Simplification, major projects and revenue generation– overview of delegations' comments on CSF Regulations

This overview of questions and answers has been drawn up to provide further information for delegations. The clarification provided does not prejudge in any way the final position of the Commission on any of these questions.

Questions	Commission answers
REVENUE GENERATING OPERATIONS AND MAJOR PROJECTS (CPR ONLY)	
Article 54: revenue generating operations	
Why is paragraph 1 of the current Article 55 of Vo 1083/2006 not reflected in the proposal?	It is foreseen that a definition of what can be regarded as revenue shall be set out in the implementing act (methodology for calculation of the current value of the net revenue as referred to in the last subparagraph of Article 54(1))
Why is paragraph 4 of the current Article 55 of Vo 1083/2006 not reflected in the proposal and in particular with regard to paragraph 2 of current Article 55? And how does the Commission prevent that certain types of income (un)consciously are not accounted for?	The Commission proposal presents a clearer approach by distinguishing between revenue generated after the completion of an operation (Article 54) and revenue generated during the implementation of an operation (Article 55(6)).
Has any consideration been given to reverting to the simpler method of a single reduced intervention rate, which applied for the 2000-06 period?	Commission examined the earlier (2000-2006) arrangements involving a generally lower maximum co-financing rate for projects which have substantial net income. Both the benefits and the drawbacks of these arrangements were considered. The Commission proposal for 2014-2020 includes an option based on flat rates. This entails a reduction in administrative effort needed to manage revenue generating operations compared to the period 2007-2013, but also a closer approximation of revenues than permitted by the system in place in 2000-2006. Please note that whereas in 2000-2006 revenue was taken into account to identify the maximum co-funding rate of assistance, in the current period (and in the proposal for 2014-2020) revenue reduces proportionally the maximum eligible expenditure.
How is the flat rate revenue percentage determined? Is it reviewed on a regular basis? Revenues generated on production and sale of energy (electricity, gas, ...) may be subject to serious market price variations in the years to come.	The definition of the flat rate revenue percentage for the types of operation concerned will be outlined in a delegated act in accordance with Article 142. Commission is currently fine-tuning the methodology for determining the flat rate, basing its analysis on the 2007-2013 funding gap data. The current experience shows that sectors such as energy production are mostly subject to the rules on State Aid, and therefore Article 54 generally does not apply to them.
A clarification is needed on the way the Commission intends to interpret projects that do not generate revenue but operating cost savings (savings on energy bills following energy efficiency projects). Would the Commission impose, through implementing acts, the same obligations emanating under Article 54 to such projects? If the answer to the latter is yes, would the Commission be establishing flat rates as indicated in Article 54(1)(a)?	It is foreseen that a definition of what can be regarded as revenue, also related to the issue of cost-savings, will be set out in an implementing act (methodology for calculation of the current value of the net revenue as referred to in the last subparagraph of Article 54(1)). A flat rate for energy efficiency operations may be proposed, subject to further analysis by the Commission. The delegated act shall provide the outline of flat rates per type of operation.
During its presentation as of January 11th 2012, the	The eligible expenditure of a revenue-generating operation shall be defined as the difference between the

Commission mentioned that it's up to the Member States to chose either method a) flat rate revenue percentage or method b) funding gap analysis, and that the Commission would not have the right to contest that choice. However this is not explicit in the text. Is this the case and can it be clarifies?	discounted investment cost and the discounted net revenue. The net revenue can be established either by applying the flat rate applicable to the type of operation concerned or by applying the methodology for determining the net revenue. It will be up to the Member State to choose between the methods of establishing the net revenue. Commission will therefore not contest this choice.
Par 1 - Does the principle of pro rata apply in the context of the method described in section 1 under choice b? What is the reasoning of exclusion if it doesn`t?	It is the intention of the Commission to maintain this principle. It can be included in the implementing act.
Par 1 (1st section on page 68) - If flat rate revenue percentage is established based on Commission calculations, does the beneficiary still need to conduct the financial analysis to prove that net revenue of all operations is taken into account? Par 2 - Does the principle of pro rata apply in the context of this paragraph? What is the reasoning of exclusion if it doesn`t?	Where the Member State chooses to apply the flat rate approach, supplementary financial analysis is not obligatory under Article 54 of the CPR. The requirement for financial analysis may however stem the provisions on major projects (Article 91) or from national law. The principle of allocating revenue generated pro-rata between eligible and ineligible expenditure should apply also in the context of paragraph 2.
