



**34<sup>th</sup> MEETING of the EXPERT GROUP on ESIF (EGESIF)**

**MINUTES**

**Meeting of the Expert group on European Structural and Investment Funds (E03040)**

*20 November 2018 (10:00-17:30), 21 November 2018 (10:00-13:00) Albert Borschette  
Conference Center, room 2D, Brussels*

**1. APPROVAL OF THE AGENDA**

The Chairman, Mr Charlie Grant of DG Regional and Urban Policy (DG REGIO) opened the meeting and welcomed the delegations. Mr Grant presented the agenda of the meeting dedicated entirely to ERDF/CF Simplified Cost Options (SCO) where only Member State experts and practitioners dealing specifically with ERDF/CF SCO design and/or implementation on the ground were delegated by the Member States. The agenda was approved by the delegates.

**2. LIST OF POINTS DISCUSSED**

**1. Introduction to the ERDF/CF SCO discussions**

Mr Grant summarised the results of the recent study carried out by DG REGIO<sup>1</sup> on administrative costs and burden in the implementation of the European Structural and Investment Funds (ESIF) of the 2014-2020 programming period and highlighted that one of the most effective simplification measures to reduce such costs and burden is the increased use of SCOs. The study quantifies the expected reduction of administrative costs between 2021 and 2027 as between 1 and 5 billion euros for the ERDF/CF. Taking into account the key recommendations from the authorities who replied to the REGIO study and from the High Level Group on Simplification, as well as considering the positive experience of the ESF transnational network on Simplification, he suggested that ERDF/CF SCO experts should meet on regular basis – ideally three to four times a year – to form a ‘network’ with a view to exchanging experience and facilitating the use of SCOs in ERDF/CF programmes. Member States were invited to take ownership of the initiative.

The delegates welcomed the initiative of the Commission and the organisation of the specific meeting. The intention to establish a network of ERDF/CF SCO practitioners was well received.

<sup>1</sup> [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 \(EAFRD\)](#)

## 2. State of play of ERDF/CF SCO in the Member States

Luca Santin, thematic expert, presented the state of play of SCOs based on the DG REGIO study on the use and intended use of simplified cost options in the ESF, ERDF, CF and EAFRD. This study was originally presented in the March 2018 EGESIF meeting. It was highlighted that the type of costs most frequently covered by SCOs are staff and indirect costs and that more than 70% of ERDF/CF programmes use it for supporting research and development, whereas around 50% use it for supporting business development and in technical assistance projects. Furthermore, although SCOs are used by most ERDF/CF managing authorities (73% of ERDF/CF programmes), only 4% of the ERDF/CF budget is expected to be covered by SCOs at the end of the current programming period.

Mr Santin explained that the collaboration of ERDF/CF SCO practitioners could be a platform for regular exchanges of experience, practices and proposals around SCOs at EU level, in which Member States would have the opportunity to share knowledge and practices, learn from each other, as well as develop and test ideas through informal discussions.

All delegates were then invited to work in groups and present the state of play on the use of SCOs in ERDF/CF in their country. Twenty-one PPT presentations were discussed and one member of each group reported back to the plenary a resumé of the state of play within each group.

All [presentations](#) have been uploaded to a [shared folder](#) on Google Drive and to the CIRCABC EGESIF library.

## 3. Map of key problems/potential solutions around SCOs in the ERDF/CF

In this session, delegates were invited to point out the problems or obstacles that could limit or hinder the use of SCOs in ERDF/CF programmes. The interactive discussion in groups helped to identify twenty-two issues clustered into five groups, which were later discussed and further developed with the participation of all delegations. The five groups were as follows:

- A. Systemic issues
- B. Legal certainty
- C. Legal harmonisation
- D. Calculation methodologies
- E. Implementation

A preliminary map of key issues and solutions around SCOs was prepared on the basis of the outcome of the discussion (Annex 1). The ‘solutions’ include a number of themes and tasks to be discussed/carried out by ERDF/CF SCO experts.

## 4. Sub-themes for further discussion

Participants examined in working groups how to find common solutions to the key issues identified in relation to the use of SCOs in ERDF and CF programmes, as well as what type of information should be included in the map previously constructed. The structure of the map was

extensively discussed and defined. The map template to collect the data will be circulated to the participants by mid-December. Participants will be asked to complete the template and return it to the Commission by the end of January 2019.

Surveys on ‘the mandatory use of SCOs’ and ‘gold plating around SCOs at national level’ are being prepared and will be circulated to participants also by mid-December. The questionnaires should be sent back to the Commission by end January 2019.

The following documents will be also circulated to participants: ‘draft position paper on ex ante assessment of SCO’; ‘note on State Aid’ prepared by DG COMP and DG REGIO.

## **5. Map of ERDF/CF SCO practice at EU level**

The draft structure of the map of SCO practices’ was discussed (Annex 2).

## **6. Planning future discussions on the subject, closing remarks**

Participants intend to continue collaboration within the framework of a separate ERDF/CF network for SCO practitioners. The next meeting was provisionally planned for 7-8 March 2019 in Vienna. Further meetings were considered for mid-May and July.

The documents related to the 1st meeting (invitation, agenda, background note), including all [Presentations](#) have been uploaded on the [ERDF TN shared folder](#) on Google Drive and on CIRCABC.

## **4. Any Other Business**

There were no points to discuss under Any Other Business.

### **3. CONCLUSIONS/RECOMMENDATIONS/OPINIONS**

Not applicable.

### **4. NEXT STEPS**

Not applicable.

