caveats to be considered when assessing whether the use of SCOs is mandatory or not¹¹, it is important to note that **several members of the ESF CoP RBM consider mandatory use more an opportunity than a problem.**

In fact, following the introduction of mandatory use, discussions between authorities and stakeholders started to focus on 'how to implement SCOs' rather than 'whether to use them'. This played an important role in overcoming some initial resistance to change.

In this sense, a key recommendation stemming from the experience of the ESF CoP RBM is:

'when SCOs are adopted for a specific operation, make them mandatory for all beneficiaries'

Not-so-good practices shared within the CoP showed that allowing the use of both 'real costs' and SCOs, within the same type of operations, generated the following issues:

- The majority of beneficiaries opted for 'real costs' because the advantages of SCOs (also on their side) had not been clearly explained to them. They were not keen to change the form of reimbursement they had been using for years. Quoting members

¹⁰ Article 53 of the CPR for the 2021-2027 period further increases the threshold for the mandatory use of SCO previously established by article 67(2a) CPR 2014-2020. The new threshold is set at 200,000 EUR and refers to the *total cost* (not to *public support* as in the previous programming period).

¹¹ See section 2.2.2 of the EC Guidance Note on Simplified Cost Options

of the former ESF TN on Simplification: *'if MAs don't explain advantages and implications, beneficiaries prefer the devil they know'*.

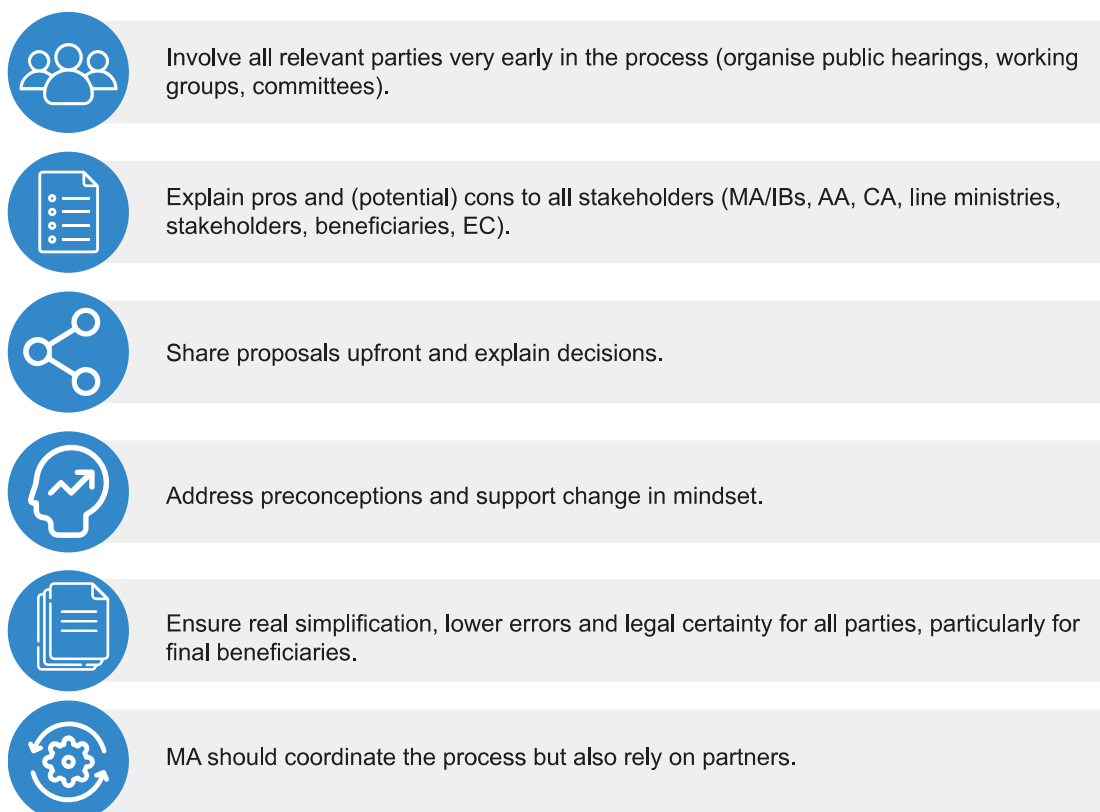
- Managing two separate audit trails and management and control systems (i.e. one for real costs and one for SCOs) for the same types of operations could be very complicated, burdensome and error-prone (essentially, the opposite of SCOs).

2.4. Who should be involved in SCO design and implementation (and how)

The not-so-good practices tend to consider the design and implementation of SCOs as an administrative exercise that could be carried out by MA officials responsible for financial management, without any need to consult with others within the MA or other authorities and stakeholders.

Indeed, from a legal point of view, the MA is responsible for decisions around SCOs. However, the experience of the good practices shared with the ESF CoP RBM shows that designing and implementing SCOs should be a *'joint effort and a joint responsibility'*.

Figure 4 – Key recommendations from good practices on who should be involved in the process and how





Consult with the EC upfront, in a constructive way.



Organise joint and crossed training events^[12] before starting to work on SCOs.



Ensure buy-in by senior management and policy makers to prevent vetoes blocking the implementation of SCOs.



Define a clear and sustainable plan including objectives, actions, timing, roles and responsibilities.

3. Selecting options for SCO design

Adopting the 'SCO-by-default' approach mentioned in section 2 of this document requires the MA to know, and be prepared to use, all possible options available in terms of types of SCOs and ways (methods) to design them.

3.1. Types of SCOs

The CPR includes three types of SCOs¹³, which the EC guidance note defines as follows:

- **Flat rates:** In the case of flat-rate financing, specific categories of eligible costs (so-called 'Type 2' costs) that are clearly identified in advance are calculated by applying a percentage, fixed *ex ante* to one or several **other** categories of eligible costs ('Type 1' costs). Where relevant, other categories of eligible costs should be considered in the flat-rates system: those are costs ('Type 3') that do not fall in any of the previous two types (in case Type 1 + Type 2 < Total costs).
- **Standard scales of unit costs (SSUC or unit costs):** In the case of standard scales of unit costs, all or part of the eligible costs of an operation will be **calculated** on the basis of quantified activities, input, outputs or results multiplied by standard scales of unit costs established in advance.
- **Lump sums:** In the case of lump sums, all eligible costs or part of eligible costs of an operation or project are calculated on the basis of a pre-established amount duly

¹² Joint training = training events participated in by representatives of different authorities (e.g. MAs and AAs). Crossed-training = events where officials of one authority provide training to support representatives of other authorities (e.g. AA officials training representatives of MA/IBs on 'audit and assessment of SCOs').

¹³ According to article 67 CPR 2014-2020, grant and repayable assistance can take the form of: (i) *reimbursement of eligible costs actually incurred and paid* (i.e. 'real costs'), (ii) the three types of SCOs (*flat rates, standard scale of unit costs and lump sums*) and (iii) *financing which is not linked to costs but is based on the fulfilment of conditions related to the realisation of progress in implementation or the achievement of objectives of programmes* (Financing not linked to costs – FNLC). It is worth noting that FNLC is not a SCO. As opposed to SCOs, which should represent the best possible approximation of actual costs incurred by beneficiaries, amounts set out in FNLC schemes are not established as a proxy of actual costs.

justified by the managing authority (or Monitoring Committee in the case of ETC), which is paid if predefined activities and/or outputs are completed.

The MA can choose either to use one type of SCOs for a specific operation or to combine different types within the same operation provided that any possible overlap between costs covered by different SCOs is excluded¹⁴.

Combining types of SCOs within the same operation or, upfront, within the calculation methodology itself¹⁵ could be a good solution to balance the characteristics of each type, as presented below in table 2.

Table 2 – Types of SCOs: pros and cons

Characteristics	Types of SCOs		
	Flat rates	Unit costs	Lump sums
Pros	<ul style="list-style-type: none"> Several off-the-shelf options available (no need to calculate) They are usually perceived as ‘easier’/less burdensome to design compared to unit costs and lump sums 	<ul style="list-style-type: none"> Some off-the-shelf options available (i.e. see ‘EU Level SCOs’) Allows for fully enhancing SCOs potential in terms of simplification and better implementation Allows for covering all costs of the operation Allows for different approaches (i.e. process-based or result-based) 	<ul style="list-style-type: none"> Max. simplification (all costs of the operation or part of the operation covered) Focus on outcomes
Cons	<ul style="list-style-type: none"> Still require the MA to precisely identify the categories of costs involved (Types 1 and 2 and, where relevant, Type 3). (Unless used in combination with other SCOs) flat rates do not allow for all costs of the operations to be covered. It is essentially an ‘administrative’ option: it reduces administrative cost and burden but does not allow for all advantages of SCOs to be achieved (see section 2.2) 	<ul style="list-style-type: none"> Unless off-the-shelf options are used, the MA is required to develop a calculation methodology 	<ul style="list-style-type: none"> No off-the-shelf available, the MA is required to develop a calculation methodology Unless milestones (or other mitigation measures) are envisaged, Lump Sums involve some risk due to their binary approach¹⁶.

¹⁴ Combined use of different SCOs within the same operation is allowed provided that the SCOs (i) cover different categories of costs or (ii) are used in different projects within the operation or (iii) are used for successive phases of the operation.

¹⁵ See section 4.3 – recommendations on calculation methods.

¹⁶ Lump sums are reimbursed only if predefined activities and/or outputs are completed, as envisaged by the calculation methodology. If said activities or outputs are not (entirely) achieved then no reimbursement would be allowed. In practice, this could lead to a binary situation of payment or no payment depending on full achievement. Establishing milestones, thus triggering partial payments related to the achievement of specific intermediate conditions clearly defined upfront (with the calculation methodology), is an effective way to mitigate the binary approach of lump sums (e.g. see section 3.3.3 of the Guidance Note).

3.2. Approaches to SCO design

Looking at the possibilities offered by the CPR, fund-specific and delegated regulations, the three main approaches to SCO design can be identified: (i) Off-the-shelf, (ii) Similar SCOs and (iii) ‘Tailor-made’ SCOs.

A comparative analysis of the three approaches is presented below in Table 3.

Table 3 – Approaches to SCO design

Characteristics	Types of SCOs		
	‘Off-the-shelf’	‘Similar SCOs’	‘Tailor-made SCOs’
Definition	SCOs included in EC Regulation relevant for the Fund/Programme.	SCOs adopted under other EU or National schemes.	SCOs based on calculation methodologies developed by the MA.
Pros	They do not require the MA to perform any calculations. They do not allow all costs of the operations to be covered (except for EU-level SCOs adopted by EC-DG EMPL).	They require ‘only’ assessing whether the operations and beneficiaries are ‘similar’ ¹⁷ .	They allow the MA to design SCOs based on the specific aspects (policy objectives, conditions, actions, outcomes/results) of the operation. They allow maximising simplification by covering all costs of the operation.
Cons	They do not allow any ‘customisation’ by the MA. Being ‘off-the-shelf’, they should be used as they are (as they were established by the EC).	The ‘similar’ scheme should be applied in its entirety (not only amounts/rates, but all conditions established by the scheme); thus, as for off-the-shelf SCOs, no ‘customisation’ is allowed.	They require the MA to develop a calculation methodology.

Practical examples on how the three approaches have been used by ESF MAs are provided in Annex I. The list of examples for ‘off-the-shelf’ and ‘similar SCOs’ is provided in table 4.

Table 4 – List of ESF practices on ‘off-the-shelf’ and ‘similar SCOs’

Approach to SCO design	Member State (link to examples)	Short description of the practice
‘Similar SCO’ adopted under other EU policy	Lithuania (Practice LT-1)	Unit costs for salary of executive staff of higher education institutions, based on Erasmus+ rates for staff performing intellectual tasks.
‘Similar SCO’ adopted under National scheme	Greece (Practice EL-1)	Unit costs for services provided by day care centres for people with disabilities, based on rates established under national schemes.

¹⁷ For the 2021-2027 period, the condition for the application of SCOs adopted under other Union Policies or schemes funded entirely the Member States only refers to ‘similar type of operation’ and no longer involves the type of beneficiary.

'Similar SCO' adopted under National scheme	Bulgaria (Practice BG-1)	Unit costs for acquiring professional qualification and/or key competence per person having successfully completed the training, based on rates established by the National Employment Action Plan and Ministry Decree.
'Off-the-shelf' 40% flat rate	Estonia (Practice EE-1)	Flat rate (40%) covering all costs other than direct staff costs of child-care facilities.
'Off-the-shelf' 15% flat rate	Latvia (Practice LV-1)	Use of the 15% 'off-the-shelf' flat rate in combination with unit costs, within projects providing consultative support for enterprises of high risk industries.
'Off-the-shelf' Different flat rates	Poland (Practice PL-1)	Flat rates covering indirect costs. Different rates (including off-the-shelf options) are used based on project size (budget).

Several examples of 'tailor-made SCO' are presented in the following sections of this manual.

4. Setting up an SCO system in practice

Setting up an SCO system could be seen as a logical process and is composed of the following key steps:

1. Definition of the operation (actions and costs)
2. Identification of possible indicators triggering payment
3. Development of calculation methods
4. Definition of the audit trail
5. Definition of adjustment methods.

A sixth and very important step of the process would be the implementation of *ex ante* assessment of SCOs by the AA. The rationale, added value and functioning of this step are presented in another document prepared by the ESF CoP RBM¹⁸.

Depending on the SCO design approach described in section 3.2, some steps may not be required (see Table 5).

Table 5 – Approaches to SCO design and key steps of the process

	Approaches to SCO design		
Key steps	'Off-the-shelf'	'Similar SCOs'	'Tailor-made SCOs'

¹⁸ See the 'Ex ante assessment of Simplified Cost Options and partnerships between managing authorities and audit authorities - How to do it?', ESF Community of Practices on Results-based Management (2021) <https://ec.europa.eu/european-social-fund-plus/en/publications>.

Definition of the operation (actions and costs)	<ul style="list-style-type: none"> In case of off-the-shelf flat rates, the MA should clearly define which costs fall into each category (Type 1-2-3) In case of ‘EU Level SCOs’, definitions are set out in the Delegated Regulation. 	Clear definition of operation and costs is required to assess ‘similarity’ ¹⁹	Required
Identification of possible indicators triggering payment	Indicators are provided in the Regulation	Indicators should be taken from the decision adopting the SCO under other EU or National schemes	Required
Development of calculation methods	Not required	Not required	Required
Definition of the audit trail	Consistent with the Regulation adopting the SCO	Consistent with SCOs adopted under other EU or National schemes	Required
Definition of adjustment methods	Possible, if envisaged by EU Regulation/Delegated Regulation	Possible, if envisaged for the SCO adopted under other EU or National schemes	Optional

4.1. Definition of the operation (actions and costs)

The experience of the good practices shared within the ESF CoP RBM indicates that, under all approaches to SCO design, the first and most important step to take when setting up SCOs is to clearly define the eligible actions and costs involved in the operation.

In other terms, a key recommendation from CoP members is that, in order to set up SCOs *‘first, you need to know exactly what you want to finance, and how’*.

This step has specific implications depending on the type of approach to SCO design:

- **Off-the-shelf (flat rates):** defining the eligible costs of the operations is essential to avoiding overlaps between the different cost types of the flat rate scheme (Type 1, 2 and, where relevant, 3).
- **Similar SCO:** this approach requires assessing whether the type of operation (and beneficiaries for the 2014-2020 programming period) is ‘similar’ to the one for which SCOs were designed under other EU/National schemes.

¹⁹ As clearly stated in section 4.4 of the EC Guidance Note: *‘there is no indication in the CPR of what is understood by similarity of operations and/or beneficiaries. It is for the managing authority to assess whether in a particular case the condition of similarity is fulfilled’*. The guidance note also points out that *‘a case-by-case examination is necessary’*. A possible approach to assessing ‘similarity’ in practice could be based on the definition of SCOs provided in section 2.1 of this document. In particular, the MA should address the following question: *‘does the SCO adopted under another EU or national scheme, for given interventions and beneficiaries, allow for achieving the best possible approximation of actual costs incurred under the operation we are launching?’*. If the answer to that question is ‘yes’, then it is very likely that the EU/national SCO would be suitable for application under the ‘new’ operation.

- **Tailor-made SCOs:** all steps of calculation methodologies should be consistent with the definition of the operation in terms of actions and costs.

Not-so-good practices, which attempted to develop calculation methodologies without a clear idea of actions and costs involved, inevitably failed or, at least, wasted time and resources.

After all, recalling the practical definition of SCOs provided in the first part of this document (see section 2.1), it is quite difficult to reach the **best possible approximation** of something that had not been defined properly.

4.2. Identification of possible indicators

A question often raised when discussing SCOs is: 'what indicators are we talking about'? SCO indicators are not programme indicators (i.e. those set within the scope of the programme's monitoring and evaluation system).

SCO indicators are the conditions triggering reimbursement of expenditure²⁰.

SCOs could refer to different types of indicators. The two main types are:

- **Process-based:** where SCOs are linked to corresponding units of input (e.g. cost per trainer hours) or output (e.g. cost per course hour, cost per trainee hours).
- **Result-based (or outcome-based):** valuing SCOs in terms of results/outcomes achieved within the operation (e.g. cost per person involved in employment services finding a job, cost per student successfully completing a training course).

A third type, mainly for flat rates, would be:

- **Cost type based:** given the definition and functioning of flat rates (see section 3.1), indicators for this SCO are essentially formulated in terms of categories of cost to which the flat rate is applied (i.e. 'Type 1' costs). For instance, direct staff costs to calculate indirect costs or all other eligible costs of the operation. This type of indicator was also used, although less frequently, for unit costs (e.g. unit cost of X EUR per Y EUR of staff costs).

The three types of indicators could be used in combination within the same operation, provided that overlaps are avoided. As observed with regard to the combined use of types of SCOs, combining different types of indicators within the operation could be a good solution to balance the characteristics of each type, presented below in table 6.

²⁰ For the purposes of determining the amount to be reimbursed to beneficiaries, a 'unit of measurement' should be established for each indicator. E.g. if the indicator is 'cost per course hour', the unit of measurement would be 'number of course hours delivered'.