Should a Cost – Benefit Analysis (financial and economic analysis) be necessary for projects between 1 million and 50 million Euro?	The purpose of the CBA is to prove that the project is desirable from an economic point of view, contributes to the goals of EU regional policy and at the same time it shall prove that the contribution of the Funds is needed for the project to be financially viable. It is up to the Member State to decide whether the CBA is needed or not for other than major projects.
Paragraph 1, sub b: we experience problems with the inclusion of the 'polluter pays' and' fairness with regard to relative prosperity' principle. How can this be put in practice?	Similarly to the current programming period a number of principles have to be taken into account in the establishment of the funding gap for an operation, among them the application of the polluter-pays principle and if appropriate, considerations of equity linked to the relative prosperity of the Member State concerned. Further details concerning both principles will be provided in the implementing act linked to the methodology for establishment of net revenue.
Pourquoi ne pas fixer ce taux forfaitaire (lorsqu'il sera déterminé) directement dans le règlement plutôt que de recourir à un acte délégué ?	Given the fact that there will be more than one flat rate, it appears to be more appropriate to define these rates in a delegated act.
54 (2): How does COM exactly define "objectively not possible"? Although the term is already used in the current programming period, it has to be absolutely clear in the forthcoming period. Why does COM exactly reduce the deadline to prove the net revenue from five to three years? COM mentioned state aid	It is envisaged that situations where it is not possible to estimate revenues in advance shall be addressed in the implementing act referred to in the last sub-paragraph of Article 54(1). The deadline has been reduced to 3 years to reduce the administrative effort required to manage and monitor these operations and to align to the revised approach to closure of operations.

rules in this context. What is the link?	
54 (2) (monitoring of revenues during 3 years): this provision seems to contradict the logic and procedure of annual rolling closure. Please clarify.	The eligible expenditure of an operation generating revenues, which are not possible to estimate in advance, can be established only after the 3 year monitoring period has lapsed. Given the set-up proposed for rolling closure, and the definition of a completed operation, an operation of this type can be considered to be completed only after the definite amount of eligible expenditure chargeable to the EU budget has been determined. The Commission accepts the need to clarify the relevant provisions in this regard.
Paragraph 2: we wonder whether this member is not at odds with paragraph 1, subsection a. Because applying a fixed percentage of income seems a good idea as revenue in advance cannot be objectively determined.	The purpose of paragraph 2 is to cover situations where the Member State and the beneficiary are not in a position to estimate revenues in advance. Applying a flat rate referred to in p. 1 to such operations does not ensure a fair and equitable treatment of beneficiaries, as it is possible that the operations in question do not generate any net revenue.
Shall revenue monitoring procedures be applied if the flat rate revenue percentage is used in determining revenue in advance in the project(s)?	
Article 54 §3 – Revenue generating operations: Could it be clarified why the current level of EUR 1 000 000 was kept?	Based on the experience of the current programming period, Commission decided to maintain the threshold of EUR 1 million which has been commonly accepted by the Member States in the negotiations on the modifications of the current regulation.
Article 90: Content (major projects)	
We would like to ask the Commission what is the purpose of the obligation of including the list of major projects in the operational programme.	The success of the development strategy will depend on the existence of a pipeline of mature projects which are technically feasible, economically desirable and can be started early in the programming period. Member States should be aware, as part of their planning of infrastructure, which major projects are consistent with EU priorities (e.g. in relation to the Trans-European Networks or investments required in accordance with environmental Directives) and ready to be implemented. Establishing and agreeing the list upfront should enable all parties involved to allocate the necessary resources and prepare the projects properly so that delays in implementation are minimized. The list can be later revised to adjust it to unexpected developments and changes in implementation conditions. While the Member State may not know at this stage which private company shall implement a project, it should at least be able to identify the projects concerned. It is unlikely that productive investment of this size will be financed as the Commission proposal excludes support to such investment by large enterprises.
