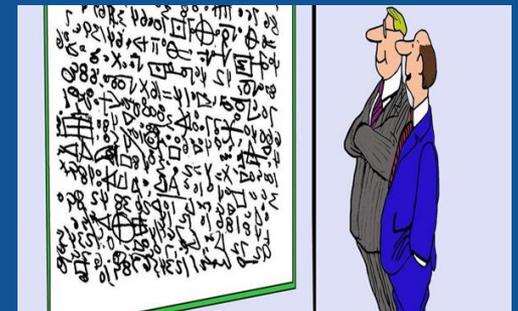




Impact of COVID-19 on operations reimbursed on the basis of SCOs

29 April 2020, 41st EGESIF



Outline

- The issue
- Implementation of SCO operation not as initially foreseen: the adjustment
- Application of financial corrections?

The issue

- SCOs = costs calculated according to **predefined method** based on outputs, results or other costs.
- Consequently, SCOs are an **alternative method** for calculation of costs. No traditional method (ie calculation on the basis of costs actually incurred and paid ie 'real' costs).
- COVID-19 may affect **realisation of outputs** or results/deliverables: thus, conditions for support may not be fulfilled.

➔ How is payment of the SCO affected?

➔ Is there an alternative approach possible?



Implementation not as initially foreseen: **the case of adjustment of an operation (1)**

- National authorities could consider adjusting the operation to minimise the impact of the COVID-19 outbreak and allow for its completion.
- Examples of adjustment: extension time limit, change of mode of implementation (online mode instead of physical)
- Adjustment should:
 - **Be in line with national rules.**
 - **Respect of principle of transparency and equal treatment**
 - **Respect the principle of proportionality**
 - **CPR and Fund specific eligibility rules complied with**



Implementation not as initially foreseen: **the adjustment of an operation (2)**

- **Q: What if the nature of the operation is seriously affected (ie type of activities modified, type or number of outputs)?**
- ➔ *Example: a unit cost/lump sum established giving an X amount for 100 people attending a seminar changed into a video conference of 5 people attending*
- ➔ In such case, not all categories of cost will be relevant anymore
- **Reply:** the operation should be adjusted to reflect the new situation.
 - ➔ **Grant agreement modified to define new activity(ies) and a corresponding new SCO.**
- Principles to respect:
 - ➔ **SCO should be a reliable proxy of real costs.**
 - ➔ **Change in the established SCO methodology during implementation should be avoided.**
- ₅ a case by case approach is still needed.



Implementation not as initially foreseen: **the adjustment of an operation (3)**

- **Q: Is it possible to change mode of reimbursement during the implementation of an operation? ie part of the operation implemented on SCOs and another one on real costs.**
- ➔ *Example: cover additional costs of an extraordinary nature, not foreseen in the initial budget of projects, on a real costs basis*
- **Reply: YES**, it is possible provided that the operation is divided in two or more stages which indeed cover successive phases, in order to respect Art. 67(3) CPR.
- It is also possible to cover such costs by defining them as a **separate category of costs of an operation** (for example 'costs incurred for additional expenditure linked to COVID-19 measures or restrictions').

Implementation not as initially foreseen: the case of adjustment of an operation (4)

- It is **up to** the national authorities to establish the two or more stages of an operation and define the costs relating to the phase as well as the additional category of costs within an operation.
- Doing this, they should ensure that **no double financing occurs** and that **equal treatment and transparency** is ensured for all affected beneficiaries/operations.
- **Important:** grant agreement should be amended. In addition national eligibility rules may need to be adjusted as well.
- **Reminder:** a change of mode of reimbursement during the implementation of an operation based on SCOs should not occur.



Application of financial corrections?



- Financial corrections may be applied for serious failure to achieve targets set out in the performance framework due to clearly identified implementations weakness (first subpara of 22(7)CPR) .
- In case of force majeure seriously affecting implementation of the priorities concerned financial corrections shall not be applied (third subpara of Art. 22(7) CPR) .
 - ⇒ **the Commission will consider in its assessment of whether financial correction is to be applied or not.**
- **No differentiation in the application of Article 22(7) CPR on the basis of the mode of reimbursement of operations (real costs or SCOs).**
- All efforts should be made to ensure that programme targets are met. The Commission will cooperate with Member States to that end.

Thank you!