Table 6 – Types of SCO indicators

Characteristics	Type of SCO indicators		
	Process-based	Result-based	Cost type-based
Definition	<ul style="list-style-type: none"> Indicators formulated in terms of units of input (e.g. cost per trainer hours) or output (e.g. cost per course hour, cost per trainee hour). 	<ul style="list-style-type: none"> Indicators formulated in terms of results/outcomes/deliverables achieved within the operation (e.g. cost per person involved in employment services finding a job, cost per student successfully completing a course). 	<ul style="list-style-type: none"> Indicators formulated in terms of categories of cost to which the SCO is applied (e.g. direct staff costs to calculate indirect costs or all other eligible costs of the operation).
Scope	<ul style="list-style-type: none"> Applies to Standard Scales of Unit Costs (SSUC) 	<ul style="list-style-type: none"> Applies to SSUC and lump sums 	<ul style="list-style-type: none"> Applies mainly to flat rates, but could also apply to SSUC
Pros	<ul style="list-style-type: none"> It is easier to safeguard the economic equilibrium of the operation, as reimbursement is measured in proportion to the quantity of input or outputs used/delivered 	<ul style="list-style-type: none"> Allow simpler controls on a smaller number of items Enhanced focus on the real impact of the action 	<ul style="list-style-type: none"> No checks on underlying expenditure for costs covered by the SCO
Cons	<ul style="list-style-type: none"> More burdensome (compared to result-based approaches), as it requires a higher workload to control input or outputs May steer final beneficiaries towards concentrating on quantitative aspects rather than on the quality and impact of the actions 	<ul style="list-style-type: none"> Risk of economic disequilibrium, as beneficiaries would not be reimbursed if they don't achieve the result, regardless of the costs already incurred. Requires measures to address potential discrimination among participants, focussing on those with a better chance of success. 	<ul style="list-style-type: none"> Risk of overlap between types of costs (and, as a consequence, double-funding).
Possible countermeasures	<ul style="list-style-type: none"> Safeguard the quality of the operation by identifying minimum standards (for input/outputs) Combine with result-based approaches (provided that the two approaches refer to different types of costs, phases or projects of the operation) 	<ul style="list-style-type: none"> Set out clear, measurable and sustainable conditions and include milestones/intermediate results to address the risk of economic disequilibrium Address the risk of potential discrimination among participants through specific measures (e.g. higher unit cost for participants with lower chances of success; targeted calls). Combine with process-based approach (provided that the two approaches refer to different types of costs, phases or projects of the operation) 	<ul style="list-style-type: none"> Clear and comprehensive definition of all costs included in each Type (i.e. Type 1, 2 and where relevant, 3) is formulated by the MA and explained to beneficiaries.

Annex I provides practical examples on how the 'process-based' and 'results-based' approaches have been implemented under ESF 2014-2020 programmes. The list of examples per type of SCO indicator is provided below in table 7. Examples of 'cost-based' approaches are provided above in table 4 (e.g. see 'off-the-shelf' flat rate used by Estonia).

Table 7 – List of ESF practices per type of SCO indicator

SCO Indicator	Member State (link to examples)	Short description of the practice
Process based (Input) Unit costs	Spain (Practice ES-1)	Unit costs (hourly rates of teachers) applied in formal education and initial vocational training.
Process based (Output) Unit cost	Malta (Practice MT-1)	Unit costs covering external training for both accredited and non-accredited courses (unit cost per training hour) and participants' wages.
Process based (Output) Lump sum	Belgium (Practice BE-1)	Lump sum covering preparatory phases of transnational projects.
Result based Unit costs	France (Practice FR-1)	Result-based unit costs covering pathways to employment for young people not in education, employment or training (NEETs) under the National Youth Guarantee Scheme.
Result based Unit costs	Italy (Practice IT-1)	Result-based unit costs covering pathways to employment for young NEETs under the National Youth Guarantee Scheme.

4.3. Development of calculation methods

As shown in Table 6, this step is relevant when 'tailor-made' SCOs are used, as 'off-the-shelf' and 'similar SCOs' do not require the development of a calculation methodology.

This step serves to determine the amounts (in case of unit costs or lump sums) or percentages (for flat rates) that will be reimbursed on the basis of SCO indicators and the corresponding unit of measurement.

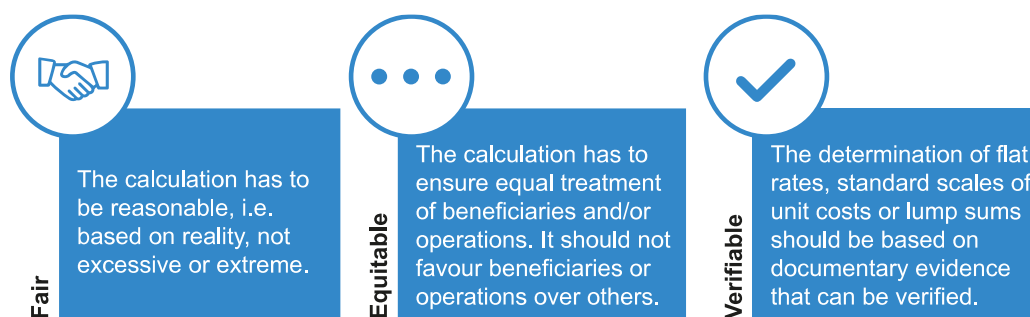
Several methods are available to calculate SCOs. These could be clustered into two main groups:

- Fair, equitable and verifiable calculation methods
- Draft budget

Fair, equitable and verifiable calculation methods

The EC guidance note provides brief, though clear, definitions of the three key terms of this group of methods.²¹

²¹ See section 4.2.1 of the guidance note

Figure 5 – Definitions of fair, equitable and verifiable calculation methods

Fair, equitable and verifiable methods could be developed in several ways, based on:

- Statistical analysis of historical data²²
- Statistical data from national/EU statistical offices or other reliable sources
- Other objective information (e.g. surveys, market research, rates established at national level)
- Expert judgement
- Individual beneficiary-specific data (for methodologies applied to individual beneficiaries)

Practical examples of how fair, equitable and verifiable methods have been developed by ESF MAs are provided in Annex I. The list of examples is provided below in table 8.

Table 8 – List of ESF practices using fair, equitable and verifiable methods

Calculation method	Member State (link to examples)	Short description of the practice
Statistical analysis of historical data	Malta (Practice MT-1)	Unit costs covering external training for both accredited and non-accredited courses (unit cost per training hour) and participants' wages.
Statistical analysis of historical data	The Netherlands (Practice NL-1)	Unit costs covering activities aimed at labour market activation to detainees, such as training and coaching of prisoners.
Statistical data from national/EU statistical offices or other reliable sources	Lithuania (Practice LT-2)	Unit costs for vocational training of unemployed people based on combination of historical data and other objective information.
Other objective information (e.g. surveys, market)	Czech Republic (Practice CZ-1)	Unit costs covering professional training of employees, based on a combination of historical

²² A question often addressed by MAs regarding historical data is 'how many years should be considered?' On this, the EC guidance note clarifies that: '*accounting data over at least three years should be obtained so as to identify any potential exceptional circumstance(s) which would have affected actual costs in a specific year as well as the tendencies in the cost amounts. The three-year reference period should be used in order to take yearly fluctuations into account. However, if the managing authority can demonstrate that the use of data over a period of less than three years is justified, this can be acceptable. For example, where a new programme has been set up and data for only two years is available, this could suffice; where data for three years do not exist, depending on the particularities of the case, data covering two years may be accepted. However, this needs to be assessed on a case-by-case basis*'.

Calculation method	Member State (link to examples)	Short description of the practice
research, rates established at national level)		data, market research, statistical data (salaries) and legislation data.
Other objective information (e.g. surveys, market research, rates established at national level)	Slovakia (Practice SK-1)	Unit costs covering IT training to support employees and the unemployed in obtaining the ECDL Profile Certificate. Calculations are based on data collected through market research.

Examples of the use of ‘expert judgement’, developed by Latvia and Lithuania, were shared by the Transnational Network of European Regional Development Fund and Cohesion Fund (ERDF/CF) SCO practitioners and can be found on the InfoRegio webpage on SCOs²³.

Draft budget

The possibility to establish SCOs based on a draft budget was first introduced in the ESF Regulation and then transposed in the CPR with the adoption of the Omnibus Regulation²⁴. It allows for easier and more flexible implementation of SCOs for small operations (where public support does not exceed 100,000 EUR²⁵).

In particular, this method, which basically adopts a “case-by-case” approach, can be very useful in cases concerning innovative or very specific operations for which data to support the calculation method are not available or are difficult to collect.

Key steps of the draft budget method, in practice, are:

1. The MA invites potential beneficiaries to submit their draft budgets, which are essentially structured as ‘real cost’ budgets, together with their project applications. The call for proposals should include a clear definition of: (i) the types of actions and eligible costs of the operations, (ii) the timeline for activities and expected outcomes and deliverables, (iii) the maximum cost levels to be considered when preparing the draft budget, (iv) the criteria and types of supporting documents to justify amounts and quantities set out in the proposed draft budget.
2. The MA assesses the draft budget on the same basis as ‘real cost’ budgets are assessed. Clarifications and documents may be requested from final beneficiaries to support the amounts set out in the proposed draft budget.
3. Once the draft budget is discussed and agreed upon between the MA and the beneficiary, the MA uses the draft budget to calculate the SCO (which could be either a unit cost, lump sum or, although we have not seen this in practice, a flat Rate). In practice, the draft budget includes data on which the calculation is based

²³ The practices were presented by representatives of Latvia and Lithuania at the 4th meeting of the Transnational Network of ERDF/CF SCO practitioners. The presentations are available at: https://ec.europa.eu/regional_policy/sources/policy/how/improving-investment/simplified-cost-options/4th_presentations.zip

²⁴ Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union.

²⁵ For the 2021-2027 period the maximum amount has been increased to 200,000 EUR and refers to the *total cost of the operation*.

(in fact, the MA archives the draft budget as a supporting document to justify the SCO used).

4. Management verifications will be based only on the SCO indicator, i.e. the condition that triggers the reimbursement based on the SCO, and will not include the individual amounts included in the draft budget.

Notes on 'draft budget', based on the discussions carried out within the ESF TN/CoP RBM:

- Several SCO practitioners believed that draft budgets are necessarily linked to mandatory use and/or lump sums (or even that draft budget and lump sums are the same thing). Both assumptions are incorrect, as: (i) mandatory use could be fulfilled by using any calculation method (or 'Off-the-shelf' or 'Similar SCO') as well as any type of SCOs and (ii) draft budget can also be used to calculate unit costs and flat rates (draft budget and lump sums are not the same thing, the former being a calculation method and the latter a type of SCOs).
- Several authorities seemed interested in making extensive use of draft budgets to calculate SCOs. Indeed, this method has some advantages. Nevertheless, it should be considered that draft budgets were designed for a precise purpose and with a specific scope (i.e. to allow easier and more flexible implementation of SCOs **for small operations, for which data to support the calculation method are not available or are difficult to collect**).

Practical examples of the use of 'draft budget' by ESF MAs are provided in Annex I. The list of examples is presented below in table 9.


Table 9 – List of ESF practices using 'draft budget' to calculate SCOs


Type of SCO calculated through the draft budget	Member State (link to examples)	Short description of the practice
Lump sum	Finland (Practice FI-1)	Lump sums, calculated through draft budgets, covering small projects (up to 100,000 EUR in public funding) in which the results of the project can be clearly defined.
Lump sum	Poland (Practice PL-2)	Lump sums, calculated through draft budgets, covering all operations financed by the ESF in Poland during the financial period 2014-2020, in which public support does not exceed 100,000 EUR.


Recommendations on calculation methodologies


Good (and not-so-good) practices shared within the ESF CoP RBM provide some key recommendations for MAs' development of calculation methods.


Figure 6 – Key recommendations for MAs' development of calculation methods


- 

The objective is to reach the best possible approximation, not the 'perfect' approximation (which, by definition, is impossible to reach as SCOs are averages).
- 

Use what you have (e.g. historical data from the MA database) or, if such data are not consistent with the object of calculation, use that which could be more easily collected (from reliable sources).
- 

There is no need to use complicated statistical functions for sampling and calculating. Basic functions would work well if accompanied by a sound qualitative analysis of data (e.g. to identify and eventually exclude outliers from the calculation because they refer to extraordinary circumstances).
- 

Discuss the plans on how to develop the methodology upfront with key stakeholders, such as the AA, the EC, and beneficiaries - before plans become decisions.
- 

Consider the possibility of combining different methods and approaches within the calculation (e.g. if you have calculated a cost per hour of direct staff, you may consider adding the 40% 'off the shelf' rate and calculating a unit cost covering all costs of the operation).
- 

Keep track of steps taken and be ready to justify all steps of the method based on objective information and reasonable assumptions. Developing SCO methods is not 'rocket science' but still involves some knowledge and logic, as well as common sense).

The last recommendation is to 'keep the SCO simple'. This essentially concerns the results of the calculation method: the amounts and rates to be assigned to SCO indicators.

In this sense, a trade-off between two aspects of the SCO system should be considered.

Figure 7 – Trade-off between accuracy and manageability

Some MAs (particularly the less experienced) tend to design complicated SCO systems, including multiple amounts or rates, in an attempt to maximise the accuracy of results. Nevertheless, experience shows that manageability is as important as accuracy. Complex SCO structures could limit or even nullify the advantages of the simplification measure by increasing the administrative burden and risk of error for both authorities and beneficiaries.

4.4. Definition of the audit trail

Another good reason to keep the SCO system simple is that all conditions established to trigger reimbursements to beneficiaries shall be verified by the MA.

The SCO audit trail includes information and documents demonstrating that said conditions have been met.

Key recommendations on the audit trail:

- **It has to be exhaustive.** It must include all information/documents that should be provided to demonstrate that SCO indicators have been met (and to what extent).
- **But not excessive.** It should not include unnecessary additional information which is not required by EU rules.

Not-so-good practices tend to include unnecessary documents in the audit trail. Some even require final beneficiaries to provide evidence of actual costs incurred by beneficiaries. This should never happen when SCOs are used, unless (and only in the case of) a flat rate is applied to actual costs. This was often a result of 'gold-plating' practices linked to national rules and administrative customs.

4.5. Definition of adjustment methods

SCOs must be established in advance (at the latest in the document setting out the conditions for *support*²⁶) and, in principle, they may not be changed during (or, retrospectively, after) the implementation of an operation. The aim of the provisions is to ensure that the principles of transparency and equal treatment are respected.

Still, adjustments of amounts over time could be applied as long as the criteria to apply and measure such adjustments are clearly expressed in the call for proposal (according to the above principles).

Practical examples of adjustment methods are provided within the SCO schemes adopted by the EC under art. 14(1) ESF Regulation²⁷, as indicated below in table 10.

Table 10 – Adjustment methods

Adjustment method	Member State (and legal reference)	Adjustment method
Automatic annual increase based on a fixed percentage	Sweden (Annex I – DA 2015/2195)	Amounts are increased automatically on 1 January each year by 2 % from 2016 until 2023.
Several methods applied	France (Annex II – DA 2015/2195)	Amounts are adjusted based on several methods, including: adjustments in line with national rules; pre-established formulas based on precise indexes; inflation rate.

²⁶ European Commission - *Guidance on Simplified Cost Options (SCOs) Flat rate financing, Standard scale of unit costs, Lump sums.* (Revised Edition following the entry into force of Regulation (EU, Euratom) 2018/1046).

²⁷ The text of Commission Delegated Regulation (EU) 2015/2195 and subsequent amendments is available at: <https://ec.europa.eu/esf/main.jsp?catId=1490&langId=en>. **A consolidated version of the Delegated Regulation is also available at:** <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02015R2195-20200108>.

Adjustment method	Member State (and legal reference)	Adjustment method
Adjustments based on national and EU rules.	Czech Republic (Annex III - DA 2015/2195)	Amounts are adjusted in line with national law (legal references are specified in the Delegated Act) and EU rules for Erasmus+ and Horizon Programmes.
Adjustments based on national rules and other countries' indexes	Malta (Annex V - DA 2015/2195)	Unit costs for training abroad are adjusted in line with inflation according to the country in which the course is being undertaken.
Several methods applied	Italy (Annex VI – DA 2015/2195)	Amounts are adjusted based on several methods, including: adjustments in line with national rules; pre-established formulas based on precise indexes; inflation rate (Italian Consumer Price Index).
Adjustments based on national rules.	Slovakia (Annex VII - DA 2015/2195)	Amounts are adjusted in line with national law (legal references are specified in the Delegated Act).
Adjustments based on national rules and macroeconomic indexes.	The Netherlands (Annex IX - DA 2015/2195)	Amounts are adjusted in line with national law (legal references are specified in the Delegated Act) and inflation rate (Dutch Consumer Price Index).
Adjustments based on national rules and macroeconomic indexes.	Austria (Annex X - DA 2015/2195)	Amounts are adjusted in line with national law (legal references are specified in the Delegated Act) and inflation rate (Austrian Consumer Price Index).
Adjustments based on National rules and macroeconomic indexes.	Lithuania (Annex XI - DA 2015/2195)	Amounts are adjusted in line with national law (legal references are specified in the Delegated Act) and inflation rate (Harmonised Index of Consumer Prices - HICP ²⁸).
Adjustments based on EU rules.	Poland (Annex XII - DA 2015/2195)	Amounts are adjusted in line with EU rules for Erasmus+.
Adjustments based on National rules and macroeconomic indexes.	Romania (Annex XIII - DA 2015/2195)	Amounts are adjusted in line with national law (legal references are specified in the Delegated Act) and inflation rate (provided by National Statistical Institute).
Adjustments based on macroeconomic indexes.	Cyprus (Annex XV - DA 2015/2195)	Amounts may be adjusted based on the inflation rate.

²⁸ The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households. The term "harmonised" denotes the fact that all the countries in the European Union follow the same methodology. This ensures that the data for one country can be compared with the data for another. The HICP is compiled by Eurostat and the national statistical institutes in accordance with harmonised statistical methods.

Adjustment method	Member State (and legal reference)	Adjustment method
Adjustments based on National rules.	Croatia (Annex XVI - DA 2015/2195)	Amounts are adjusted in line with national law (legal references are specified in the Delegated Act).
Adjustments based on macroeconomic indexes.	Ireland (Annex XVII - DA 2015/2195)	Amounts are adjusted based on the inflation rate (Irish Consumer Price Index).
Adjustments based on National rules.	Bulgaria (Annex XX - DA 2015/2195)	Amounts are adjusted in line with national law (legal references are specified in the Delegated Act).
Adjustments based on statistical data.	Portugal (Annex XXI - DA 2015/2195)	Amounts are adjusted in line with new data on amounts spent on training as reported in the Continuing Vocational Education Survey published by Eurostat.

5. Management and control system

Not-so-good practices include thinking that the 'SCO story' ends when SCOs are established.

However, SCOs must still be implemented (and eventually verified) following the 'design phase'.

The keyword for the implementation phase is 'consistency'.

Any act adopted by the MA or, more generally, any information provided by the MA to beneficiaries regarding the implementation and control of the operation should be consistent with the decisions taken during the process of designing SCOs (i.e. description of actions and costs, indicators/unit of measurement, amounts, audit trail, adjustment method where envisaged).

Consistency should be guaranteed at several levels, among which:

- Drafting the call for proposal, including the definition of the contents and conditions related to the grant, selection criteria, specific eligibility rules, criteria and conditions for determining the value of the grant, as well as for monitoring, evaluating and controlling the results and outcomes.
- Revision of guidelines and manuals to include general rules applicable to all operations financed within the Programme or specific provisions for types of operations and calls for proposals.
- Redefinition of the management system (documents and tools) needed to trace, acquire and handle information documenting the processes and outcomes of operations. The relevant IT system designed to support new information flow should also be reviewed and adapted.

- Revision and update of the procedures of control (both on desk and on site), audit and payment of the grant.