How does the COM intend to deal with private investments which are included in the list?	
LV the reference to the ETC Regulation and regarding the concept of major projects [Art.7 e (iii)], additional clarifications for application of such kind of projects within	Depending on the financial volume of a given ETC programme, it may also finance major projects. The rules on major projects apply regardless of whether support is provided under the "Investment in growth and jobs" goal or under ETC.

cooperation programmes is needed in terms of planned scope of activities (50 MEUR) and its relevance to multi-country cooperation.	
Article 91: Information submitted to the Commission	
CPR Art. 91.1: What does "as soon as preparatory work has been completed" mean? Is it the preparatory work of the major project application or the preparatory works of the investment itself? Do we understand it correctly that the Commission wants to avoid receiving major project applications for projects whose implementation works are already going on?	Applications should be sent to the Commission as early as possible and as soon as the documents listed in Article 91 are completed, as appraisal by the Commission has limited added value if works have already begun. In relation to projects split in phases, an application should be submitted as soon as the documentation is ready for the phase concerned.
CPR Art. 91.1.d: The "independent quality review" is a new addition here. Does this mean a party other than JASPERS? Could the Commission please provide explanation and justification for this?	In the Commission's experience, an independent review of projects before submission improves the quality of projects and facilitates faster approval by the Commission. This review can be undertaken by JASPERS or another appropriate independent body.
CPR Art. 91.1.h (physical and financial indicators): A new addition. Now technical output and core indicators are required. How would the planned indicators differ from the present requirements?	The Article refers to "physical and financial indicators for monitoring progress, taking account of the identified risks". This is necessary to set up an appropriate monitoring system and report on progress of major projects. The indicators used depend on the nature of the major project in question. Indicators used in 2007-2013 may also be appropriate.
CPR Art. 91.1.i: To our thinking this describes a possibility for the traditional phasing of projects (that comprisable divisible phases), but it does not solve the problem of BRIDGE PROJECTS. Could the Commission please reflect in more detail on this point?	DG REGIO will provide a note to COCOF in February concerning the phasing of projects. The issue of bridge projects will be addressed in the closure guidelines for the 2007-13 programming period.
Is there any shift from the current praxis when despite not being explicitly mentioned in the regulation, JASPERS Action Completion Note has been required for all major projects submitted to COM approval?	The Commission proposes to maintain the current arrangements which have been accepted by all Member States benefiting from JASPERS. JASPERS report should be included in the documents submitted as a part of a major project application.
We would like to know how will the information about the projects contribution towards climate change adaptation and mitigation needs, and catastrophe resilience effectively influence the assessment of COM.	Article 91.1(f) links the information clearly to the Environmental Impact Assessment

Art 91 (1) c: To which part of art. 54 (1) does art. 91 (1) c refer? What requirements are meant? Art. 91 (1) c talks about “cost”, art. 54 (1) talks about “expenditure”. Which term is meant?	This article refers (correctly) to the total cost and eligible cost of the major project. It also refers to the need to take into account the provisions of Article 54 where major projects are revenue generating operations. Funding gap calculation (or a flat rate, as set out in Article 54) is used to determine "eligible expenditure".
The drafting introduces the obligation of reviewing the list by the Member State or the managing authorities two years following the adoption of an operational programme. In this regard, we would like to ask what the reasoning behind this obligation is and why this revision is not optional. We consider that it will be much more convenient to update the list when there would be modifications of the OP or/and with the annual monitoring Committees.	While Member States should be aware of projects they plan to support in 2014-2020, it is understood that changing circumstances may require a revision of the list of planned projects. Reviews at regular intervals are a standard part of infrastructure planning. The review may indicate that investments are proceeding according to schedule in which case no action is needed.
Requiring a formal OP modification is a very heavy procedure for a simple change in the list of major projects. Please explain and justify this. Why is not an MC decision enough.	Where planning has been thorough and no unforeseeable circumstances have arisen, there may be no need to modify the list of projects. The need to justify the reasons for a substantial change in an agreed investment pipeline will remain.
Why isn’t an indicative list of major projects enough? Why this exact issue is requested as ex-ante conditionality (e.g.7 and implicitly by 11 and Art. 87.2.f)?	Condionality no 7 applies only to the transport sector and refers to a project pipeline included in the transport plan. Such conditionalities have not been established for all sectors. Where a mature pipeline exists, drawing up the list of major projects included in the operational programme presents does not present a challenge.