### **5. NEXT MEETING**

Mr Grant informed delegations that the next EGESIF meeting was planned for 12 December. Confirmation of the meeting would be sent in due course.

## Annex 1 - Preliminary map of key issues and solutions around SCOs

 <b>Key issues</b>	 <b>Solutions</b>
<b>A. Systemic issues (preconditions)</b>	
<ol style="list-style-type: none"> <li>1. Not all ERDF operations are suitable to be covered by SCOs (e.g. Financial Instruments)</li> <li>2. Real cost mindset (Authorities and beneficiaries)</li> </ol>	<ol style="list-style-type: none"> <li>1. Target setting, in terms of SCO uptake, should be based on the analysis of the types of operations envisaged within the OPs</li> <li>2. Enhance dialogue and build trust between authorities (e.g. MA and AA) and between authorities and stakeholders (beneficiaries). Advantages and potential risks related to SCOs should be clearly explained.</li> </ol>
<b>B. Legal certainty</b>	
<ol style="list-style-type: none"> <li>1. Legal uncertainty/Risk/fear of errors in the calculation methodology and/or in the implementation phase</li> <li>2. Ex ante assessment of SCOs / collaboration between MA and AA</li> <li>3. Uncertainty about ECA's audits/audit trail</li> <li>4. How to deal/be compliant with provisions on mandatory use</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>(a)</b> Off-the-shelf SCOs <b>(b)</b> Delegated Acts <b>(c)</b> EU Level SCOs</li> <li>2. <b>(a)</b> EC position paper on ex ante assessment <b>(b)</b> Present and discuss good practices of collaboration between the authorities <b>(c)</b> present the advantages of ex ante assessment in the 'Guidance Note on SCOs'</li> <li>3. Involvement of ECA representatives (to be discussed)</li> <li>4. TN survey on mandatory use (pros and cons)</li> </ol>

<p><b>C. Legal harmonization (at EU and National level)</b></p>	
<ol style="list-style-type: none"> <li>1. National rules: not allowing SCOs or nullify the simplification effect (i.e. by requiring evidence of real cost)</li> <li>2. Public Procurement: uncertainty about audit trail (what should be collected/checked)</li> <li>3. Public Procurement: uncertainty about the scope of consequences in case errors are found (system audit)</li> <li>4. Compliance with State Aid rules</li> </ol>	<ol style="list-style-type: none"> <li>1. TN survey on Gold plating at National/OP level</li> <li>2.-3. <b>(a)</b> amend 'Guidance Note on SCOs' <b>(b)</b> present MS practices (UK-NI)</li> <li>4. <b>(a)</b> Share the note prepared by DG COMP and DG REGIO <b>(b)</b> present MS practices (HR)</li> </ol>
<p><b>D. Calculation methodologies</b></p>	
<ol style="list-style-type: none"> <li>1. Definition of cost categories / cost classification (e.g. 40% rule: what is direct/indirect)</li> <li>2. Lack of historical data (MA/IB database)</li> <li>3. How to set up market surveys</li> <li>4. Definition of technical standards of the operations (actions) could be complicated (e.g. innovation projects)</li> <li>5. Definition of 'similar' (type of operations and beneficiaries)</li> <li>6. How to calculate SCOs in the case of revenue generating project</li> <li>7. Staff costs: how to calculate when the cost includes dividends and other forms of compensation</li> <li>8. Ceiling for draft budget</li> </ol>	<ol style="list-style-type: none"> <li>1.-8. Collect and analyse information on concrete issues and solutions based on the 'Map of SCO practices' to be prepared by TN members</li> <li>6. Present MS practice on revenue generating project (EE)</li> <li>8. <b>(a)</b> Present MS practises on draft budget (FI, EE) <b>(b)</b> Remove the ceiling for draft budget (note: not all MS in favour)</li> </ol>

## E. Implementation

1. Result/output based SCOs involve risks for the final beneficiaries
2. Update of SCOs while the operation is running (e.g. in case market conditions change significantly)
3. Managing optional use for final beneficiaries (i.e. they are free to choose between SCOs and real costs)
4. 1720: uncertainty on the practical application of the rule (e.g. in the case of new employees)
5. National co-financing: how to demonstrate/check

- 1.-5. Collect and analyse information on concrete issues and solutions based on the 'Map of SCO practices' to be prepared by TN members
2. Present MS practices (HR)

## Annex 2 - Map of ERDF/CF SCO practices at EU Level



### Draft structure of the map

#### Identification e contact details

Member State

Contact details (name of contact person, email)

**Note: the following information should be provided in for each practice. The map will be composed on two sections: 'SCO already in use' and 'SCO in the pipeline'**

#### A. General information on the SCO practice

1. Type of SCOs (Flat rate/Standard Scale of Unit Costs/Lump sums)
2. Sub-type of SCOs (e.g. flat rate for financing indirect costs, Article 68 (1)(b) CPR)
3. Operational Programme
4. Managing authority/Intermediate Body
5. Contact person (for the specific practice)
6. Priority Axis / Investment priority
7. Type of operation
8. Type of beneficiaries

#### B. Calculation methodology

1. Calculation method
2. Data used to support the calculation (source, quantity and quality)
3. Data processing
4. Types of cost covered
5. Description of the SCOs resulting from the calculation (indicators/unit of measurement, amounts/rates)

#### C. Implementation and audit

1. Combination of SCOs or SCOs and real costs
2. Conditions for the application of the SCOs
3. Audit trail
4. Outcomes from eventual ex ante assessment or audit
5. Criteria for the adjustment/update of the methodology
6. Brief assessment of the practice (pros and cons)