Documents (methodologies, call for proposals, guidelines/manuals for applicants, documents setting out the audit trail) relevant for the implementation of SCOs are provided within the case reports in Annex I (see section 'I. Annexes or links to online documents' of the case report template).

Examples of potential findings on SCOs can be found in the ESF CoP RBM's document on 'Ex ante assessment of Simplified Cost Options and partnerships between managing authorities and audit authorities - How to do it?'

6. Conclusions and key recommendations from the Community of Practice on 'Results-based Management'

The experience gained by managing authorities and audit authorities from all EU Member States involved in the ESF Thematic Network on Simplification and the ESF Community of Practices on Results-based Management has led to the formulation of the following key recommendations around the design and implementation of SCOs.

Lessons learned by the good and the not-so-good practices indicate that:

- I. SCOs are amounts or percentages representing the best possible approximation of actual (real) eligible costs incurred in practice when implementing an action. They are not the perfect approximation but averages.
- II. SCOs are widely recognised as the most effective simplification measure available for ESF programmes; but the advantages of SCOs go beyond the reduction of administrative costs and burden for ESF authorities and stakeholders. They include: a lower error rate, better programming and enhanced quality of projects, easier access to funds and more sustainable management of projects and programmes, increased focus on results, enhanced partnerships between authorities and with ESF stakeholders.
- III. 'SCOs by default approach': the MA should aim at using SCOs to cover all parts and all costs of the operation and for all beneficiaries to be involved in its implementation unless proven too difficult or burdensome.
- IV. If time and resources do not allow establishing SCOs for all operations (and costs) from the start of the programming period, assess priorities based on 'feasibility' and 'relevance' of SCO methodologies.
- V. Mandatory use of SCOs is perceived as an opportunity and not as a problem. When SCOs are established for an operation, they should be made mandatory for all beneficiaries (to avoid double standards).
- VI. Several options are available to establish/use SCOs (types of SCOs, calculation methods, types of indicators, off-the-shelf solutions, similar SCOs...). Therefore, developing proper knowledge of the specific aim, scope and functioning of all options and possible combinations is essential to enhancing the uptake and advantages of SCOs.

- VII. Off-the-shelf options should be used as they are (i.e. as they were established by the EC). If you customise them, they are no longer off-the-shelf (and you would need to justify the changes you have made).
- VIII. For SCOs adopted under other EU/national schemes, similar does not mean 'identical'; still, you would need to assess whether those SCOs are suitable to approximate the costs of the operation.
- IX. The first and most important step to take when setting up SCOs is to clearly define the eligible actions and costs involved in the operation. You need to know exactly what you want to finance and how (otherwise, it would be impossible to approximate anything).
- X. Process-based SCOs may be easier to establish, but then you have to implement them (i.e. they require a higher workload to control input or outputs).
- XI. Result-based approaches might require more work and do entail specific risks. Therefore, you should be aware of these potential risks and define countermeasures or mitigating measures.
- XII. When collecting data to support calculations, use what you have (e.g. historical data from the MA database) or what could be more easily collected (from reliable sources).
- XIII. Developing SCOs does not require very complicated statistical functions for sampling and calculating. Focus more on developing a sound qualitative analysis of data, based on consistent assumptions, than on complicated quantitative analyses.
- XIV. Keep track of steps taken and be ready to justify all steps of the method based on objective information and reasonable assumptions. Developing SCO methods requires knowledge and logic (and common sense).
- XV. Discuss your plans on how to develop the methodology upfront with key stakeholders, such as the AA, the EC, and beneficiaries (before plans become decisions). In addition, make use of *ex ante* assessment (providing the AA with timely, transparent and complete information).
- XVI. Keep it simple! Indeed, accuracy is important, but SCOs should also be manageable. It is essential to ensure that beneficiaries, stakeholders and authorities can easily understand, use and verify SCOs. The audit trail should be exhaustive but should not include unnecessary information or documents.
- XVII. The 'SCO story' does not end when SCOs are established. They have to be implemented. It is essential to ensure consistency of conditions and information provided to final beneficiaries throughout the entire implementation phase.
- XVIII. The MA is responsible for decisions around SCOs. Still, when designing and implementing SCOs, the MA should involve (and rely on) partners: the AA, the CA, Line Ministries, Stakeholders, Beneficiaries, EC. Simplification is a '*joint effort and a joint responsibility*'.

Annex I – Case study reports on SCO practices

This annex includes a selection of case study reports on SCO practices carried out by ESF managing authorities in the 2014-2020 programming period. The case studies were prepared and peer-reviewed by members of the ESF Thematic Network on Simplification. The final report was published in 2018 and is available on the [ESF+ website](#).

Each case study report is developed following a common template:

Title	Guidance
Name of the Institution	
Type of SCO reported	Please choose one of these types of SCO: flat rate financing, standard scale of unit costs, lump sum
Type of activities covered by the SCO	Please indicate what type of activities is targeted by the SCO
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	<i>Please describe in brief what types of operations are covered by the SCO</i>
A2. Definition of outputs/results	<i>Please give a short definition of outputs and/or results</i>
A3. Beneficiaries	<i>Please indicate the types of beneficiaries involved in the operations covered by the SCO</i>
A4. Target group(s)	<i>Please list target groups within projects covered by the SCO</i>
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology (<i>Please indicate which methodology/ies has/have been used: Fair, equitable and verifiable method / use of existing EU schemes for similar types of operation and beneficiary / use of existing own national schemes for similar types of operations and beneficiaries / use of rates and specific methods enshrined in the regulation or in a delegated act / use of a draft budget /combination of methodologies). Please indicate if the concerned SCO has been covered by Art. 14(1) ESF)</i>
B.2 Calculation Methods	<i>Please describe how the calculations have been made</i>
B.3 Data source	<i>Please indicate the type of data used and the data source</i>
<u>C. IMPLEMENTATION OF SCO</u>	<i>Please describe in brief what implementation rules and conditions have been set out</i>
<u>D. AUDIT TRAIL</u>	<i>Please provide a brief description of the audit trail for the concerned SCO, including documents, key contents/conditions and procedures</i>
<u>E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT</u>	<i>If relevant, please explain how the audit authority has been involved in preparation and assessment of the SCO.</i>
<u>F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS</u>	<i>Please explain how you have perceived impact/added value of the SCO for the MA, beneficiaries and other stakeholders.</i>
<u>G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO</u>	<i>Please indicate any issues/problems/challenges you have experienced when setting out or implementing the SCO, i.e. high workload, state aid, public procurement, national legislation, revenues etc.</i>
<u>H. LESSONS LEARNED AND POINTERS</u>	<i>Please indicate any unforeseen practical implications that have emerged and any key lessons you have learned from the development and implementation of the concerned SCO practice.</i>
<u>I. ANNEXES OR LINKS TO ONLINE DOCUMENTS</u>	<i>Please list documents or links to online documents like complete methodology, calculation methods, documents submitted to the Commission, guidance for MAs and beneficiaries, calls for proposals, audit trail, legal acts etc.</i>

List of case studies presented in the annex

- (LT-1) Lithuania – Unit cost for higher education staff
- (EL-1) Greece – Unit costs for day care services for old people
- (BG-1) Bulgaria – Unit costs for vocational qualifications
- (EE-1) Estonia – 40% flat rate for childcare facilities
- (LV-1) Latvia – Unit costs for consultative support for enterprises
- (PL-1) Poland – Flat rates for financing indirect costs
- (ES-1) Spain – Unit costs – hourly staff cost (teachers)
- (MT-1) Malta – Unit cost on training
- (FR-1) France – Unit costs for Youth Employment Initiative
- (IT-1) Italy – Unit costs for integrated pathways to employment
- (BE-1) Belgium Flanders – Lump sum for preparatory phase
- (NL-1) The Netherlands – Unit cost for training & coaching of prisoners
- (LT-2) Lithuania – Unit cost for vocational training
- (CZ-1) Czech Republic – Unit costs for training of employees
- (SK-1) Slovakia – Unit costs for ECDL
- (FI-1) Finland – Lump sum for small projects (draft budget)
- (PL-2) Poland – Lump sum based on draft budget

(LT-1) Lithuania – Unit cost for higher education staff

Name of the Institution	Ministry of Education and Science of the Republic of Lithuania
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Unit cost for the salary of executive staff of higher education institutions

A. PROJECT DESCRIPTION**A1. Description of the type of operation**

Unit costs are applied when projects include the intellectual work of the staff of higher education institutions. These unit costs are applying in public education and the empowerment of human resources priority. They can be used in a variety of activities, which must be related to intellectual work. For example, these unit costs are used in a project aiming at Strengthening Lithuanian (Baltic) Centres Abroad. The project promotes Centres activities and cooperation with Lithuanian research and higher education institutions in order to improve the quality of higher education and ensure its competitiveness. Unit cost for the salary of the executive staff of higher education institutions in this project is intended for teaching at foreign Baltic Centres, for the organization of lecturers' visits.

A2. Definition of outputs/results

Unit costs are set for salary costs per working hour per person when the project executive staff is the staff of higher education institution. Amounts were calculated based on "Erasmus+" Programme. Outputs/results may vary project by project, depending on the aim of the project. Outputs are intellectual tasks evaluated by working hours (e. g. reviewed university's study program and renewed according to the requirements, etc.).

A3. Beneficiaries

Institutions providing higher education (universities, colleges).

A4. Target group(s)

- Students
- Teachers, trainers

B. METHODOLOGY AND CALCULATION METHOD**B.1 Methodology**

Use of existing EU schemes for similar types of operation and beneficiary

B.2 Calculation Methods

Erasmus+ Programme rates (used as unit costs under the Key Action 2 Strategic Partnerships) for staff performing intellectual tasks (rates for a country group including Lithuania) were taken as a basis for this unit cost. Analyses and comparison of the tasks performed under Erasmus+ and tasks to be performed under 2014-2020 Operational programme has been carried out.

The unit costs differ for the three categories of staff (team/activity leader; lecturer/expert/researcher; technical staff). Administrative staff (the category used in Erasmus+) is not included, as it is paid under the indirect cost category.

Additionally, wages of the staff of national higher education institutions were analysed and compared with the above mentioned Erasmus+ rates. The analyses showed that "Erasmus+" fees

highly correspond with the national wage rates of the concerned staff and discrepancies both ways are insignificant.

Erasmus+ rates per day were further recalculated to be used per working hour (by dividing a day rate by 8 hours).

B.3 Data source

A combination of data has been used:

- Erasmus+ rates for staff performing intellectual tasks (rates for Lithuania);
- Data from the national higher education institutions on the wages of staff.

C. IMPLEMENTATION OF SCO

Beneficiary costs are reimbursed based on the number of actual working hours and output provided (depends on the project). The position (category) of staff in the project has to be verified by employment documents.

D. AUDIT TRAIL

For the reimbursement, the beneficiary has to provide: a summary statement on the working hours of the project staff and calculation of the costs to be reimbursed on the basis of the unit costs; documents setting out a personal job function and duration; information on the achieved results or product created (e.g. a methodology, an updated program of the study, etc.).

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

According to the national rules, the developed unit costs had been verified by the managing authority and the Implementing Body. The audit authority has not been specifically consulted on the draft of the unit cost.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

1. The process of submitting project applications has been simplified – it is easier to fill in an application form. However, applicants shall consider whether they are able to deliver expected outputs/results at the proposed unit costs.
2. The selection process has been simplified and are standardised.
3. Verifications carried out by the Implementing body are focused on outputs/results achieved instead of concentrating on verifying financial documents.
4. All applicants and beneficiaries have equal opportunities: the unit costs are the same for a similar type of operation and beneficiary.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

Setting out the standard scale of unit costs was a very long and effort demanding process before the calls for proposals could be launched - data collection from different schools of higher education and their verification, comparison with the wage rates set by the Erasmus+ Programme.

H. LESSONS LEARNED AND POINTERS

N/A

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

List of relevant documents:

- European Commission, Directorate-General for Employment, Social Affairs and Inclusion, „The use of lump sums, the reimbursements on the basis of unit costs and the flat-rate financing under the Erasmus+ Programme“, C(2013)8550 of 4 December 2013;
- [European Commission, "Erasmus+ Programme Guide", Version 2, 2016.](#)

Study in Lithuanian is available at the request

(EL-1) Greece – Unit costs day care services for old people

Name of the Institution	ESF Coordination And Monitoring Authority
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit cost
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Operation of structures providing day care services for disabled people
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>The “Day Care Centres for People with Disabilities” (DCPD-KDIF in Greek), is funded by the 13 Regional OPs under investment priority 9iii or 9iv (Specific Objective: “Improving the provision of social services and educational support to socially vulnerable groups (disabled, pupils with disabilities and / or special educational needs)”.</p> <p>They provide daily care services for people with disabilities. It operates five days a week, from 8:00 a.m. to 21:00 p.m. maximum, in 2 shifts of 8 hours each one, in order to provide for max 8 hours care services per person per day, including the transportation time. The objectives of the action are:</p> <ul style="list-style-type: none"> • Improving the quality of life of disabled people in need of support services, • Strengthening social cohesion and preventing marginalization and social exclusion, and • Combating discrimination and promoting equal opportunities • The services provided include at least: <ul style="list-style-type: none"> • transfer to and from the Centre • stay and snack/lunch • special treatment according to the needs of each participant (Ergonomics, Logotherapies, Physical Therapies, etc.), based on the individual program of each one • individual or group bodywork • training in self-service and the learning of everyday life activities. • creative occupation and socialization activities. • participation in entertainment, culture and sports programs • networking and co-operation actions with other social services, institutions and providers and the local community in general (e.g. municipalities, sports, cultural or other associations, educational community, etc.) to interconnect with the local community, to integrate people with disabilities into it and thus to strengthen social cohesion at local level. <p>For each participant, an Individual Plan for daycare services is drawn up by the centre’s scientific team, based on its special needs.</p>	
A2. Definition of outputs/results	
The unit (output) is the services received by each individual per month.	
A3. Beneficiaries	
<p>Non-profit legal entities under private law, operating “Day Care Centres for People with Disabilities”, have been legally licensed and so have met the terms, conditions and specifications of the relevant institutional framework (Ministerial Decisions, Ministry of Health).</p> <p>Such legal entities could be: Associations of parents with children with disabilities, Social Organizations of Care for Sensitive Social Groups, etc.</p>	

A4. Target group(s)

Participants are people with mobility, sensory, mental or multiple disabilities or with a different type of disability.

Participants are selected on the basis of criteria based on:

1. the residence scheme (institutions, family or other housing)
2. insurance capacity
3. individual or family income (minus any allowance)
4. marital status
5. working status of the parent / legal guardian

B. METHODOLOGY AND CALCULATION METHOD**B.1 Methodology**

Use of existing own national schemes for similar types of operations and beneficiaries. The unit cost hasn't been covered by Art. 14(1) ESF.

B.2 Calculation Methods

The unit cost amounts to € 800 per month per participant. It is based on the current institutional framework for the amount of hospitalization provided by the National Organization for Primary Health Care and in particular, the Presidential Decree 383/2002 "Determination of Special Nursing of Rehabilitation Centres and Rehabilitation of Closed and Daily Nursing" (Government Gazette 332, A', 30.12.2002) as amended by the Presidential Decree 187/2005 (Government Gazette 231, A', 22.09.2005).

B.3 Data source

Not relevant

C. IMPLEMENTATION OF SCO

The unit cost is per month per person. The call for proposals, determines that the person must have at least 15 presences per month in order to be eligible. In cases of less than 15 presences in a month, if the absences are justified (official holidays or/and with medical certificate or hospital admission) the unit cost is paid to the centre. Otherwise (less than 15 presences per month without justification), the unit cost is not paid.

As the operation of these cofounded centres has been recently started, we have not yet any feedback concerning the use of unit cost during the implementation.

D. AUDIT TRAIL

The verification of the physical object is carried out by the MA and requires checking of the following:

The "Total Participants Monthly Monitoring Fiche", showing the presences per participant and per calendar day of the reference month. These data are based on the Individual Monthly Monitoring Reports and the Weekly Schedule of Services of the centre.

The Total Participants Monthly Monitoring Fiche should be co-signed by the responsible for the structure and by each participant or parent/guardian. It is submitted to the MA accompanied by the relevant Monthly Expense Statement. The Total Participants Monthly Monitoring Report and the relevant Monthly Expense Statement are the minimum obligatory documents to be verified administratively.

Furthermore, there are on-the-spot verifications by the managing authority. In addition to the verification of the above documents submitted, on-the-spot verifications will also require checks on the following documents, which should be kept and submitted by the Beneficiary whenever requested by the MA, as well as the competent Control Authorities:

1. Individual Monthly Plan, signed by the interdisciplinary team (what each participant should do/receive during the following month).
2. Weekly schedule of services, signed by the person responsible for the structure (it refers to the whole structure, is based on all the Individual Monthly Plans, taking into consideration the possibilities, the staff, the planned activities, etc. of the centre)
3. Individual Monthly Monitoring Reports, presenting the services actually provided by day under the Individual Monthly Plan and signed by the structure manager at the end of each month.
4. Session and communication booklet, which will be co-signed by the participants in the sessions (interdisciplinary group, participant and/or parents/guardians).

Each month, the Beneficiary is required to certify to the MA the provision of care services by submitting the Total Participants Monthly Monitoring Report, as mentioned above. In addition, the Beneficiary has to submit to the MA a Mid-term Assessment Report in the middle of the implementation period and a Final Assessment Report at the end of the implementation period.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The audit authority has not been involved in the preparation and assessment of the unit cost.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

Simple simplification! Not checking the financial implementation is a great help and service for the beneficiaries of this category, as they have no “know-how” in managing the co-financed operation.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

Certifying the services provided per person, given that they differ according to the needs of each participant and therefore does not result in one and the same service “package” (output) per participant. What is common for all participants is the obligation of the structure to cover all his/her individual needs, plus a minimum of services needed to be provided such as networking, socializing. At the call for proposals level it was determined that the verification of the physical object carried out by the MA is done by checking the Total Participants Monthly Monitoring Fiche as described in unit D.

Due to the lack of a legal framework concerning the documents which must be kept by the structure, it is not always simple/clear for beneficiaries to collect and keep the necessary documents and data. For this reason, MA determined in the call for proposals which documents and data have to be kept in the premises.