91 (2). How does the Commission plan to take into account this aspect regarding the output/result achievement of the OP (targets)? Shall we consider that a large project with a large amount of resources allocated to it does not deliver anything by the end of the OP because only a phase of it is completed? How should it be taken into account to measure the OP performance (and possible financial correction)?	Output and result indicators established in the operational programme reflect the progress sought at a higher level than an individual operation. Regardless, given the size of major projects they can at times have a large effect on indicators at programme level. The milestones and targets set in the performance framework should be realistic. The existence of a mature project pipeline (for major projects but also for smaller operations) helps the Member State to establish more accurate milestones and targets, as the timing of commitments and payments can be forecast and the planned outputs are known in advance. If the Member State plans to finalise only the first phase of a larger overall investment, it should be taken into account when establishing milestones and targets.
What happens if a 5-year phase of a major project shall be launched in 2018? As it will be completed after the eligibility period, what is the Commission solution for this? Shall it be postponed until 2021 (next programming period)?	Member States are strongly encouraged to plan investments in a manner which does not leave the implementation of projects in the final stages of the programming period. The Commission insists on a realistic pipeline of mature projects to avoid problems highlighted by this question. If absolutely necessary, projects can be divided into phases between programming periods or be completed with national funds if the continuation of EU funding cannot be justified.
Article 92: Decision on a major project	
92(2) What is the reason for this proposal? Does this apply to	The only change proposed compared to present arrangements is that expenditure incurred under a major project

all kind of operations?	cannot be declared to the Commission before the adoption of an approval decision by the Commission.
92 (4): We would like to ask why the Commission proposes this modification.	Major project applications should be submitted to the Commission before the implementation of works begins, therefore in most cases expenditure should arise and be declared to the Commission after the respective decision to approve the major project has been taken by the Commission. Approval by the Commission is a guarantee for the Member State that the Commission has appraised the project against EU law, policy and priorities; the alternative of ex post appraisal assessment by the Commission or the Court of Auditors would carry a greater risk for the Member State.
Will it be possible for expenditure to be declared following the submission of the information submitted (under Article 91) before the Commission approves the major project in order to avoid delays in starting up operations?	
Par 2 - What will happen if the first works contract will be concluded later than two years of the date of the decision? Will it be necessary to begin the appraisal procedure again?	Provided that project proposals are mature before submission of an application for funding to the Commission, there should be no difficulty meeting this requirement. As stated in Article 92(2), the approval of funding is conditional on the signature of the first works contract within two years. If the first contract is not signed within this time, the expenditure under the major project will not be eligible for Union support. A new appraisal and decision by the Commission would be necessary to render the expenditure eligible.
The modification of COM decisions on major projects creates several problems. The conditions for modification are unclear and the regulation does not provide any guidance either. Why does the COM not plan to include such criteria here?	The CPR sets out the general framework for the implementation of all CSF Funds. It is not necessary or appropriate to set out detailed rules for the modification of major projects in the CPR especially considering that amendment of a decision approving a major project should always be possible in duly justified cases.
Is it possible to amend approved major project and what are the rules (timeframe etc) of the amendment procedure?	
ELIGIBILITY AND PROPORTIONATE CONTROLS	
Common Provisions Regulation	
Article 55: Eligibility	
CPR Art. 55.1: seems unclear about how in certain cases eligibility rules will be determined. Please explain what is meant under “except where specific rules are laid down in or on the basis of this Regulation or the Fund-specific rules”.	It is not clear from the question where the lack of clarity lies in Article 55(1). In any event, the substance of this rule is unchanged from the approach in the current 2007-2013 programming period. Consequently, eligibility is determined by national rules except where specific eligibility rules are laid down in the Common Provisions Regulation ('CPR') (e.g., eligibility rules in Article 55), or adopted under delegated acts in the CPR or the Fund-specific rules (e.g., Article 17(1) of the ETC Regulation provides the possibility of additional specific rules on eligibility being adopted for cooperation programmes).
Pourquoi avoir fait le choix de reconduire le principe de règles d’éligibilité déterminées au niveau national ?	
Why does the basis of the eligibility change over the programming period: from determining eligibility on the basis of the invoice to determining eligibility on the basis of the receipt?	The question is not clear. The intention is to preserve the present approach – to be eligible the expenditure has to be incurred and paid by the beneficiary.

Article 55-2: il est indiqué qu'une dépense est éligible « si elle a été exposée et payée par un bénéficiaire », que signifie le terme « exposée » ? What does the Commission mean by incurred expenditure?	Incurred expenditure refers to costs for which the beneficiary is liable, i.e. is obliged to pay. The more appropriate translation into French would be "encourue" instead of "exposée".
CPR Art. 55.2: Isn't there a contradiction between this and Art. 36 in the case of financial instruments? ("At closure of a programme, the eligible expenditure of the financial instrument shall be the total amount effectively paid or, in the case of guarantee funds committed, by the financial instrument (…)")	The provisions for closure under Article 36 are clear and applicable to financial instruments.
Article 55-3 : la date proposée pour le début de l'éligibilité des dépenses (1er janvier 2014) est plus restrictive que ce qui est applicable au FEADER sur la période actuelle ; l'alignement du FEADER sur cette date est-elle nécessaire ? (idem pour le niveau des barèmes et montants forfaitaires proposés: quelle est la valeur ajoutée de ces alignements pour le FEADER	The aim of the proposal has been to achieve alignment of all CSF Funds. Article 55 (3) sets out specific provisions for simplified costs because the general rule defined under paragraph 2 cannot be applied in these cases (see also the response below). The Commission is open to re-examine this paragraph to ensure that as far as possible, the operations managed on the basis of real costs and those managed on the basis of simplified costs are treated on en equitable basis.
How should the expression "carried out" in paragraph. 3 be interpreted: can it be interpreted as expenditure issued before the beginning of the period and only paid within the period of eligibility?	When standard scales of unit costs or lump sums are used, the real expenditure of the beneficiary is not verified. It is not possible to specify an eligibility date based on the expenditure of the beneficiary because the date of expenditure is unknown. "Carried out" has to be understood as implemented on the ground. The general principle is that this implementation will generate the data (on outputs or results) constituting the basis for reimbursement based on simplified costs, and that this has to take place on or after 1 January. Example: A training for which the costs are determined by using unit costs corresponding to the number of training days could be selected for support before 1 January. However only costs associated with training days carried out on or after 1 January are eligible. If eligible expenditure is calculated on the basis of an indicator related to a whole period of implementation (for example the number of people getting a qualification as a result of an operation) the whole training will have to take place on or after 1 January 2014.
Could the Commission explain why expenditure incurred and paid by a beneficiary in advance of 1 Jan 2014 (but after the submission of the programme) may be eligible under para 2, whereas costs based on standard units or lump-sum are not under para 3.	
55 (4) We would like to ask the Commission about the intention behind this clause.	The intention is to increase the impact of the CSF Funds. The impact of EU intervention reduces if it does not bring about new operations that would contribute to economic growth and to the achievement of EU 2020 objectives. Supporting of operations that have been fully implemented (in some cases years before) is in essence an accounting exercise, and does not generate new economic activity nor contribute to thematic objectives under the priority axis. In addition the practice of such retrospective financing is associated with a high incidence of errors.

	There would be grounds for an even stricter approach – financing only those operations which have not started before the application for financing has been submitted to the managing authority. However the Commission considers that its proposal establishes an appropriate balance by providing some flexibility to finance operations that are already being implemented while reducing the risk of ineffective use of funds and of errors.
CPR Art. 55.4: We think that the meaning of "actions" should be better defined here. What are "actions"? Please clarify.	There is no reference to actions in 55.4. Please note that "action" is not synonymous with "operation" and is a generic word already used in the current regulation.
Please define what "physically completed" and "fully implemented" mean. What is the difference between the two terms? Explain also with an example how an operation can be fully implemented without all related payments made. Also, we would like to note that the definition of "completed operation" in Art. 2 needs to be clarified.	The difference between the two terms used is related to the difference between physical operations (physically completed) and operations where activities do not involve physical investment (fully implemented). For example training is fully implemented after the last day of the training programme, when certificates are given to the trainees or after the final examination. At this stage there may still be expenditure which has not been incurred or paid (salaries for example) and the final payment to the beneficiary may be made considerably later.