H. LESSONS LEARNED AND POINTERS

As the operation of these cofounded centres has been recently started, we have not yet any feedback concerning the use of unit cost during the implementation

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

None

(BG-1) Bulgaria – Unit costs for vocational qualifications

Name of the Institution	Ministry of Labour and Social Policy
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs for acquiring professional qualification and/or key competence per person for a successfully completed training
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	<ul style="list-style-type: none"> - Provision of training for improving and/or acquiring vocational qualification; - Provision of training for acquiring key competencies.
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>Operations towards improving and/or acquiring vocational qualifications and/or key competencies of unemployed, employed and inactive people under OP HRD, Priority Axes 1 - Investment Priorities – 6, Specific Objectives – 1, 2, 3; Priority Axes 1 - Investment Priorities – 1, Specific Objectives – 1 and 3, Investment Priorities – 3, Specific Objectives – 1, 2 and 3, Investment Priorities – 6, Specific Objectives – 1 and 2</p> <p>There are 3 degrees of vocational training, vocational qualification for a part of profession, and 7 degrees for training for acquisition of key competences, in compliance to Council of Ministers decree 280/2015 and European Qualifications Framework.</p> <p>Distance learning is not allowed on OP operations</p>	
A2. Definition of outputs/results	
<p>The condition is that all person-hours (periods) of a given participant in total reach not less than 80% of the length of the course set out in the documentation of the training course content and that participant has received a certificate of completion.</p> <p>The output indicator is “number of participants gained qualification upon leaving</p>	
A3. Beneficiaries	
Employers and training organizations.	
A4. Target group(s)	
Unemployed, employed and inactive people.	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	
The standard scale of unit costs has been defined by using a fair, equitable and verifiable method according to Art. 67(5)(a) and Art. 67(5)(c) of the CPR.	

The SCO is based on rates established at national level for training for vocational qualification, vocational qualification for a part of a profession and key competencies – National Employment Action Plan (NEAP) and Council of Ministers Decree (CMD) 280/15.10.2015.

B.2 Calculation Methods

Pursuant to CMD 280/15.10.2015 and NEAP 2016, the applicable rates for training for acquiring vocational qualification and training for acquiring key competencies are as follows:

1. Training for acquiring vocational qualification:
 - a. for first degree, with duration of not less than 300 training hours – BGN 600;
 - b. for second degree, with duration of not less than 660 training hours–BGN 1200;
 - c. for third degree, with duration of not less than 960 training hours– BGN 1800;
 - d. for part of a profession on first qualification degree, with duration of not less than 200 training hours–BGN 400;
 - e. for part of a profession on second qualification degree, with duration of not less than 300 training hours–BGN 600;
 - f. for part of a profession on third qualification degree, with duration of not less than 600 training hours–BGN 1,125;
2. Training for acquiring key competencies:
 - a. for training in key competence 1 – communication in the native language, with duration of not less than 16 training hours–BGN 70;
 - b. for training in key competence 2 – communication in a foreign language, with duration of not less than 300 training hours and three levels of training –BGN 700;
 - c. for training in key competence 3–mathematics competence and basic knowledge of natural sciences and technology, with duration of not less than 30 training hours– BGN 140;
 - d. for training in key competence 4 –digital competence, with duration of not less than 45 training hours–BGN 250;
 - e. for training in key competence 5–skill for learning, with duration of not less than 30 training hours–BGN 140.
 - f. for training in key competence 6 - social and civil competencies, with duration of not less than 30 training hours –BGN 140.
 - g. for training in key competence 7 - enterprise and entrepreneurship, with duration of not less than 30 training hours–BGN 140.

B.3 Data source

National Employment Action Plan (NEAP) and Council of Ministers Decree (CMD) 280/15.10.2015.

C. IMPLEMENTATION OF SCO

The unit cost of training covers all related costs as follows:

Cost for training materials, supplies /consumables/, insurance for vocational training, issuing a certificate of completed training, remuneration of teachers, social contributions, rental of material premises, as well as all administrative, overhead and other expenses, including expenses for the activities relating to the provision of trainings under the CDM 280 /2015 and National Employment Action Plan.

The employer/training organization will receive the value of training according to the standard scales of unit costs shown above only for individuals, who have successfully completed the training. Successfully completed training is a completed full course of training according to the approved training schedule and held final exams, if any, attested by a document for completed training and a minimum of 80 per cent attendance of classes

D. AUDIT TRAIL

For the purpose of proving the training and verification of declared expenses, the employer/training organization should present:

- List of participants;
- Training schedule;
- Attendance forms for every day of training, including information about the number of classes attended by every trainee in training;
- Questionnaires (incoming and outgoing) and micro-data table - participants;
- Certificates for successful completion of training.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The national AA was not involved in the preparation of the specific SCO, nor were audit checks carried out on operations with SCOs.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

An open call for proposal or an evaluation process is ongoing of schemes in which SCO will be used.

The expectations are:

- to simplify the evaluation process of the project proposals;
- to focus the verification process on the results achieved rather than checking documents on activities carried out.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

- What kind of checks should the MA perform to make reasonable assurance that the costs, declared by the Beneficiary, are correctly reflected in his analytical accounting system in case of SCO?;
- What kind of document should the Beneficiary submit to prove/declare that the costs are actually incurred in case of SCO?

H. LESSONS LEARNED AND POINTERS

An open call for proposal or an evaluation process of projects proposals is ongoing of schemes in which SCO will be used.

On this stage, no conclusions and recommendations can be drawn

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

Calls:

<http://esf.bg/procedures/bg05m9op001-1-021-obucheniya-za-zaeti-litsa/>

<http://esf.bg/procedures/gavkavi-vazmozhnosti-za-zaetost-i-obucheniya-v-predpriyatiya-s-promenliv-intenzitet-na-dejnostta-2/>

(EE-1) Estonia – 40% flat rate for childcare facilities

Name of the Institution	Ministry of Social Affairs
<u>TYPE OF SCO REPORTED</u>	Flat rate 40 % of direct personnel cost
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Creation of child-care places and supporting the service provision
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
The direct personnel cost of childcare teachers and co-teacher (helping teachers) is financed. From this personnel cost, 40 % is calculated to cover all other costs of the project (materials for teaching, equipment, rooms, music, sports lessons and project management costs).	
A2. Definition of outputs/results	
Number of child-care places created.	
A3. Beneficiaries	
In the 1st call: Local Governments; in the 2nd call: Local Governments, NGOs, companies. The final beneficiaries are children and parents.	
A4. Target group(s)	
In the 1st call Local Governments in the 2nd call Local Governments, NGOs, companies.	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	
Per one month we are covering from ESF support max following levels, additionally to that the co-financing is added.	
1) 938 euros per one main child-care teacher per one month (working full time)	
2) 602 euros per one co-teacher (helping teacher) per one month (working full time).	
The kindergarten can always pay a higher salary if they wish, but from ESF we are covering only according to the fixed max levels. The max limits have been set, taking into consideration of the average salaries of teachers in the kindergarten.	
We are covering the cost for up to 3 years, but each year the ESF support is decreased and co-financing should increase.	
1st year up to 85% ESF support next 12-24 months up to 75 % of ESF support and 25-35 65 % of ESF support.	
The project promotor should create at least 80 % of the places set in the law	
For small children (1-3 years) max 14 children can be in the group	
For children 4-7 years, max 20 children can be in the group	

In United group (different ages together) 18 children can be in the group.

To get the financing at least 80 % of the created places should be fulfilled with children (to proof that there should be available the service contract between parents and kindergarten)

B.2 Calculation Methods

In each kindergarten group, usually there are two main teachers and one helping teacher.

A new kindergarten group will be created (18 places for children at the age of 3.-6).

For those 2 teachers and one helping teacher will be hired. The total cost per year will be calculated in following way

Teachers' salary (for example 900 euros per months x 2 (teachers)x 12 months= 21 600

600 x 1 (helping teacher) x 12 months = 7,200

TOTAL 28 800

From the result, 40 % will be calculated to cover all other costs (11,520)

Total cost of the project 33 120

B.3 Data source

The contracts and payments of the teachers' salary.

To Creating new service places, the project promotor has to present with the first payment claim following documents.

1. The local authority's decision about the creation of new kindergarten or new places in the existing kindergarten, the training licence copy
2. If the new childcare service provider is created, the copy of activity permission should be added.

C. IMPLEMENTATION OF SCO

See Point B.

D. AUDIT TRAIL

Controlling the added copies to be sure that places are created, the payments of the salaries, the working contracts.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The projects have been audited by the AA

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

No need to prove small costs that are not avoidable while offering child-care services (for example beds, games, toys, pencils, pillows, toilet pots etc.).

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

How to design the rules to prove that child care places have been created.

H. LESSONS LEARNED AND POINTERS

Not so easy as it first seemed to be. As teachers are sometimes ill or participating in the trainings other teachers have to substitute them temporarily. And in this case, the problems will emerge (problems with contracts, calculating the costs proportionally). Salary calculating IT systems do not support that type of calculation method. Thus it means that for bookkeeping, there should be additional calculations in excel tables and it is not comfortable. An additional problem is connected that parents are also partly financing the child care places and it should be fixed as profit in the project and the ESF support should be decreased (if a project is over 50 000 euros) according to the structural funds' rules

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

The ministerial decree, which sets the exact rules, is available here <https://www.riigiteataja.ee/akt/120052017013>

(LV-1) Latvia – Unit costs for consultative support for enterprises

Name of the Institution	Ministry of Finance
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs + 15 % flat rate
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Consultative support for enterprises of high risk industries
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>Standard scale of unit cost in SO 7.3.1 project determined by the methodology is applied by the State Labour Inspectorate (hereinafter - SLI), institution which in compliance with the State Labour Inspection Law provides state supervision and control in the fields of labour legal relations and labour protection, and which is as a beneficiary in SO 7.3.1 project.</p> <p>Standard scale of unit cost is applied for assessment costs of SLI, in order to provide an assessment of enterprises of high-risk industries, which applied for consultative support:</p> <ol style="list-style-type: none"> 1. Pre-inspection and preparation of initial assessments (hereinafter – pre-inspection) (1 unit = 1 pre-inspection = 122.07 + 15% = 140.38 euro); 2. Post-inspection on introduction of recommendations proposed while receiving consultation support (hereinafter – post-inspection) (1 unit = 1 post-inspection = 122.07 + 15% = 140.38 euro). 	
A2. Definition of outputs/results	
<p>To justify the eligibility of a performance indicator and unit cost to carry out pre-inspections, the following conditions are taken into account:</p> <ol style="list-style-type: none"> 1. Enterprise is applied for support; 2. SLI has taken the decision on providing support to enterprises in the framework of SO 7.3.1. project; 3. The pre-inspection has been carried out in the enterprise and the initial assessment has been prepared. <p>To justify the eligibility of a performance indicator and unit cost to carry out post-inspections, the following conditions are taken into account:</p> <ol style="list-style-type: none"> 1. SLI has taken the decision on providing support to enterprises in the framework of SO 7.3.1. project; 2. The pre-inspection has been carried out in the enterprise and the initial assessment has been prepared; 3. the post-inspection has been carried out in the enterprise; 4. In the framework of 7.3.1 project assessment of the received consultative support has been carried out. <p>Copies of the justifying documents are enclosed to payment requests:</p>	

1. For justification of carried out pre-inspections: application of enterprises for getting support, decision of SLI for granting support, initial assessment;
2. For justification of carried out post-inspections: assessments of implementation of given recommendations made within given support.

A3. Beneficiaries

State Labour Inspectorate, enterprises

A4. Target group(s)

Target groups are:

1. Workers and employers, enterprises of high-risk industries that are economically active;
2. Occupational health and safety professionals;
3. State Labour Inspectorate officers and employees

B. METHODOLOGY AND CALCULATION METHOD

B.1 Methodology

Fair, equitable and verifiable method - Calculation of unit cost is based on substantiated information and data and it is based on SLI data of 2013, 2014 and 2015 on human and time resources, and additional costs (use of rates and specific methods enshrined in the regulation – 15% flat rate) necessary to provide one inspection carried out by SLI.

B.2 Calculation Methods

Calculation of unit cost is based on substantiated information and data and it is based on State Labour Inspectorate 3 year historical data for the same type of operations (average salary for one inspection = 3-year average salary for inspections / 3-year average number of inspections = unit cost).

B.3 Data source

State Labour Inspectorate 3-year historical salary data for one inspection and inspection total number in each year.

State Labour Inspectorate is under the Ministry of Welfare supervision. State Labour Inspectorate is governed by the State Labour Inspectorate law. Wages in State Labour Inspectorate are set in national regulation (Regulations of the Cabinet of Ministers).

C. IMPLEMENTATION OF SCO

The methodology determines the standard rate of unit cost applied to remuneration of SLI employee involved in the action and overhead expenses of one pre-inspection or post-inspection in one enterprise which applied for consultative support within SO 7.3.1 project according to the Regulations of the Cabinet of Ministers No. 127 of 1 March 2016 "Regulations for implementation of Operational programme "Growth and Employment" specific support objective 7.3.1. "To improve labour safety, especially in enterprises of hazardous industries".

Pre-inspections are carried out in enterprises of high-risk industries, which have not received free of charge assessment of work environment risks within EU funds before, and for which SLI adopts a decision for granting consultative support.

Post-inspections are carried out in enterprises of high-risk industries, for which SLI adopted a decision for granting consultative support and which received consultative support determined by initial assessments made during pre-inspections, e.g. consultations for employers on assessment of work environment risks, laboratory measurements, training.

D. AUDIT TRAIL

Copies of the justifying documents are enclosed to payment requests:

1. For justification of carried out pre-inspections: application of enterprises for getting support, the decision of SLI for granting support, initial assessment;
2. For justification of carried out post-inspections: assessments of the implementation of given recommendations made within given support.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The national audit authority has not been involved in preparation and assessment of the methodology.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

1. Less documentation for payment requests.
2. Fewer mistakes in salary calculation.
3. Not necessary to prepare payment approval documentation for indirect costs.
4. Faster payment request checks (focus on outputs/results achieved).
5. Faster money flow.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

Setting out the standard scale of unit costs was a very long and demanding process. At the beginning, it is complicated to define a unit and definition of outputs/results and documentation which will prove results. The second complicated part of the process was valid data collection.

H. LESSONS LEARNED AND POINTERS

If it is possible to use wage numbers in unit cost calculation which are defined in national regulations, all methodology development process isn't too long, because it is possible to use safe data for calculation. In this methodology, the responsible authority uses salary data from a national organization where salaries (maximum limits are set) are defined in national regulation and use EC defined 15% flat rate for indirect costs.

MA must make a decision without any before audited experience, and it cannot be predicted how these non-standard situations will be assessed by the audit authority in future.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

- Regulations of the Cabinet of Ministers No. 127 of 1 March 2016 "Regulations for implementation of Operational programme "Growth and Employment" specific support objective 7.3.1. "To improve labour safety, especially in enterprises of hazardous industries" - <https://likumi.lv/ta/id/280645-darbibas-programmas-izaugsme-un-nodarbinatiba-7-3-1-specifiska-atbalsta-merka-uzlabot-darba-drosibu-it-ipasi-bistamo>

- All documentation for project proposal - <http://cfla.gov.lv/lv/es-fondi-2014-2020/izsludinas-atlases/7-3-1>
- State Labour Inspectorate law - <https://likumi.lv/doc.php?id=177910>

(PL-1) Poland – Flat rates for financing indirect costs

Name of the Institution	Ministry of Investments and Economic Development
<u>TYPE OF SCO REPORTED</u>	Flat rate financing
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Indirect costs
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>Flat rate financing for indirect costs covers all operations financed by the ESF in Poland in the financial period 2014-2020 (i.e. national OP – Knowledge Education Development and 16 Regional Operational Programmes). There is no possibility to claim indirect costs on the basis of the real cost. Either there is a flat rate financing for indirect costs, or there is no indirect costs at all within an ESF operation. The only exceptions are projects implemented as financial instruments – in such cases, instead of indirect costs, management costs are eligible.</p> <p>It is applied in all Thematic Objectives and Investment Priorities of ESF interventions, except for:</p> <ul style="list-style-type: none"> • Projects implemented by the Public Employment Services (financed by the national Labour Fund), • Technical Assistance. 	
A2. Definition of outputs/results	
<p>In the case of indirect costs, they are claimed proportionally to direct costs incurred within the project with the use of an agreed flat rate. If the project is not implemented and does not achieve agreed targets, indirect costs are not eligible.</p>	
A3. Beneficiaries	
<p>All types of beneficiaries implementing ESF operations, e.g. NGOs, private companies, self-government units, state budgetary units.</p>	
A4. Target group(s)	
<p>Application of flat rate for indirect costs does not depend on target groups. All types of projects (and therefore all types of target groups) are covered by the SCO.</p>	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	
<p>Methodology for a flat rate for indirect costs was applied according to Art. 67(5) a) ii) – with the use of a fair, equitable and verifiable method based on the verified historical data of individual beneficiaries.</p> <p>The SCO has not been covered by Art. 14(1) EFS Regulation.</p>	
B.2 Calculation Methods	

Ministry of Economic Development analysed budgets of 2157 ESF projects from 2007-2013 financial perspective. The analysis of data was presented in the report: *Analysis of indirect costs and management costs within projects under Human Capital OP 2007-2013* (PL: *Raport z analizy kosztów pośrednich i kosztów zarządzania w projektach PO KL 2007-2013*). The link to the report can be found in Part I.

All financial data concerning management and administration of projects was analysed (a.o. staff costs, info-promo costs, purchase of equipment, collaterals) and put together in one Excel sheet. The idea was to calculate 5 flat rates depending on the value of the project (the higher the value of the project, the lower the flat rate) with the use of the collected data.

However, as there was a common understanding that in case of partnership projects, management and administrative costs are higher, there was a need to verify whether flat rates should depend on the project's implementation mode (single beneficiary, partnership projects). It turned out that the mode of project's implementation does not differentiate the level of management and administrative costs (what was surprising, the more partners implementing the project, the lower management and administrative costs). Therefore, this aspect was not taken into account while setting the final flat rates.

Special attention was also given in the analysis to the influence of outsourcing at the level of administrative costs in operations. In the previous financial perspective, outsourcing was deducted from the basis of direct costs (due to the EC remarks). However, it made the system of calculating the rates very complicated and burdensome. Therefore, the level management and administrative costs was verified within the projects with outsourced activities. The comparison of data between projects with outsourced activities and without outsourced activities showed that there were slight differences in the level of management and administrative costs (in the projects with the lowest total cost the management and administrative costs in projects without outsourced activities were 5,03 p.p. higher than in projects with outsourced activities). Therefore, the final flat rates were reduced by the amount of correction resulting from this analysis.

Finally, the level of flat rates was rounded down, so that there was no risk that it would be assumed as overestimated by the EC auditors.

B.3 Data source

Financial data analysed were taken from budgets of 2157 ESF projects from 2007-2013 financial perspective

C. IMPLEMENTATION OF SCO

Below mentioned implementation rules and conditions are set in the national *Guidelines on eligibility in projects financed by the ESF, ERDF and Cohesion Fund 2014-2020*.

Indirect costs cover all administrative costs connected with the project's implementation. The catalogue of indirect costs is open. It covers, among others:

- a) staff costs – coordination and other staff costs directly involved in management, monitoring, accounting, carrying out administrative tasks,
- b) renting of premises connected with project's administration,
- c) banking services,
- d) purchasing of equipment for staff connected with project's administration,
- e) electricity, heating, gas, water, sewage disposal connected with project's administration,
- f) postal service, telephone, Internet, courier services connected with project's administration,
- g) copying documents connected with project's administration,
- h) office supplies connected with project's administration,
- i) property insurance,

- j) costs of security,
- k) costs of cleaning of premises,
- l) costs of collaterals for advance payments.

There is no cross-financing within indirect costs.

No indirect costs can be included within direct costs. Therefore, during the assessment of a project application it is crucial to verify whether within direct costs there are no costs which constitute indirect costs. Moreover, at the stage of project's implementation, an institution before approving payment claims verify whether in the statement of incurred eligible expenditure there are no expenditures that constitute indirect costs.

There are the following flat rates applicable for indirect costs:

- 25% of direct costs – in case of projects with direct costs up to 830,000 PLN (app. 207,500 EUR)
- 20% of direct costs – in case of projects with direct costs between 830,000 PLN (app. 207,500 EUR) and 1,740,000 (app. 435,000 EUR)
- 15% of direct costs – in case of projects with direct costs between 1,740,000 PLN (app. 435,000 EUR) and 4,550,000 PLN (app. 1,137,500 EUR)
- 10% of direct costs – in case of projects with direct costs above 4,550,000 PLN (app. 1,137,500 EUR).

With an exception that in case of projects implemented by the public employment services (PES), flat rates are applied according to the national act on employment promotion, i.e. 3% of direct costs.

In case there is a standard scale of unit costs within a project, which comprises indirect costs, the basis for calculation for a flat rate for indirect costs is reduced.

The flat rate applicable to a given project is indicated in the financing agreement. There is also a provision that the intermediate body can reduce the flat rate in case of material breach of the financing agreement in project's management.

D. AUDIT TRAIL

In the case of flat rate for indirect costs, there is no need to provide any financial documents to claim indirect costs eligible. Flat rates – according to CPR – are treated as incurred expenditure if the direct costs (which are the basis for calculating a flat rate) are eligible and claimed within a payment claim by a beneficiary. An intermediate body verifies in the payment claim whether the flat rate was applied according to the financing agreement and whether the amount of direct costs was indicated correctly.

All financial corrections on direct costs influence (lower) the amount of indirect costs.

During on-the-spot checks, the verification is limited to direct costs i.e. implementation of activities, progress in achieving targets, documentation of the project, etc.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The audit authority has not been involved in the preparation nor assessment of the flat rates for indirect costs.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

For the Managing authority:

- positive: transparency of indirect costs, less irregularities, possibility to focus on results within projects
- negative: enormous workload connected with the analysis of financial data, problems in explaining the change of approach among control units (tendency to check invoices and other equivalent documents);

For the institutions involved in ESF management:

- positive: less administrative burden – fewer documents to be verified, fewer irregularities within management costs
- negative: problems in understanding the change of approach among controllers (tendency to check invoices and other equivalent documents);

For the beneficiaries implementing ESF projects:

- positive: possibility to focus on results within the project
- negative: flat rates for indirect costs are too low (beneficiaries often treat it as their income)

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

At the stage of calculation, the main challenge was to analyse data from 2 157 ESF projects (see p. B.2.).

At the stage of implementation, the main problem is connected with the application of flat rates in state budgetary units. Many accountants claim that it is not possible to apply flat rates in projects due to restraints resulting from the national accounting law. However, the analysis of legislative provisions shows that there are no obstacles in Polish law to apply SCOs. The only problem is the practice that accountants are used to. Therefore, there is a need for a change in attitude to the financial management of an ESF project.

H. LESSONS LEARNED AND POINTERS

It is indispensable to analyse the fact of outsourcing activities in order to have the system simple and transparent for the beneficiaries.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

Methodology for calculating flat rates (in Polish):

https://www.efs.2007-2013.gov.pl/analizyraportypodsumowania/documents/raport_2014.05.19_final.pdf

Guidelines on eligibility in projects financed by the ESF, ERDF and Cohesion Fund 2014-2020 (chapter 6.6 and 8.4 refers to indirect costs) (in Polish):

https://www.funduszeuropejskie.gov.pl/media/27633/Wytyczne_w_zakresie_kwalifikowalnosci.pdf

(ES-1) Spain – Unit costs – hourly staff cost (teachers)

Name of the Institution	Ministry of Labour and Social Affairs of Spain
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Standard scale of unit costs - hourly staff cost (teachers)
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
The aim of the operation to which the SSUC is applied is to support the cost of formal education and initial vocational training.	
A2. Definition of outputs/results	
Indicator definition is as follows: real hours taught (although SSUC is based on the total hours one course is planned, SSUC is multiplied by real hours taught –it means if any hours is not taught, it has to be discount of the final declaration). For part-time courses, a pro-rata can be claimed.	
A3. Beneficiaries	
Educational public bodies	
A4. Target group(s)	
Educational public bodies	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	
The standard scale of unit costs has been defined by using a fair, equitable and verifiable method according to Art. 67(5)(a) of the CPR.	
On the one hand, links to national legislation have been used to determine the value of the wage contribution for employees' participation in education and initial vocational training and on the other hand, links to Educational services declaration and school calendar setting out by Responsible Public bodies.	
B.2 Calculation Methods	
Taking into account standard scales of unit costs can be used to calculate all or part of the eligible costs of an operation on the basis of quantified activities, input, outputs or results multiplied by standard scales of unit costs established in advance; MA has defined the eligible costs calculated on the basis of a direct teaching staff costs per hour of teaching x number of real and effective taught hours. The cost per hour (cost of a taught hour) has been defined in advance by the managing authority. It has been calculated with the annual budgetary law (all teachers are civil servants and their salaries are public) and the educational law establishing all the arrangements for the courses (duration, pupils per course, training planning, etc...) and is shown in the document setting out the conditions for support.	
B.3 Data source	

A combination of data has been used:

- Legislation data for an hourly wage subsidy
- Educational services declaration and school calendar.

C. IMPLEMENTATION OF SCO

Projects can be implemented only by public educational bodies.

D. AUDIT TRAIL

Projects can be implemented only by public educational bodies.

Application has to be done with the funding application by the beneficiary (public educational body). MA/IB. As responsible for selecting operations, it has to launch documents setting out conditions for support with indications of the method to be applied for determining the costs of the operation and the conditions for payment of the grant.

The IO in collaboration with the education authorities, must have identified the selected centres and the actions eligible for the ESF. Likewise, they will be informed of the obligations to be assumed by the centre in terms of monitoring and control, as well as the dissemination and publicity of the ESF.

The funds are reimbursed based on the declaration of the number of real teaching hours (attendance sheets attached) in courses certified by the Director of the centre.

Time spent in the workplace cannot be claimed to ESF.

Considering a combination of simplified cost options are possible in accordance with Article 67(3) CPR, these options may be combined only in the following cases, in order to prevent any double financing of the same expenditure, they must each cover different categories of eligible costs; or they must be used for different projects in the same operation, or they must be used for successive phases of an operation.

Taking into account described operation is based on direct teaching staff costs, covering only one category of eligible costs, it is possible to use other options to calculate the rest of the eligible costs. MA has implemented the option of flat financing for other costs different than direct teaching staff costs.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The reimbursement of a unit cost is conditional on the certificate of attendance sheets attached.

Prior to the certification of actions under these Instructions, the intermediary organizations in collaboration with the educational authorities will carry out 100% administrative verifications of the actions and a sample of on-the-spot verifications

- In any case, verifications (in addition to guidelines on verifications requirements) at least will be verified
- Established amount of the unit cost schedule for teaching staff A1 and A2 (the have different SSUC), corresponding to the type of operation (Cycle or Program).
- List of execution centres of the actions, with an indication of the locality, a summary of the number of hours given by teachers A1 and A2
- - Amount of the eligible expenditure is to be certified once the unit cost has been applied

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

The process of calculating SSUC has been not difficult taking into account the amount comes from legislation (budgetary law and educational regulation); but, supporting documents to justify the quantities declare by the beneficiary has been and nowadays is a very huge administrative burden.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

Calculating on the basis of cost/hours and checking attendance sheets has not any advantage on simplification.

Although verifications and audits will be carried out in a different manner, on the basis of the calculation method used to set the simplified cost and not on the basis of supporting financial documents per project, checking all attendance (per hour, discounting hours not real taught) modify administrative burden from financial documents to attendance sheets documents, with no simplification

H. LESSONS LEARNED AND POINTERS

In addition to previous paragraph, lesson learnt is SSUC have to be based on, not only easily identifiable quantities, but also, quantities easily to check and follow audit trail.

Concerning SSUC defined in this operation, we have to evolve to the calculation of a SSUC on the basis of direct teaching staff cost, BUT, not checking all attendance sheets but also checking if the complete course has been taught. If so, SSUC will be multiply by all hours of the course.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

Guidelines to IB for calculating direct staff cost (and Annex) are available if requested.

(MT-1) Malta – Unit cost on training

Name of the Institution	Planning and Priorities Coordination Division (PPCD)
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Training aid
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>The <i>Investing in Skills</i> scheme is funded under Operational Programme II – <i>Investing in human capital to create more opportunities and promote the wellbeing of society</i>, Investment Priority 10iii – <i>Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences</i>, Specific Objective 1 – <i>Upgrading the knowledge, skills and competences of the workforce through increased participation in Lifelong Learning (LLL) including Post-Doctoral Studies</i>. The scheme will assist employers train their staff both locally and abroad to enhance the competitiveness of enterprises. The scheme will:</p> <ul style="list-style-type: none"> • Facilitate training of undertakings, including partnerships, companies, self-employed persons, family businesses, associations or other bodies, whether vested with legal personality or not, having an economic activity; • Increase productivity and enhancing adaptability in the local workforce; • Bridging the gap between current skills and any skills gap identified by employers; and • Increase social cohesion by enhancing the competitiveness of assisted enterprises. <p><i>Investing in Skills</i> is intended to promote access to the training of persons actively participating in the Maltese labour market, with a view to increasing productivity and enhancing the adaptability of the same workforce by improving the knowledge and skills of employed persons. This would enhance the competitiveness of enterprises but at the same time indirectly increase the employability of the workforce.</p> <p>The training envisaged under this scheme will cover both accredited training and unaccredited training.</p>	
A2. Definition of outputs/results	
<p>The IIS scheme will provide training aid to enterprises in Malta and Gozo to promote continuous education and training in the private sector. Companies will be able to submit applications on behalf of their employees for training, both in-house and external. The training aid will be in the form of subsidies on the employees' wages attending the training and the trainer giving the training.</p>	
A3. Beneficiaries	
Private enterprises.	
A4. Target group(s)	
<ul style="list-style-type: none"> • Micro / Small companies 	

- Medium sized companies
- Large companies

B. METHODOLOGY AND CALCULATION METHOD

B.1 Methodology

Methodology applied: *Fair, equitable and verifiable method*

Rate of €25 per hour to cover the cost of external training only for both accredited and non-accredited courses:

The source of the data used to establish these rates were the actual training costs incurred under the Training Aid Framework (TAF) scheme funded through ESF under the 2007-2013 Programming Period in Malta for non-accredited training only. Data used came from the first ‘phase’ of this scheme implemented between 2009 and 2013. The Maltese PES which implemented this scheme was the IB responsible for TAF. A study was carried out to establish the average cost of training funded under TAF. Given that data on accredited courses is still being gathered, the MA applied the same rate for non-accredited courses to accredited courses. The rationale behind this decision was that by definition accredited courses will entail trainers with higher qualifications and more teaching hours, therefore a higher cost overall. A Delegated Act application was submitted for this rate under Article 14(1) of the ESF regulation.

Methodology applied: *Use of rates and specific methods enshrined in the regulation or in a delegated act*

Rate of €4.90 per participant per hour to cover the participants’ wages (for both internal and external training) as well as the wage of the trainer for internal training only:

The national minimum wage for persons aged 18 years or over as of 2017 was applied, given that the national minimum wage sets the standard across the country for the lowest possible wage that can be given. This scheme intends to provide companies with training aid by subsidising the wage of the participating employees as well as any internal trainers giving the training.

B.2 Calculation Methods

Rate of €25 per hour to cover the cost of external training only for both accredited and non-accredited courses:

The source of the data used to establish these rates were the actual training costs incurred under the Training Aid Framework (TAF) scheme funded through ESF under the 2007-2013 Programming Period in Malta for non-accredited training only. Data used came from the first ‘phase’ of this scheme implemented between 2009 and 2013. The research focused on the number of persons receiving the same training per undertaking when looking at a Standard Scale of Unit Cost/s for training. The best scenario that lent itself to simplification and stayed true to the market in the reflection of the cost established, was a rate based on the number of employees per undertaking receiving the same training in line with the following:

	Number of cases	Average hourly rate per person
1 trainee	308	€48.36
2 - 5 trainees	333	€24.72

6 - 15 trainees	380	€13.89
More than 15 trainees	168	€8.27
Total	1,189	€25.06

The rate of €25.06 has been rounded down to €25 per person per hour for simplification purposes.

Rate of €4.90 per participant per hour to cover the participants' wages (for both internal and external training) as well as the wage of the trainer for internal training only:

The assumptions taken in terms of quality and quantities are in line with the national minimum requirements for wages.

The methodology for the hourly rate of €4.90 was as follows:

Rate of pay for trainees that are 18 years of age and over (in 2017):	Per annum
Basic wage - €169.76 x 52 weeks	€8,827.52
Statutory bonus payable June and December - €135.10 x 2 =	€270.20
Weekly allowance bonus payable March and September - €121.16 x 2 =	€242.32
Employer's share of National Insurance - €16.98 x 52 Mondays =	€882.96
Total gross pay plus National Insurance per annum =	€10,223
Hourly rate = Total gross pay plus National Insurance per annum divided by 52 weeks, further divided by 40 hours	€4.91

The rounded figure of €4.90 per training participant per training hour was chosen as the standard rate to be applied across the board, irrespective of the age of the training participant.

B.3 Data source

The rate of **EUR 25 per hour** to cover the cost of external training (only for both accredited and non-accredited courses) was based on the actual training costs incurred under the Training Aid Framework (TAF) scheme funded through ESF under the 2007-2013 Programming Period in Malta for non-accredited training only. Data used came from the first 'phase' of this scheme implemented between 2009 and 2013. The data was produced and collected by Jobsplus (previously known as the Employment and Training corporation) which was passed on to the National Commission for Further and Higher Education (NCFHE) for analysis. The latter were commissioned by the Managing authority to carry out a study to propose a standard scale of unit cost/s for the training aid scheme – Investing In Skills.

The rate of **EUR 4.90** per participant per hour to cover the participants' wages (for both internal and external training) as well as the wage of the trainer for internal training only was based on

Subsidiary Legislation (SL) 452.71 – *National Minimum Wage Standard Order*. Justification for the statutory bonus payments can be found at: <https://dier.gov.mt/en/Employment-Conditions/Wages/Pages/Bonus-and-Weekly-Allowances.aspx>. Rates for employers' social security contributions can be found at: <https://ird.gov.mt/services/sscrates.aspx>. Subsidiary Legislation 452.87 – *Organisation of Working Time Regulation* specifies the minimum and maximum working time. Article 8(1) states that *Every worker shall be entitled to paid annual leave of at least the equivalent in hours of four weeks and thirty-two hours calculated on the basis of a forty-hour working week and an eight-hour working day*. The 40 hr week is taken as the standard working week in Malta.

C. IMPLEMENTATION OF SCO

Eligibility check:

1. In the case of **non-accredited** training, the number of training hours is being capped up to 25, 15 persons per group. The IB will be keeping a database for all the training being delivered and claimed through IIS. Therefore, in the event that a trainer/training provider claims that they have given the same training to more than one Beneficiary undertaking at the same time, this will be flagged and investigated by the IB.
2. In the case of **self-accredited** training providers, including but not limited to MCAST and ITS, the training given by these institutions will be capped on the number of contact hours.
3. In the case of **accredited training**, the Intermediate body will be checking that the hours claimed are in line with NCFHE guidelines for that level rated course or the course prospectus for self-accrediting institutions. These will be checked between the training programme submitted by the applicant undertaking against NCFHE guidelines and/or the course prospectus for self-accrediting institutions on the basis of contact hours. The IB will also be checking that the participant nominated for training is legally employed with the applicant organisation. This will be carried out through the IB's (PES) database.
4. With regards to NI contributions, the IB may ask for a declaration from the employer stating that the payments related to the National Insurance for the participant have been paid if such claims are included for reimbursement. The same applies to trainers wages.

D. AUDIT TRAIL

The Maltese national audit authorities have not assessed these SCO ex-ante. However, they have been informed on the study conducted, related workings, SCO established and relevant implementation measures through their participation within the national Steering Committee on simplification measures.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The Maltese national audit authorities have not assessed these SCO ex-ante. However, they have been informed on the study conducted, related workings, SCO established and relevant implementation measures through their participation within the national Steering Committee on simplification measures.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

The Maltese national audit authorities have not assessed these SCO ex-ante. However they have been informed on the study conducted, related workings, SCO established and relevant implementation measures through their participation within the national Steering Committee on simplification measures.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

The standard rate of €25 is based on historical data. The raw data obtained was filtered for exclusions and this left the MA with a small albeit representative sample.

The national minimum wage is revised from year to year therefore the established rate may be revised. In this regard an adjustment method was included in order to be able to revise the year in line with national increases in the Cost of Living Adjustments as well as any revisions made to social security contributions, statutory bonuses and weekly allowances. Even though this rate is providing the minimal amount allowed by law, given that this is a state aid scheme, the intention is to incentivise the private sector with a subsidy.

H. LESSONS LEARNED AND POINTERS

These standard scales of unit costs are based on the use of timesheets which can at times be error-prone. This has resulted in SSUCs that are output based instead of result based. The MA is actively looking to avoid establishing future SCO that are solely input-based and move to a more result-oriented approach, even though at this initial phase, a potential mix of both input and result based SCO is likely to be the case.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

- With regards to accredited training, the study *Referencing Report: Referencing the Malta Qualifications Framework (MQF) to the European Qualifications Framework (EQF) and the Qualifications Framework of the European Higher Education Area (QF/EHEA)* published by the National Commission for Further & Higher Qualification in Malta (4th revised edition, February 2016) is available at <http://ncfhe.gov.mt/en/Documents/Referencing%20Report/Referencing%20Report%202016.pdf>
- The rates of inflation are published by the National Statistics Office and can be found at: https://nso.gov.mt/en/nso/Selected_Indicators/Retail_Price_Index/Pages/Index-of-Inflation.aspx.
- Any adjustments to the Statutory Bonuses and Social Security Contributions emanating from Chapter 452 of the Maltese legislation on the Employment and Industrial Relations Act are specified on the following two websites: <https://dier.gov.mt/en/Employment-Conditions/Wages/Pages/Bonus-and-Weekly-Allowances.aspx> and <https://ird.gov.mt/services/sscrates.aspx>

(FR-1) France – Unit costs for Youth Employment Initiative

Name of the Institution	Ministry of Labour, DGEFP
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Pathways to employment for young NEETs
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
Project: the French Youth Guarantee Scheme	
<p>A 12-month programme (pathway to employment) for young people neither in education, employment or training. It consists of:</p> <ul style="list-style-type: none"> • Advice and counselling, aiming at developing the young person's skills. This aspect is carried out by local public employment services. • A monthly financial allowance (up to € 452) for every young person, paid out by the State. <p>The Youth Guarantee Scheme may receive financial support from the Youth Employment Initiative (€ 37.4 million) and the ESF (€ 37.4 million)</p>	
A2. Definition of outputs/results	
<p>Result: the young person attended the full 12-month programme and the payment of the YEI support is conditional on the achievement of certain goals (→ «positive outcomes»): the young person enrolled for vocational training or studies; the young person starts a business; the young person is hired by a company; the young person spent at least 80 days in work-related situations during the 12-months programme.</p>	
A3. Beneficiaries	
<p>Beneficiary: the Ministry of Labour's Department in charge of promoting youth employment. The Department coordinates the local public employment services that implement the operation in the YEI regions.</p>	
A4. Target group(s)	
Young NEETs under 26	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	
<p>The standard scale of unit costs covers the costs of 1 participant in a 12-month programme. This amount takes into account both the costs related to the counselling activities carried out by the local public employment services and the costs of the monthly allowance to the young person.</p> <ul style="list-style-type: none"> • Counselling/support costs determined using article 67, (5), c. of the Common Provisions Regulation (1303/2013). Existing national scheme for similar types of operations and beneficiaries. • Financial support for the young person attending the programme is determined through historical data. 	