55 (6) It is unclear why, net income is mentioned. The term "net income" comes from the provisions for revenue-generating projects with operating costs. 'Operating costs' during an operation however are normal project costs.	The aim of these provisions is to ensure that the beneficiary does not gain an undue advantage through operations supported by the EU. "Net revenue" is used to clarify that any surplus directly generated by the operation (the difference between the revenues and the expenditure related to the operation) should be deducted from eligible expenditure either before the operation is approved for support, or at the latest from the last payment claim submitted by the beneficiary.
What does "Net revenue" mean in Article 55(6)? Net revenue could indicate operation revenue surplus to operation expenditure, which we do not believe is the intention of the Article.	
55 (6) What does the Commission mean by revenue directly generated?	Revenues directly generated by the operation are revenues that result from the projects supported. This formulation has been proposed to clarify that while beneficiaries may have other economic activities and therefore revenue derived from other sources in parallel with the implementation of the operation, only revenue directly generated by the operation should be deducted. Examples of ESF revenue generated directly by the operation include enrolment fees but also sale of products or provision of services. On the other hand revenues generated by the cafeteria of a training centre where co-financed projects take place would not be considered revenue directly generated by the operation.

Should “operations subject to the rules on State aid” also be expressly excluded from net revenue calculations, not only financial instruments and prizes as it is currently stated in art 55 point 6 in fine?	The Commission is open to re-examine the provisions with regard to operations subject to state aid and more generally operations supported with the objective to generate some revenues during their implementation. This provision applies to all operations supported by CSF Funds, including ESF operations (without threshold).
55 (6). Does this provision apply to the ESF, operations which total cost exceeds EUR 1.000.000 and State Aid taking into account that Article 54 of the General Regulation (Revenue-generating operations) shall not apply to those matters.	
Malta would also like to clarify whether Article 55 (6) would also apply to ESF in cases where a nominal participation fee is charged (such fees are normally levied to ensure participation is taken seriously).	Yes. The participation fee shall be deducted from the eligible expenditure of the operation.
Par 6 - Does the principle of pro rata (dividing the net revenue between the eligible and non-eligible part of the operation’s cost) apply in the context of this paragraph? What is the reasoning of exclusion if it doesn`t?	It is important to ensure that the beneficiary does not use the operation to gain an undue advantage. In principle the pro-rata approach can be applied, as in some cases revenues may be derived directly (or even only) from non-eligible expenditure. It should however be acknowledged that the application of the pro-rata approach in this case may lead to additional obligations e.g. a requirement to retain and control supporting documents for non-eligible expenditure.
Par 6 - How is this paragraph implemented when a simplified cost (standard scales of unit costs, lump sums, flat-rate financing) or a joint action plan is used?	It is important to ensure consistency with the basic principles underpinning the use of simplified costs. The method used to assess the potential revenues generated should preserve the benefit of simplification, for example via an ex ante deduction of revenues at the time of the award of the grant, where relevant. Ex-post verification of actual revenues of the beneficiary should not be needed. The Commission is open to examine these provisions to clarify their application where implementation is based on simplified costs.
In our opinion, provisions of the article 55 point 6 are not in line with article 54 – it is not clear if it covers only revenues as described in article 54 or also other types of revenues than covered by art. 54 (generated indirectly by the project) and hardly estimable in advance	Articles 54 and 55.6 clarify that revenue generated during an operation (Article 55 (6)) and revenue generated after the operation (Article 54) are not subject to the same rules. This was considered necessary as in 2007-2013 the rules are not sufficiently clear in this respect. Article 55.6 clarifies that: - only net revenues directly generated by the operation need to be taken into account; - revenues need to be taken into account up to the submission of the final payment claim by the beneficiary; - revenues are to be taken into account by deducting them from the eligible expenditure.