The standard scale of unit cost was covered by a delegated act under article 14 (1) ESF regulation: Delegated Regulation n°2015/2195.

B.2 Calculation Methods

- Counselling/support costs (€ 1 600 / person / year): determined using article 67, (5), c. of the Common Provisions Regulation (1303/2013).
- Financial support for the young person attending the programme (4 800 € / person / year) : determined by analysing the average costs of this allowance after two years of implementation

B.3 Data source

- Counseling costs: national regulation (instruction ministérielle du 11 octobre 2013 relative à l'expérimentation Garantie Jeunes prise pour l'application du décret 2013-80 du 1er octobre 2013)
- Financial support for the young person: analysis of the two first year's payment data.

C. IMPLEMENTATION OF SCO

The standard scale of unit costs covers the costs of 1 participant in a 12-month programme. This amount takes into account both the costs related to the counselling activities carried out by the public local employment services and the costs of the monthly allowance to the young person.

The payment of the YEI support is conditional on the achievement of certain goals (→ « positive outcomes »). There is no positive outcome if the young person has not completed the 12-month programme. Each type of positive outcome has to be proved by supporting documentation.

If there is no positive outcome for a young person, the incurred expenditure is excluded from the financing draft and not declared to the European Commission.

Rules set out in the Delegated Regulation n°2015/2195.

D. AUDIT TRAIL

The payment of the YEI support is conditional on the achievement of certain goals (→ « positive outcomes »). There is no positive outcome if the young person has not completed the 12-month programme.

Four indicators :

- The young person enrolled for vocational training or studies
- The young person starts a business
- The young person is hired by a company
- The young person spent at least 80 days in work related situations during the 12-months programme.

Each type of positive outcome has to be proved by supporting documentation.

The beneficiary (Ministry of Labour's Department for youth employment) collects and compiles the data from the local public employment services and issues the payment claim.

The Ministry of Labour's ESF Department performs the checks on the payment claim and declares the eligible expenditure to the EC.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

N/A

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

Benefits :

- Result-oriented procedure: Focus on the Youth Guarantee's objectives and goals rather than on justifying the incurred costs.
- Simplification: A national calculation method was used to determine part of the standard scale of unit costs (article 67, (5), c). The French authorities are reimbursed as soon as a young person has achieved one of the goals.
- Legal certainty is achieved through this procedure (upstream validation by the Commission)
- Flexibility: The beneficiary is not necessarily paid according to the method used by the Commission to pay the Member State.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

- The payment is conditional on a positive outcome. Hence the importance of carefully defining the goals to be achieved and the supporting documentation (easy to provide and of sufficient legal value). It turns out that the administrative burden to justify some of the positive outcomes is still high.
- The amount of support granted to this kind of operation should be high enough.
- Part of the standard scale of unit costs was determined using 2014 data. This kind of data needs to be available and the quality shall be sufficient, so as to enable a sound analysis. In the case of the French Youth Guarantee Scheme, the available data covered only one year of implementation. Due to this lack of available data, the amount of the standard scale of the unit cost was under-evaluated. This year, France asked the EC for a re-evaluation of the amount.
- It took 14 months for the delegated act to be published. It is, therefore, necessary to think ahead and start the procedure early enough.
- It took one more year to update the amount in a modified delegated act in 2017, so we couldn't use the new amount to declare expenditures in that year. It also seemed quite difficult to modify the expenditures' declaration afterwards even if guidance is provided.

H. LESSONS LEARNED AND POINTERS

The positive outcomes should be defined carefully. It is necessary to think ahead (are the supporting documents difficult to provide?). It is important to involve the implementing bodies, to make sure there will be able to provide the documents.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

N/A

(IT-1) Italy – Unit costs for integrated pathways to employment

Name of the Institution	ANPAL – National Agency of Active Labour Policies
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Job coaching
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>The aim of the operation is to design and activate job placement measures, supporting young NEET/unemployed people to start a work experience.</p> <p>To reach this goal is to provide support to the young NEET / unemployed targeted by the operation through several activities, e.g.: Identification of the most suitable job opportunities for the candidate, Promotion of profiles, skills and professionalism of youth people; Pre-selection; Access to identified measures; Assistance of the candidate in the access to the identified path and activation of the associated measures; Assistance of the candidate in the first phase of integration within the business; Assistance of the candidate in the definition of a possible training project; Assistance of the candidate in the identification of an appropriate contract (open-ended, fixed term, apprenticeship etc.).</p>	
A2. Definition of outputs/results	
<p>The recipient of the operation starts a job experience with one of the following types of contract: a) second level of apprenticeship or fixed-term or temporary contract for ≥ 12 months; b) fixed-term or temporary contract for 6-12 months; c) Open-ended contract.</p>	
A3. Beneficiaries	
<p>Employment Services and other entities authorised and/or accredited to employment services pursuant to Legislative Decree n. 150/2015.</p> <p>Services may also be provided under subsidiarity, in agreement with the Region/P.A. interested.</p>	
A4. Target group(s)	
Young NEET; Unemployed people	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	
<p>The standard scale of unit costs has been defined by using a fair, equitable and verifiable method according to Art. 67(5)(a) of the CPR.</p> <p>The standard scale of unit costs has been covered by a Delegated Act adopted under Art. 14(1) ESF.</p>	
B.2 Calculation Methods	

The calculation of the SCO (as cost per hour) was made through a combination of a simple and weighted average of regional SCO used for similar operations (see point B.3) updated as at 2014. The adjustment of regional values was made by using the FOI index (consumer price index).

In order to ensure the robustness of the calculation of the national Standard Cost identified, the values of regional SCO considered as “extreme” were eliminated. This elimination was made without taking into consideration the SCO of the two Regions with the highest and the lowest values within the calculation.

The national SCO (as cost per hour) so identified was multiplied for the number of hours provided for the carrying out of the activities. The number of hours needed for the carrying out of the activities was identified according to the profiling of the young NEET / unemployed targeted by the operation and to the employment result achieved (see point B.3). This calculation led to the identification of 12 different SCOs, as a combination of different profiling levels (4) and different types of contract (3), directly linked to the result expected by the operation.

B.3 Data source

To define the cost per hour value of the activity, useful to identify the total value of the SCO linked to the employment result achieved, has been taken SCO used from similar operations in the programming period 2007 – 2013 by several Italian Regions: Abruzzo, Basilicata, Emilia-Romagna, Friuli Venezia Giulia, Lombardia, Marche, Piemonte, Veneto. To ensure the robustness of the Regional SCO, regional databases used for their definition were analysed. If necessary, databases were corrected of any detected error. The use of data taken by these Regions has ensured a good level of national representativeness for the entire methodology.

To define the number of hours needed for proper service delivery, diversified according to the profiling of the recipient of the operation and to the employment result achieved (e.g. the type of contract), has been considered the Decree 8617/2013 of the Lombardy Region.

C. IMPLEMENTATION OF SCO

After the registration to the program and after being taken in charge, recipients can access different employment paths (e.g. training, self-employment, etc.). In the case of job coaching, the employment services (or other authorized or accredited entities) actively assist the young / unemployed in job searching, providing support in: the enhancing of the owned experiences/know-how; the identification of the best career path given the recipient's profile; the increase of the skills needed to cover the job desired. Once these services have been performed, on the basis of parameters described in point B.3, to obtain the recognition of the SCO, the service provider will only need to show the documentation attesting the class of profiling of the recipient and the copy of the employment contract or the copy of compulsory communications attesting the employment contract activation and the type of contract activated. The SCO will be recognized in a different value depending on the different combination of these two variables (see point b.2).

D. AUDIT TRAIL

Regional and/or national units in charge of controls under their relevant procedures carry out the verifications. Verifications accompany the entire lifecycle of the operation and are divided into: on desk, entailing administrative-documentary verifications of the operation, and *in loco*, aimed to the physical and financial control of each operation, made on a sample basis. These verifications guarantee a timely assessment of the quality of operation.

In particular, the documentation to be produced for the purpose of on desk controls is the following:

- service pact signed by the recipient and by the services in charge and/or centralized taking in charge implemented by the Central Administration, that specify the class of profiling of the youth;

- copy of the employment contract or copy of compulsory communications or any other documentation attesting the notification of the employment contract activation (if applicable).

In loco verifications are performed on a periodic basis and must evaluate the validity of the operation as a whole and all the relevant documentation, even beyond documentation foreseen for on desk controls.

Administrative verifications are included in the national and regional information systems guaranteeing the registration of data and of the outcomes of controls.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

Managing authority has defined the SCO for NOP YEI without consulting any other Authority, as it is not expected. However, the audit and certification authorities were promptly informed of the possibility of using SCO for the PON 2014-2020 and of the adoption of the SCO with Delegated Act under Art. 14(1) ESF.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

- Verifications carried out by the MA are focused on outputs/results achieved – by setting out rules for documenting units attained, the MA has decided to focus on the achievement of policy objectives instead of being concentrated on collecting and verifying financial documents;
- An assurance on the goodness of the methodology used to define the SCO, that will not be audited by Commission after the submitting of the expenses;
- Less documentation required from beneficiaries to obtain the reimbursement of the expenses, since it is only necessary to certify that the expected output has been reached.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

- Issues were faced in setting out the standard scale of unit costs. The process has been lengthened because of difficulties in the negotiation with the European Commission, which has led to misunderstandings about the methodology and data used for calculation. Once these problems have been solved, further delays have been due to the difficulty in the process of regional databases collection and their verification, carried out with the aid of the European Commission.
- Difficulties for non-PA service providers in understanding the way of implementation of SCOs. These difficulties are strictly linked to the attitude still focused on a real costs accounting

H. LESSONS LEARNED AND POINTERS

Many of the problems faced in SCO definition were linked to the launch of the process by the MA without speaking previously with the EC for show the intent of request the adoption of a delegated act.

Since the early stage of the process, better attention in the sharing of information with the EC on how the cost will be defined and on the quality of databases used could have led to a significant reduction in the approval timing of the Delegated Act itself. Indeed, without such sharing of information, the entire process, since the first submission of the fiche to the EC, has taken two years, leading to several delays in the implementation of the SCO.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

Calculation methods, documents submitted to the Commission – fiches submitted to the Commission, including annexes with regional databases used to calculate the SCO are available at the request

(BE-1) Belgium Flanders – Lump sum for preparatory phase

Name of the Institution	Department Work & social Economy (DWSE – AESF)
<u>TYPE OF SCO REPORTED</u>	Lump sum
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Preparatory phase of transnational project
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>The operation is a preparatory phase (period of 4 months) of a transnational project.</p> <p>Transnationality is part of the priority axis 5 of the Flemish Operational Programme for ESF. This priority axis focusses on social innovation and transnationality (both in the common framework and in the flexible approach).</p> <p>After the approval of the project idea, organizations can fine-tune the forwarded societal challenges in an additional preparatory phase.</p> <p>Two objectives apply for this phase.</p> <ul style="list-style-type: none"> • A first objective states that project promoters should fine-tune and elaborate further the societal challenge which they have described in the project idea. • A second objective consists in the fact that promoters should look for Flemish and transnational partners to jointly tackle the societal challenges. The partnership should at least consist of one Flemish and one transnational partner. 	
A2. Definition of outputs/results	
<p>The output of this phase is a report, in which prospective studies as regards partnerships as well as the content are laid down.</p> <p>Moreover, a description of the partner search in one (or several) European member states / and in Flanders is added.</p> <p>One has to check whether the desired products, tools, etc. provide an answer to the defined challenge that the project is tackling. The product <i>as such</i> does not have to be a part of this report yet.</p> <p>The report might as well conclude that no good products/methods/measures can be detected in other countries, no partners have been found or the subject cannot be taken up in the desired partnership. If this turns out to be the case, the project ends after the preparatory phase.</p>	
A3. Beneficiaries	
All beneficiaries (public or private) are able to set up the actions required	
A4. Target group(s)	

The target group are service providers in the labour market.

B. METHODOLOGY AND CALCULATION METHOD

B.1 Methodology

The SCO has not been covered by Art. 14(1). Use of historical data (MA). Preliminary approval by the AA.

B.2 Calculation Methods

The lumps sum is 15.000 EUR for four months. To receive approval from the audit authority in Flanders, for using the lump sum, ESF Flanders needed to make a calculation based on the experience of similar projects run by ESF Flanders.

In the calculation following aspect have been taken into account:

Motivation of estimated workload

The motivation of the workload (0,55 FTE during 4 months) can be calculated as follows:

1. Literature study (4 days)
2. Talks with critical friends, experts, ESF (2 days)
3. Search for transnational partners (4 days) + visits and cross-border travelling (2x3 days)
4. Search for Flemish partners + travelling + introductory talks (6 days)
5. Brainstorming, designing project, fine-tuning with all of the partners (10 days)
6. Writing down and editing (8 days)

IN TOTAL: 40 days. This equals 0.55 FTE (39.6 days) divided over four months.

Motivation of operational costs and overhead

Apart from time investment, operational costs and overhead are included in the lump sum:

1. Travels abroad + meeting costs
2. Travels in Flanders + meeting costs
3. Costs to collect material (content / translations / etc.)

B.3 Data source

The data source is internal reports and experiences by the MA

C. IMPLEMENTATION OF SCO

The result of the preparatory phase should be a report with relevant content, which contains at least the following sections:

Obligatory Sections for the report in order to be eligible for lump sum financing:

1. Description of the challenge/practice on the Flemish labour market and necessity for transnational collaboration (added value) regarding the subject;
2. Description of the problem/challenge in the consulted countries and how the experiences can be integrated in the project;
3. Presenting the own organization and the consulted partner(s), both Flemish and transnational ones;
4. Motivating of the 'common interest' and potential 'conflicts of interest';
5. Describing of the objectives for the respective partners;
6. Explaining project activities concerning content
7. Planning with:
 - a. role and responsibilities of each partner;

- b. time schedule and respective phases;
- c. milestones;
- d. evaluation.

Assessment of report for start-up of phase 1

The report sections mentioned under point 1 of the report are decisive to apply for lump sum financing and concern efforts. Consequently, these efforts will be assessed as regards their content in order to start phase 1.

Phase 1 can be started up as soon as the 7 sections have also been assessed positively as regards the **content** according to the assessment criteria regarding the content for the desk and partner search report. A project has to find at least one Flemish partner with which a partnership agreement is signed and at least one transnational partner, with which the TCA is signed.

Phase 1 does not start if the deepening and the finding of partners goes wrong. In that case, the lump sum can be paid, but it will not be possible to continue the project.

D. AUDIT TRAIL

The reports are archived in the archiving system of the MA.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The audit authority was involved in the *ex ante* assessment of the SCO.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

The added value for the MA by using a preparatory phase and a lumps sum is that we receive qualitative better projects and that the control of the lump sum goes relatively smoothly with not much administrative work. For the beneficiaries, it is an added value that they receive an amount of money that they can use to prepare their final project proposal. This is already a big plus for them. But also the fact that they can use a lump sum for that has been welcomed in a very positive way.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

The only challenge was to get the lump sum approved by the audit authority, so at the beginning, the workload was high for the MA to build up the case. Once the lump sum was approved, the project promoters were very positive about the fact that they could use a preparatory phase with a lump sum.

H. LESSONS LEARNED AND POINTERS

The lumps sum for the preparatory phase has been welcomed very much. It is important though to make a realistic calculation of the lump sum and to set clear goals which have to be reached by the project promoters. If that is clear the project promoters can only benefit from such a lump sum.

So, it was good that we took our time to prepare this in an efficient way. Till now, the feedback on the lump sum and the preparatory phase is very positive.

The audit authority asked that the MA would do an evaluation with the project promoters to see if the lump sum of 15.000 EUR was reasonable. This process is ongoing but will give us enough material to evaluate the lump sum.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

None

(NL-1) The Netherlands - Unit cost for training & coaching of prisoners

Name of the Institution	Agency of the Ministry of Social Affairs and Employment
<u>TYPE OF SCO REPORTED</u>	Unit costs
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Activities aimed at labour market activation to detainees, such as training and coaching of prisoners.

A. PROJECT DESCRIPTION**A1. Description of the type of operation**

The activities during the intervention period can consist of different activities like labour orientation, job search skills, social and communicational skills, vocational education and training labour market or basic training. All focused on reducing the distance to the labour market.

The direct costs of this operation consist of procurement of education and training, books, clothes, tuition fees and so on.

A2. Definition of outputs/results

Period of intervention during the detention of the detainees. This is the number of calendar days from the start of the intervention (the date the intake takes place) until the moment the participant exits the intervention.

A3. Beneficiaries

The only beneficiary is the Ministry of Security and Justice.

A4. Target group(s)

- Detainees in the sector Prison Services.
- Detainees in forensic care (Forzo)
- Juvenile offenders

B. METHODOLOGY AND CALCULATION METHOD**B.1 Methodology**

Participants are selected when they meet the minimum criteria

If the participant meets the minimum criteria, the responsible case managers will make an individual plan for the intervention (trajectplan). In this individual plan, it is also taken into account (partly professional judgement) the following criteria: the employment opportunities in the labour market, motivation for the intervention and the behaviour record.

In order to verify the total number of calendar days of intervention per participant that will be declared, the evidence can be found in the participant files. The different detention institutions keep separate files for each participant. Next to demographic and regular information, information is collected about the intervention activities of the detainees.

When, according to the judgement of the case manager, the detainee is a promising participant in the ESF Project, the case manager starts the intervention by performing an intake and filling out an intake form. In this intake form, various data is collected, amongst others, the date of the

intake (intervention starts directly after the intake) and the arrangements which are made for the participants and the steps needed to achieve the best possible result (a paid job, a certificate of a training, etc.). These arrangements and foreseen steps for the participant are included in an individual intervention plan (trajectplan). The file of the participant is updated every 3 months and also when milestones are achieved.

When the intervention for the participant ends an “exit form” is filled out and the intervention file is closed. The exit form will be dated on the day the intervention is terminated.

The number of calendar days between the starting date of the intervention (the date of intake on the intake form) and the exit date from the intervention (on exit form) determines the number of days in intervention for the calculation of the standard costs (Q).

The main reason for closing a file is usual the ending of the prison sentence. We choose to calculate with the number of calendar days of the whole period of intervention because this is a simple way based on the information available (historical data).

B.2 Calculation Methods

Based on two declarations of the applicant the total costs of the whole project has been calculated and divided by the total number of days of the intervention period. This has been done for the three different target groups and therefore, three different prices are calculated.

B.3 Data source

Historical data. Data produces by the applicant (DJI) in their final declaration of the years 2014 and 2015. These numbers have been checked by the MA and the declaration is incorporated in the costs declared to the EC and thus subject to the audit (on a sample basis) by the AA.

C. IMPLEMENTATION OF SCO

The SCO can be implemented in the year 2017. The applicant had to check whether all institutions are ready so that all participant files will meet the agreed minimum criteria. Besides the minimum criteria also extra on the spot checks are done to ensure the collected data is correct. Finally, the internal audit department will check the ESF procedure once a year.

D. AUDIT TRAIL

In the final declaration, the calendar days of the intervention period per institution are reported. The calendar days of the intervention period per participant will be checked by the MA by means of a test sample. Selected files are checked on the following criteria:

1. The minimum criteria (age and less than four years of sentence to go)
2. The detainee is in one of the institutions in the sector prison services based on the individual court judgment
3. The intake form and individual plan
4. The quarterly updates (each quarterly update their should be at least one activity)
5. The exit form
6. The reported number of days

Finally, the AA can in their audits, pursuant to art. 127.1 of 1303/2013, check the correct application of the standard unit costs. (PxQ)

Extra checks to ensure the right procedure is followed:

Apart from the case manager the ESF project leader of the institution signs the intake and exit form and checks if all the requirements are met.

The administrator of the detention institution gathers the information monthly and prepares lists with the number of calendar days of intervention. These lists are provided once a month and also signed by the ESF project leader of the institution.

The signed lists and the related files of the participants are collected by the “ESF bureau²⁹” each month. The ESF bureau is responsible for the administration of the whole ESF-project and the preparation of the ESF-declaration. The ESF bureau checks the information in the lists with the files of the participants.

The files of all institutes are then combined by the ESF-bureau. Once a year an employee of the ESF bureau will do a on the spot check at the participating institutions and take samples and will verify if the collected data are correct and if the participants files meets the minimum requirements and report about this. This whole ESF-procedure and the compliance with this procedure is checked by the department ‘Audit’ of the Directie Audit en Concern control’ of DJI once a year.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The audit authority is involved in the process of developing this DA by means of the weekly progress meeting. In these weekly progress meetings, the MA and the AA discussed the development and arrangements of this DA together with a representative of The Ministry of Social Affairs and Employment. Also, the AA will review the figures on which this SCO is based.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

Added value for the beneficiaries is that the administration is less complex—no need to fill in timesheets and keep separate files on the other expenses. Much of the needed information for this DA was already available in the participant files.

Added value for MA and AA is that the verification and audit can be much quicker because of less separate administration.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

N/A

H. LESSONS LEARNED AND POINTERS

Two main lessons:

1. Always involve the beneficiary when you construct a SCO.
2. Always involve the AA
3. Agree upon the way the verifications from the MA and the audit from the AA is done. Agree upon what supporting documents the beneficiary need to keep.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2016.133.01.0001.01.ENG&toc=OJ:L:2016:133:TOC

²⁹ ESF Bureau is a department of DJI responsible for the administration of the ESF projects and the collection of data from the different institutions.

(LT-2) Lithuania – Unit cost for vocational training

Name of the Institution	European Social Fund Agency
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Unit cost for vocational training of unemployed people
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>The operation is designed for integration of the unemployed people into the labour market, i.e. to enhance employability of the unemployed people by active labour market policy measures, which are designed to provide or improve the professional qualification of the unemployed people, to develop practical skills, to encourage territorial mobility and to increase the motivation of the unemployed people to learn and to seek for job as well.</p> <p>Support is given for vocational training under the formal vocational training programmes, which are listed in the official register of study, education and qualification programs, or non-formal vocational training programmes, listed in the official register of non-formal education programs.</p>	
A2. Definition of outputs/results	
<p>The unit is the unemployed person who has successfully completed vocational training. The unit costs differ for: long-term formal training (from 184 days and more), medium-term formal training (from 97 days to 183), short-term formal training (up to 96 days) or non-formal training.</p>	
A3. Beneficiaries	
<p>The only beneficiary is the Lithuanian Labour Exchange (LLE) under the Ministry of Social Security and Labour.</p>	
A4. Target group(s)	
<p>Unemployed people registered with LLE.</p> <p>The priority is for those unemployed people who confront difficulties to integrate into the labour market: long-term unemployed people (unemployed people up to 25 years, who are unemployed more than six months, and unemployed people above 25 years, who are unemployed more than 12 months), unemployed people over 54 years, disabled people, who can work, unqualified unemployed people.</p>	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	
<p>Fair, equitable and verifiable method.</p> <p>The unit cost is to be covered by a Delegated Act adopted under Art. 14(1) ESF.</p>	
B.2 Calculation Methods	
<p>In accordance with the Republic of Lithuania Law of the Employment (21th of June 2016 No. XII-2470) Article 37 the total direct cost of vocational training for the unemployed people depends on</p>	

the rates determined by the legislation and consists of five different components: costs on vocational training services, vocational training scholarships costs, travel expenses to the place of vocational training and back, accommodation costs, costs on compulsory health screening and vaccination against infectious diseases.

Each component was analysed separately on the basis of historical data of six projects:

- The historical data of vocational training services was clustered (the segmentation model) by using a Two Step algorithm and vocational training costs were divided into four groups according to the type of training (formal and non-formal) and the duration of the training – average values of vocational training costs for each group were calculated from historical data.
- As it is set in the legislation the scholarship directly depends on the duration of training program in months, minimum monthly salary and coefficient for the vocational training scholarship stated in the Republic of Lithuania Law of Employment Support. Average vocational training duration in months per person was calculated from historical data separately for each group indicated above. According to the Law on the choice of the unemployed participant (who is on unemployment insurance benefit) the vocational training scholarship may be replaced by an allowance in the size of an unemployment insurance benefit (hereinafter – UIB). The influence of this factor on the scholarship component has been assessed as well.
- As it is stated by the Law the travel expenses of unemployed people are paid according to a route specified in the person's application and 1 kilometre tariff approved by Ministry of Social Security and Labour of the Republic of Lithuania. The average number of kilometres travelled during the training period per participant has been calculated from historical data separately for each of the four groups indicated above.
- Average accommodation costs per participant were calculated from historical data separately for each of the four groups indicated above.
- Average costs of health screening and vaccination against infectious diseases per participant were calculated from historical data.

In accordance with The Application of Flat rate to Indirect Project Costs Scheme (Order of the Minister of Finance, 8 October 2014, Order No 1K-316 "On the projects administration and financing regulation approval") the sixth component of the indirect project costs was added to the unit cost of vocational training.

The total value of a unit cost was calculated by adding the values of the six components.

B.3 Data source

A combination of data has been used:

- historical data of six projects for vocational training services cost, vocational training scholarships costs, travel expenses to the place of vocational training and back, accommodation costs, costs on compulsory health screening and vaccination against infectious diseases. Two projects were implemented in the 2007-2013 programming period and four of them are implemented in 2014-2020 period. Historical data has been collected and used from March 2012 to May 2016 (i.e., four years and two months period);
- legislation data for minimum monthly salary;
- legislation data for training scholarship coefficient;
- legislation data for 1-kilometre tariff fee;
- legislation data for indirect costs flat rate.

C. IMPLEMENTATION OF SCO

The beneficiary will be paid on the basis of the unit cost after reporting the number of participants who have successfully completed their vocational training program by applying one of the four unit costs depending on the type and duration of the program completed.

Successful completion of the training has to be verified by the certificate issued (certificate of acquired qualification in formal education or certificate of competence in non-formal education). Exceptions determined by the legislation are allowed: death, illness, injury, pregnancy of the participant etc. In these cases, costs will be reimbursed on pro-rata basis and verification of the above-mentioned cases will be made by the alternative documents set out in the national law.

Additionally, as an eligibility criterion, the conditions of the tripartite agreement between unemployed participant, employer and territorial labour exchange or bipartite agreement between unemployed participant and territorial labour exchange should be fulfilled in a period of 6 months after completing the training (i.e. the participant should be employed or engage himself/herself in the individual job activity).

D. AUDIT TRAIL

For reimbursement a participant must meet all target group requirements, receive a certificate of acquired qualification (in formal education) or competence (in non-formal education), conditions of vocational training agreement and vocational training coupon must be fulfilled.

By performing the administrative review ESF agency will verify that all documents and expenditures related to unit costs are eligible. ESF agency will perform desk-based verification with every payment claim provided by LLE. The administrative verification will be carried out based on sample of participants using the methodology in line with the chapter 1.7 of the Guidance on management verifications (EFESIF_14-0012_02 final).

Desk-based verification consists of:

- verification of the list of unemployed participants who had successfully completed the training;
- verification whether participant meets all the target group requirements (data dump from LLE database);
- verification of start date and end date of training according to the vocational training coupon or agreement;
- verification of type of trainings according to the vocational training coupon;
- verification of successful completion of training – receiving of the certificate;
- verification of the tripartite/bipartite agreement conditions of employment fulfilment (data dump from LLE database);
- verification whether for each successful participant the three underlying documents are available;
- verification of the documents in a case of exceptions (death, illness, injury, pregnancy of the participant, etc.);
- verification of the calculations made by LLE for reimbursement;
- verification of the indicators to be reached according to the requirements stated in the call for proposals and the Operational Programme;

By performing the sample testing ESF agency will carry on-spot checks once a project, these checks include:

- verification of original documents and expenditures according to check list;
- verification whether participant meets all the target group requirements (is unemployed when starting training and is in LLE database of unemployed persons, and etc.);
- verification if participants are attending training as it is agreed.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The representative of the national Audit authority has been included in correspondence with EC on drafting the unit cost. No official opinion has been received from the audit authority.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

1. The process of submitting project applications has been simplified – applicants fill in the application form based on standardised units.
2. The evaluation of the application process has been simplified and standardised.
3. Administrative verifications (both desk-based and on-spot) are focused on outputs and results achieved instead of detailed verification of financial documents.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

Establishing the unit cost was a challenging process, which required rigorous data collection, validation and analysis. Finding applicable methods and getting approval from European Commission was also a demanding process.

H. LESSONS LEARNED AND POINTERS

Knowing other member states practices in setting out the standard scale of unit costs before calculating and developing standard scale of unit costs would be very useful and may alleviate the process.

Though negotiating with the European Commission to cover standard scale of unit costs by a Delegated Act adopted under Art. 14(1) ESF was a challenging process, but it was also a very helpful – remarks of experts were useful in determining applicable method.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

Calculation methods, documents submitted to the Commission (fiche including annexes) are available at the request.

(CZ-1) Czech Republic – Unit costs for training of employees

Name of the Institution	Ministry of Labour and Social Affairs of the Czech Republic
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Professional training of employees
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>The aim of the operation to which the standard scale of unit costs is applied is to support further professional training of employees. The MA has prepared seven different activities based on the types of courses that fall into these activities. These activities are: General IT, Soft and managerial skills, Language training, Advanced IT, Economic, legal and accounting courses, Technical and other professional training, and Internal lecturer. Courses included in the first six activities can only be delivered by external training providers. Courses led by an internal lecturer (by an employee of a beneficiary or a partner) fall into the activity Internal lecturer and cannot be included in any other activity. Each activity is defined by the focus of training courses that fall into it.</p> <p>Training means exclusively full-time education in the classroom or in the workplace with the participation of a lecturer (or coach/instructor). The activity is not intended for any form of distance learning.</p>	
A2. Definition of outputs/results	
<p>Indicator definition is as follows: the unit in the activity is the is employee participation in further training (course) of 60 minutes (i.e. person-hour) or 45 minutes in case of the activity Language training (i.e. period), while the focus of the course must fall within the definition mentioned in the list of courses in this activity and it must be a course provided by operators that are different from the beneficiary or its partners (in the project). Courses led by an internal lecturer (by an employee of a beneficiary or a partner) fall into the activity Internal lecturer and cannot be included in any other activity.</p> <p>Furthermore, the condition is that all person-hours (periods) of a given participant in total reach at least 70% of the length of the course set out in the documentation of the training course content and that participant has received a certificate of completion.</p> <p>The unit of measurement for the indicator is the number of completed hours per employee.</p>	
A3. Beneficiaries	
NGOs, private firms, sole traders, professional associations	
A4. Target group(s)	
Employees	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	

The standard scale of unit costs has been defined by using a fair, equitable and verifiable method according to Art. 67(5)(a) of the CPR.

Links to national legislation have been used to determine the value of the wage contribution for employees' participation in training.

The standard scale of unit costs has been covered by a Delegated Act adopted under Art. 14(1) ESF.

B.2 Calculation Methods

The basic value of the unit cost is equivalent to the direct cost of the actual performance, i.e. the full-time training courses. This price is determined on the basis of a survey of prices in the course market.

The cost of the direct performance is increased by other costs directly related to training within the project. These costs are indirect costs, which are project administration costs and other overheads costs. Indirect costs are calculated as a rate of direct cost of performance and wage contribution for employee participation in training. The rate of indirect costs has been determined on the basis of an analysis of data from grant projects supported in Priority Axis 1 Adaptability, OP HRE. The analysis included a total of 218 completed projects. Indirect costs data were drawn from a take-up overview from the final project monitoring report.

The unit costs also included wage contribution for employee participation in training in the amount of hourly minimum wage and mandatory social security and health insurance contributions paid by employers.

After adding up all the components, the total value of a unit cost was calculated.

B.3 Data source

A combination of data has been used:

- historical data from similar projects in programming period 2007 - 2013 for staff costs and indirect costs;
- market research for external training costs,
- statistical data (salaries) for internal training costs,
- legislation data for an hourly wage subsidy.

C. IMPLEMENTATION OF SCO

Projects can be implemented only by beneficiaries or in cooperation with project partners or other involved subjects. Involved subjects are not specified in a project application form and they enter the project during its implementation.

Applicants indicate in an application form which activities will be carried out within the project. For the activities selected, a planned number of person-hours (or periods) to be achieved shall be given.

The funds are reimbursed based on the declaration of the number of actual person-hours (periods) in completed courses. Completed course means the completion of training of one person in one topic or of one level of one topic.

Costs will be reimbursed based on the certificate of completion with attendance sheets attached. The actual number of hours must be indicated for each person. For each course, which has been

realised in the project, a beneficiary must have the documentation of the training course content. Only actual person-hours of participants who completed at least 70% of the planned course hours are eligible for reimbursement. The planned course hours are given in the documentation of the training course content (syllabus/annotation/programme/accreditation). 70% of the planned attendance is required for a certificate of completion to be issued. If a participant fails to reach at least 70% attendance, the unit cost will not be reimbursed. A certificate of completion must be presented for every course participant. The certificate of completion must specify that the course was completed by a test of knowledge and skills (in line with the documentation of the training course content).

D. AUDIT TRAIL

The reimbursement of a unit cost is conditional on at least 70% of the planned attendance and the issuance of a certificate of completion, which must indicate that the course was completed by a test of the acquired knowledge and skills. Concerning courses delivering certification required for the performance of specific activities or meeting statutory conditions, it is necessary to demonstrate that they were completed by the acquisition of the relevant certificate.

The above-mentioned documents (attendance sheets and certificates of completion) are always delivered together with a project implementation report for the specified period in which the courses (including the related tests and knowledge verification) were completed. Annexed to the project implementation report is also a table with a summary overview of courses, number of participants - graduates and the number of claimed person-hours classified into the project activities within the given monitoring period. In the case of the activity of an Internal lecturer, a beneficiary is obliged to prove an employment contract on lecturing activities between an internal lecturer and a beneficiary or a project partner.

The inspection is carried out by the MA OPE by means of an administrative verification, i.e. inspection of the submitted project implementation reports at the interval specified in the legal act concerning the provision of support.

Furthermore, there are on-the-spot controls by the OPE Managing authority. In addition to verification of data submitted under the implementation reports, the on-the-spot controls will also include control of trainings during their course and verification of other records, in particular documentation of the training course content (syllabus/ annotation/ accreditation/course programme), training aids and materials, documents proving that participants are employees (employment or similar contracts. In the case of the activity of Internal lecturer, the MA also verifies that the internal lecturer has met the minimum education requirements (qualification evidenced by relevant documentation) and has demonstrated relevant work experience (documented by employment contracts or other confirmation).

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

According to the Czech Single methodological framework, preparation of unit costs is to be consulted with the National Coordination Authority (NCA) and the Paying and Certifying Authority (PCA). Representatives from these two bodies have been informed about the preparation of the unit costs for further professional training from the very beginning. Given the procedures in the Czech Single methodological framework, the Audit authority has not been specifically consulted with the draft of the unit costs for further professional training.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

1. The process of submitting project applications has been simplified – it is easier to fill in an application form and submit it because only standardised units are put in the application form. However, applicants shall consider whether they are able to deliver expected outputs/results at the unit costs set by the MA.

2. The selection process has been simplified – when projects/activities are standardised, then the selection process can be easily standardised as well (it means that objective criteria can be set to facilitate the selection process).
3. Verifications carried out by the MA are focused on outputs/results achieved – by setting out rules for documenting units attained, the MA has decided to focus on the achievement of policy objectives instead of being concentrated on collecting and verifying financial documents.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

- Setting out the standard scale of unit costs was a very long and demanding process before calls for proposals could be launched - data collection and their verification, negotiating with the European Commission, and setting out detailed guidance for applicants and beneficiaries.
- Documenting how financial support has been spent in accordance with state aid rules – we have had to take state aid rules into account when setting out the rules for documenting the units achieved.