Please clarify the difference and relations between the terminology used in Article 54 (net revenue generated after completion of an operation) and that used under CPR Art. 55.6 (during implementation of an operation). Does this mean that in case of Art. 54 net revenue generated during implementation regardless whether it can be determined in	

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<tr><td>advance or not shall not and should not be taken into account?</td><td></td></tr>
<tr><td>Why is it explicitly regulated that this has to be deducted from the final payment claim of the beneficiary, why cannot it be continuously be deducted as was the case in the 2000-06 period?</td><td>The intention is to ensure that net revenues are deducted at the latest in the final payment claim submitted by the beneficiary. The Commission is open to re-examine the text to ensure unambiguous drafting.</td></tr>
<tr><td>Beneficiary is not able to calculate the revenue unless he has closed the accounting year. We propose to use to the same deadline as for the revenues generated after completion of an operation.</td><td>The purpose of Article 55.6 is to simplify management by avoiding any monitoring of revenues after the submission and approval of the final payment claim of an operation. Revenues directly generated by the operation should be known before the submission and payment of the final payment claim. If revenues cannot be calculated until the end of the accounting year, this is also the case for eligible expenditure and the submission of the payment claim is not possible before final figures are known.</td></tr>
<tr><td>Art. 55 (7): Is the expenditure eligible with the date of submission of the request for amendment; independently of the COM decision?</td><td rowspan="3">The start of eligibility is the date on which a request for the amendment of an operational programme is submitted to the Commission (not the decision of the Commission to amend the operational programme). However, if the Commission does not approve the amendment, the expenditure conditional on that amendment is rendered ineligible.

Eligibility of an operation and expenditure incurred within an operation is conditional on compliance with the operational programme. Whether an amendment of an operational programme is needed to render an operation eligible, depends on the limits imposed by the operational programme from the onset. However, the basic premise is that an operation falls under a thematic objective, investment priority and a category of intervention included in the operational programme. Please note the link with Article 114 (3) (b), which requires the managing authority to ensure that operations selected for support fall within a category of intervention identified for the priority axis in the operational programme. It is important to highlight that this requirement is linked to "operations" not "expenditure".
Example: An operation to construct a waste water treatment plant may include expenditure on information systems and software, however the operation as a whole still falls under the category associated with waste water treatment and there is no need for categories linked to information systems in the operational programme for this operation to be eligible.</td></tr>
<tr><td>CPR Art. 55.7: we think that this is a crucial paragraph that implicitly suggests that categories of intervention will influence eligibility. Please clarify how thematic objectives, investment priorities and categories of expenditure/intervention will influence eligibility.</td></tr>
<tr><td>We would welcome clarification with regard to paragraph 7, namely “… expenditure becoming eligible because of the amendment to the programme shall only be eligible from the date of submission to the Commission of the request for amendment”. Does this refer, as in the current programming period, to new reprogrammed priority areas?</td></tr>
<tr><td>Also, with regards to Article 55(7) – does the date of eligibility refer only to the date from when expenditure can be declared to the Commission or from when the project can start to be implemented?</td><td>For expenditure to be eligible it has to be incurred and paid by the beneficiary within the eligibility period. An operation may start before the eligibility period, however the expenditure incurred or paid before the start of the eligibility period is not eligible.</td></tr>
<tr><td>Art. 55 (8): Is it possible that more than one operational program is allowed to support one project? For example, are</td><td>The text allows for an operation to receive support from one or more CSF Funds or from the CSF Funds and another Union instrument. Several operational programmes may also support one operation. However</td></tr>
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two operational programs allowed to finance one project, which is important for both programs? The wording it is not perfectly clear.	expenditure can only be supported once from the Union budget. Therefore expenditure reimbursed from different instruments, Funds or operational programmes must be clearly identifiable.
55 (8). We would like the Commission to explain how this article should be interpreted in connection with the Art.56, which allows combination of different forms of support, meaning, in our understanding that the same expenditure item could in fact be supported by more than one source, if the operation receives support in form of a grand and through financial instruments provided that the cumulative amount of support does not exceed the allowed co financing limits. Art. 55 (8): How does the COM define "expenditure item"?	The intention is to exclude situations where the same expenditure is supported more than once. Where an operation receives support in the form of a grant as well as through financial instruments, the grant and loan/guarantee elements of the operation need to be clearly identifiable. It is also important to ensure that the principle of national co- financing is adhered to. It is not possible to replace national co-financing with financing from the EU budget. The same expenditure should not be supported more than once. This does not preclude the pro-rata division of the same invoice or salaries based on timesheets between different instruments or operational programmes.