H. LESSONS LEARNED AND POINTERS

In addition to setting out the rules before calls for proposals are launched, it is absolutely necessary to establish the "interpretive practice" for the implementation period of projects. It comes a series of situations that do not exactly fall into the methodology of the SCO and the MA must be prepared to apply the rules to situations that are not foreseen in advance. Interpretation of rules is, of course, carried out in case of projects reimbursed on costs actually incurred and paid, but here it is an established long-term practice. The MA can rely on previously reviewed cases. For non-standard situations in the case of SCOs, the MA must make a decision without having something to build on, and it cannot be predicted how these non-standard situations will be assessed by audits.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

Calculation methods, documents submitted to the Commission – fiches submitted to the Commission including annexes with data used to calculate the SCO: available at the request

Guidance for applicants and beneficiaries (including detailed requirements for audit trail):

1. Guidance on how to fill in an application form - <https://www.esfcr.cz/formulare-a-pokyny-potrebne-v-ramci-pripravy-zadosti-o-podporu-opz/-/dokument/3435491>
2. General implementation rules for applicants and beneficiaries - <https://www.esfcr.cz/pravidla-pro-zadatele-a-prijemce-opz/-/dokument/797767>
3. Specific implementation rules for applicants and beneficiaries - <https://www.esfcr.cz/pravidla-pro-zadatele-a-prijemce-opz/-/dokument/3342815>

Calls for proposals:

Call no. 43 - <https://www.esfcr.cz/vyzva-043-opz>

Call no. 60 - <https://www.esfcr.cz/vyzva-060-opz>

(SK-1) Slovakia – Unit costs for European Computer Driving Licence (ECDL)

Name of the Institution	Ministry of Labour, Social Affairs and Family of the Slovak Republic
<u>TYPE OF SCO REPORTED</u>	Standard scale of unit costs (SSUC)
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	IT training Unit costs for European Computer Driving Licence (ECLD)

A. PROJECT DESCRIPTION

A1. Description of the type of operation

The aim of the operation to which the standard scales of unit costs (SSUC) is applied is to support IT training of employees and unemployed people. Every graduate obtains ECDL Profile Certificate with an exams overview.

ECDL refers to a system for the verification of knowledge and skills of common users related to work with computer technology. It is based on standards that determine the scope of required knowledge and skills in selected thematic areas (called syllabi) and global methodology for verifying whether the candidate meets the set level of knowledge and skills. The ECDL system certificates are internationally recognised documents certifying that their holder has reached the set level (standard) of knowledge and skills in the respective field on the basis of tests designed according to global methodology.

ECDL syllabi define in detail the areas of knowledge and skills needed for basic use of personal computers. The areas of knowledge are divided into different thematic units – modules. A syllabus is formulated independent of software and hardware.

This refers both to NPs (national projects) and DDPs (demand-driven projects).

ECDL modules currently localised in the Slovak Republic:

Base modules category

M2. Computer essentials

M3. Word processing

M4. Spreadsheets

M7. Online collaboration

Standard modules category

M5. Using databases

M6. Presentation

M12. IT security

Advanced modules category

AM3. Advanced word processing

AM4. Advanced spreadsheets

AM5. Advanced database

AM6. Advanced presentation

ECDL Profile Certificate can be obtained one or more tests from different module categories (Base, Standard, Advanced).

A2. Definition of outputs/results

The output of operation is the ECDL (European Computer Driving Licence) Profile Certificate obtained. The funds will be reimbursed to the beneficiary on the basis of proving of actually

obtained ECDL certificates with the list of completed ECDL certification exams, while the recipient provides data on certificates and taken exams in electronic form.

Eligible expenditure of the project is expenditure for no more than one certificate for modules Base/Standard and no more than one certificate for modules Advanced for each participant.

The implementation of unit costs for training activities related to the ECDL is not covered in described SSUC.

A3. Beneficiaries

For example: NGOs, private entities (entrepreneurs, professional associations), public entities – schools, legal persons directly managed by the state and municipalities.

A4. Target group(s)

Employees, unemployed

B. METHODOLOGY AND CALCULATION METHOD

B.1 Methodology

The SSUC was calculated by using a fair, equitable and verifiable method according to Art. 67 (5) (a) of the CPR and was covered by the Delegated Act under Art. 14 (1) of the ESF Regulation.

B.2 Calculation Methods

The price for ECDL certification consists of the following parts:

- The price for index of ECDL system: the index price is established based on the price set by the Slovak Society for Computer Science, which is the only ECDL licensee in Slovakia.
- The price for taking an ECDL test: the price for making one test was set as an average price based on market research according to the type of the test separately for tests for modules Base and Standard and separately for modules Advanced
- The price for issuing an ECDL certificate: we based it on the price of the Slovak Society for Computer Science which is the only holder of ECDL license in Slovakia.

B.3 Data source

Market research looking at the website of the Slovak Society for Computer Science used for the setting of the price for the ECDL index and the issue of the ECDL certificate, and the websites used for the market survey of the prices of certification exams.

C. IMPLEMENTATION OF SCO

The funds will be reimbursed to the beneficiary on the basis of proving of actually obtained ECDL certificates with the list of completed ECDL certification exams, while the recipient provides data on certificates and taken exams in electronic form.

These documents must be submitted and attached to the request for payment together with the document “Additional Monitoring Data”. The MA/IB records these data into an electronic register of certificates and will check their accuracy and eligibility. MA/IB verifies the authenticity of the certificates and exams at the Slovak Society for Computer Science.

The MA/IB will carry out on-the-spot inspections during the project implementation process. Every demand-driven project must be subject to at least one on-the-spot inspection during implementation. With regard to national projects, at least one on-the spot inspection will be carried

out per year. The control will aim to verify whether ECDL certification has actually taken place – according to binding instructions (annex to the Grant Contract).

D. AUDIT TRAIL

See point D.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

SSUC was consulted with AA. The key comments aimed at overlapping of SCO/UC/expenditures and at precise control mechanism during first level control of Requests for Payment and during on the spot control. MA/IB added a precise control mechanism.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

For the MA/IB:

1. preparing of calls – simplifying of the rules for direct costs
2. selection process - simplifier and faster evaluation
3. fist level control - MA focuses only on certificates

For the beneficiaries:

1. budget - easier setting of direct cost amounts
2. eligibility - cost eligibility is based on certificate verification, there is no need to submit any further documentation
3. first level control - faster verification of expenditure eligibility

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

Setting out the SSUC was a very long and demanding process before calls for proposals could be launched - data collection and their verification, negotiating with the European Commission, and setting out detailed guidance for applicants and beneficiaries.

H. LESSONS LEARNED AND POINTERS

N/A - no projects under implementation, just call for proposals were published.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

Available on demand.

(FI-1) Finland – Lump sum for small projects (draft budget)

Name of the Institution	Ministry of Economic Affairs and Employment of Finland
<u>TYPE OF SCO REPORTED</u>	Lump sum
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	Several activities
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
Small projects (up to 100 000 € public funding) <u>in which the results of the project can be clearly defined.</u>	
A2. Definition of outputs/results	
Results are determined separately for each project in the document setting out the conditions for support.	
<p>Some examples of implemented lump sum projects: Feasibility studies, preliminary reports, action plans and strategies (each before starting a wider project), knowledge strategies and learning surveys, new operational models (for example, to improve the productivity of employees over 50 years), a new internet-based service platform, developing and testing the suitability of an Internet-based user interface with real-time translation service to support the integration of immigrants and to promote the paths of education and employment of immigrants, a training program designed for real estate energy economy (project includes the design of the training content, training materials preparation, piloting the training and assessing the piloting training), data collection by interviews and questionnaires + seminar, an intensive club + workshops organized in job searching for people with immigrant background etc.</p>	
A3. Beneficiaries	
Educational and research institutions, municipalities and joint municipal authorities, foundations, NGOs, social partners, companies, other organisations (all kinds of beneficiaries included in the OP).	
A4. Target group(s)	
All kinds of target groups included in the OP.	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	
Combination of methodologies:	
<ul style="list-style-type: none"> • draft budget • objective information to justify the draft budget (for example, payrolls from the previous year and price comparison) • 17 % flat rate in the ESF and 24 % in the ERDF of direct staff costs can be used to calculate the indirect cost (including also travel costs) inside the draft budget. 17 % / 24 % flat rate is based on our flat-rate calculation methodology explained in another template (reference number 3). This choice has been made because otherwise, it would be very difficult to 	

calculate indirect costs separately for each lump sum project, and we already had an approved calculation methodology for the flat rate share.

B.2 Calculation Methods

Calculations are made separately for each project because we don't have many standardized project types. The basis of the method is set and the costs that can be included in the draft budget are defined in the national eligibility act. Elements needed to specify the lump sums are explained in advance to the applicants in the calls for proposals. The IBs also organize information events for beneficiaries.

The applicant presents the draft detailed budget and documents to justify all the costs in the draft budget (for example, payrolls from previous years, historical data and/or price comparison). Lump-sum projects usually have only a few cost categories, for example, staff cost and small material purchases + flat rate to cover the indirect costs (including also travel costs). It is the responsibility of the IB to verify the calculation and if necessary, get additional information / data. The IB can, for example, make additional comparisons to similar projects.

Lump-sum is determined in the project decision (=the document setting out the conditions for support).

(According to our eligibility act, it is also possible for the IB to draw up the draft budget, get the necessary data and do all the calculations beforehand and then launch the call for the best projects, but this option has never been used so far.)

B.3 Data source

- Draft budget and other objective information from the applicant (for example pay rolls from previous year historical / statistical data and/or price comparison).
- Similar projects comparison from SF database.

C. IMPLEMENTATION OF SCO

Implementation rules and conditions are set out in the national eligibility act and in more detail for each project in the project decision (= the document setting out the conditions for support). Rules are based on EU legislation and guidance.

The main general conditions are:

- Lump sums up to 100 000 € of public funding are allowed for ESF and ERDF.
- Lump sum option can only be used for projects in which the results of the project can be clearly defined.
- The intermediate body (IB) decides if the lump sum option is suitable for the project.
- The lump sum results of the project have to be defined beforehand in the project decision and they cannot be changed during the project. Only the project implementation period can be extended with a decision by the IB if there is a justifiable cause (for example, sick leave of the project manager).
- A lump sum can be divided into several phases. For each phase, a separate result must be specified in which the payment is based. The evidence documents required to approve the results of each phase have to be explained in the project decision by the IB.
- The draft budget in which the calculation of the lump sum is based can only include costs that are eligible according to the national eligibility act. The applicant must provide proof documents for each cost type in the draft budget in the project application phase.
- The IB must use a fair, equitable and verifiable method when calculating the lump sum. This means, for example, that the elements needed to specify the lump sums have to be explained in advance to the applicants in the calls for proposals. The IB must treat similar projects with the same standards. Regional differences in the price level must be taken into account.

- The payment for the beneficiary is made only if the result defined in the project decision has been fulfilled and the beneficiary has provided the evidence documents as specified in the project decision.

D. AUDIT TRAIL

All the project documents (applications including the draft budget and the project plan, project decisions, payment claims, monitoring and final reports, management verifications etc.) are created and stored electronically in the EURA 2014 database, which functions as an electronic archive and controls the audit trail.

- The beneficiary draws up the application, including the draft budget and the project plan, electronically in the SF information system "EURA 2014". All of the supporting documents including the evidence documents to support the draft budget and lump sum calculation, are electronically attached to the application and are stored in the EURA 2014 system.
- The processing of the application by the IB, including the confirmation of the lump sum calculation is stored electronically in the EURA 2014 system in specified information fields.
- The IBs perform desk-based checks to every payment claim to verify that the results of the lump sum project have been realised and that the beneficiary has complied with the conditions for support set up in the project decision.
- The IBs also perform on-the-spot checks where the correct realisation of the results can be further verified, if necessary, among other subjects of inspection. On-the-spot checks are documented electronically to the EURA 2014 system.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The AA was consulted during the preparation of the lump sum scheme in the programming period 2007-13. The Ministry of Finance, where the AA is situated, has also given an official statement of the national eligibility act which includes the rules for lump sum option and other SCO.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

Based on comments from some of the Finnish IBs:

- In general, the basic idea of the lump sum option has been realized well.
- Due to the lump sum option also smaller beneficiaries have been more involved. However some of the personnel of the IBs think that this option is more suitable for experienced beneficiaries which are already familiar with the implementation of projects.
- The management of lump sum project, especially the payment process, is really simply which has been welcomed by the beneficiaries. The beneficiaries have been also happy with the fact that it is possible to adjust the way the project is implemented without changing the project decision as long as the results defined in the decision are achieved.
- For the IB, the lump sum option causes work in the decision phase, when you anyway have to figure out how much the operations are likely to cost and defining of course the outcome of the project. But it so easy to pay – when everything has gone as planned.
- Sometimes the lump sum option is useful for trying / testing a new, maybe a bit risky idea on a small scale.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

We don't have many "standardized" project types in our OP, which means that the contents and form of the projects varies quite a lot. That is why it was not possible to calculate specific lump sums beforehand for specific activities. We are still quite satisfied with the solution

H. LESSONS LEARNED AND POINTERS

Based on comments from some of the Finnish IBs:

- The crucial point of the lump sum option is the definition and documentation of results of the project. Definition must be made in co-operation with the beneficiary so that there will not be any misunderstandings on either side. The lump sum is really easy to pay, if the required results have been clearly documented in the project decision.

- The lump sum option suites well for example different kinds of surveys, reports, workshops, seminars etc., where the results can be clearly defined. However, the results should not be either defined yet too explicit. The option suites best for quite short period projects.
- The risk for the beneficiary can be considerably reduced by dividing the results and thereby the payments into parts. However, sometimes it is difficult to define intermediate results. It depends of the project.
- The importance of achieving the results must be really underlined for the beneficiary (several times).
- - The possibility to use flat rate –option to calculate the indirect costs inside the draft budget of the lump sum project has been considered a really good reform which we made for the programming period 2014-20.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

Legal acts, guidance for beneficiaries etc. (in Finnish and in Swedish):
<http://www.rakennerahastot.fi/>

(PL-2) Poland – Lump sum based on draft budget

Name of the Institution	Ministry of Investments and Economic Development
<u>TYPE OF SCO REPORTED</u>	Lump sum
<u>TYPE OF ACTIVITIES COVERED BY THE SCO</u>	All types of operations in which the public support does not exceed 100 000 EUR
<u>A. PROJECT DESCRIPTION</u>	
A1. Description of the type of operation	
<p>Lump sums cover <u>all operations financed by the ESF in Poland</u> in the financial period 2014-2020 (i.e. national OP – Knowledge Education Development, and 16 Regional Operational Programmes), <u>in which the public support does not exceed 100 000 EUR.</u></p> <p>It is applied in all Thematic Objectives and Investment Priorities of ESF interventions, except for Technical Assistance.</p>	
A2. Definition of outputs/results	
<p>Within each operation, there are individual output or result indicators that specifically apply to each lump sum. They are defined in the application form and after acceptance by the intermediate body – included in the financing agreement.</p>	
A3. Beneficiaries	
<p>All types of beneficiaries, who apply for public support, which does not exceed 100 000 EUR.</p>	
A4. Target group(s)	
<p>All target groups can be covered by the lump sum.</p>	
<u>B. METHODOLOGY AND CALCULATION METHOD</u>	
B.1 Methodology	
<p>Methodology for lump sums is applied according to Art. 67(5) d) – rates established by the Fund-specific rules, i.e. ESF Regulation.</p> <p>According to Art. 14 (3) ESF Regulation, <i>In addition to the methods stipulated in Article 67(5) of Regulation (EU) No 1303/2013, where the public support for grants and repayable assistance does not exceed EUR 100 000, the amounts referred to in Article 67(1)(b), (c) and (d) of Regulation (EU) No 1303/2013 may be established on a case-by-case basis by reference to a draft budget agreed ex ante by the managing authority.</i></p> <p>The SCO is not covered by Art. 14(1) EFS Regulation.</p>	
B.2 Calculation Methods	
<p>Lump sums are established individually on a case-by-case basis by defining in the application form (additionally to a project implemented on the basis of real cost):</p>	

- names of tasks/activities covered by lump sums;
- for each lump sum – output or result indicators to measure the implementation of a given task/activity (names and values);
- documents to prove the implementation of indicators;
- detailed costs needed to be incurred for each task/activity – with calculation method and justification.

100 000 EUR is calculated with the use of the ECB euro reference exchange rate applicable at the date of announcing the call for proposal.

As a lump sum is based on a draft budget, a project provider in the project application gives a detailed list of costs, which need to be incurred in order to implement each activity covered by the lump sum. Therefore, the project provider fills in the detailed budget form in which he/she explains what kind of expenditure is needed for the project's implementation and gives unit cost (per month/entity/etc.) and total cost. Moreover, each cost is justified in the attachment to the form, so that the intermediate body can get the assurance that each expenditure is:

- indispensable for project's implementation;
- reasonable and effective - there needs to be a market research done by the beneficiary to prove that expenditure is reasonable.

Then, the budget is negotiated between an intermediate body and each project provider. The costs are compared by the intermediate body:

- with a list of the most commonly incurred expenditure within that call and their rates (the list is prepared by the intermediate body before each call on the basis of the previous projects and market research);
- among projects within each call.

The lump sums agreed after negotiations are included in the financing agreement

B.3 Data source

N/A

C. IMPLEMENTATION OF SCO

All conditions for the implementation of a project financed by lump sums are set out in a financing agreement.

First of all, the names of lump sums together with indicators and documents that are necessary to prove the implementation of indicators for a specific project, are repeated from an application form to the financing agreement. Therefore, their implementation is crucial for the eligibility of expenditure.

There is a binary approach – the expenditure is eligible only if the predefined indicators are achieved; if the indicators are not achieved, the expenditure is not eligible.

As in the case of projects based on real expenditure or projects with lump sums, the beneficiary is given advance payments. The beneficiary gets the first advance payment at the start of the project. Each quarter the beneficiary needs to submit the payment application, in which he/she explains the progress in project's implementation and gives information on how much of the advance payment was spent (no documents are needed to prove that). If he/she spends 70% of the first advance payment, the second tranche is made. There is also a possibility for an intermediate body to stop advance payments in case of information that there are irregularities within the project. The advance payments are settled when the activity is finished and the agreed indicator achieved (eligibility of expenditure is proved). Otherwise, the beneficiary is asked to pay the advances back.

D. AUDIT TRAIL

The documents to prove lump sums (presence lists, pictures, reports, etc.) are defined in the financing agreements. They are to be sent with the payment claim at the stage of implementation of an operation, no later than at the stage of the final payment claim. The documents must also be available during on-the-spot checks carried out by an intermediate body.

No invoices nor other financial documents are to be collected and stored by the beneficiary.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

The Audit authority has not been involved either in the preparation or assessment of lump sums. For the moment, there are no findings made by the Audit authority as regards the lump sums.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

For the Managing authority:

- positive: possibility to focus on results within projects
- negative: problems in explaining the change of approach among control units (tendency to check invoices and other equivalent documents)

For the institutions involved in ESF management:

- positive: less administrative burden – fewer documents to be verified
- negative: the burdensome and challenging process of assessing the cost of project and correctness of definition of lump sums

For the beneficiaries implementing ESF projects:

- positive: possibility to focus on results within the project
- negative: difficulty in naming lump sums and their indicators correctly

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

The MA and intermediate bodies find it challenging to assess the budget of a project (e.g. if justification is satisfactory for eligibility of expenditure). It is also difficult to choose the best lump sums for specific activities.

Beneficiaries find it quite difficult to define the lumps sums correctly. They are not convinced that controllers will not check financial documents connected with projects

H. LESSONS LEARNED AND POINTERS

There is a necessity to provide comparability of assessment among projects in a given call for proposals.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

Guidelines on eligibility in projects financed by the ESF, ERDF and Cohesion Fund 2014-2020 (chapter 6.6 and 8.5 refers to indirect costs) (in Polish):

https://www.funduszeuropejskie.gov.pl/media/27633/Wytyczne_w_zakresie_kwalifikowalnosci.pdf

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