Article 56: Forms of support	
CPR Art. 56.2: („In the case of repayable assistance…") does not refer to how many times or until when the repayable assistance shall be reused, how it will be led out and who will control this. Please clarify.	Repayable grants are not financial instruments, they are a specific type of grants. Member States need to ensure compliance with Article 56 until closure of the programme. The procedure to give effect to the reuse requirement can be subject to ex-post audit.
CPR Art. 56.2: We recommend accepting a secondary account code, too, as a separate account means additional costs and burden. Would a different account code suffice?	In principle a separate account code would suffice to comply with the audit and reporting requirements.
Article 56 : What is the definition of a prize?	These provisions are derived from the Financial Regulation which defines prizes as "financial contributions awarded following contests" (please also see Articles 128-129 of the Commission proposal for the triennial review of the Financial Regulation). In case of EAFRD a system of prizes envisaged for innovative, local cooperation in rural areas, where prizes are awarded for cooperative projects on the basis of call for proposals based on themes related to Union priorities for rural development (please also see Articles 56-60 of the Commission proposal for the rural development regulation).
Article 57: Forms of grants	
Is it possible for the Commission to give a clear definition for all forms of grants? A precise definition of all these concepts could help to avoid misinterpretation).	The forms of grants are derived from Article 115 of the Financial Regulation.
What is meant by the categories of costs? Which categories does the Commission foresee?	Categories of costs comprise expenditure items with similar characteristics and purpose. Examples used in the regulation include direct / indirect costs as well as direct staff costs but there could also be categories directly

	linked to specificities of draft budgets of operations. E.g. travel costs could be a category of costs.
Why is the maximum lump sum set at 100 000 and not higher?	The previous ceiling of lump sums was set at 50.000 EUR. The Commission decided to increase it to extend the possibility to use lump sums. The maximum of EUR 100.000 allows using this possibility for 70% of ESF operations.
Does the lump sum include national and GSF amounts or is it only the amount of GSF?	The lump sum amount of EUR 100.000 EUR includes public contribution (Article 57 (1) (c)), therefore both the Union support and the national public support.
Art. 57 (1) d: Does this article mean the flat rate of eligible direct costs? What is exactly meant by "category of costs"? Is it possible to use one flat-rate for one category of costs? Please give one or two practical examples.	Flat rate financing as set out in Article 57 (1) (d) refers to the general possibility to apply an approach where some costs are calculated by applying a percentage to other types of costs. Flat rate for indirect costs (calculated on the basis of direct costs) is a specific type of flat rate financing. There are several examples of flat rates in the regulations: - flat rate for the calculation of indirect costs (categories of costs calculated = indirect costs) in Article 58; - flat rate for the calculation of staff costs (categories of costs calculated = staff costs) in Article 18 of the ETC regulation; - flat rate for the calculation of all eligible costs that are not eligible direct staff costs (categories of costs calculated = all costs except direct staff costs) in Article 14.2 of the ESF Regulation. See examples of calculation in Annex 2. It is possible to combine several flat rates as long as the same categories of costs are not supported twice and that there is no circular reasoning (flat rate calculated from a flat rate).
Article 57§3 – Forms of grants - Could the Commission explain more in details this paragraph?	This paragraph maintains unchanged the current practice and introduces the current practice in the Regulation. The description presented in the COCOF note on simplified cost options (ref. COCOF 09/0025/04-EN, point 4 of the introduction, see annex 1) remains valid. The aim is: 1) to exclude from the scope of simplified costs the operations or projects subject to public procurement contracts (hereinafter referred to as case 1); 2) to keep in the scope of the simplified costs the projects implemented by the beneficiary itself (keeping full control on the management and implementation of the project), even if some of the budget lines or expenditure items within the project (part of the project execution like cleaning services, external expertise, purchase of furniture, etc.) are outsourced (hereinafter referred to as case 2). In that case and exclusively in that case: - the extent of outsourcing does not influence the applicability of simplified cost options. However approved systems generally define lower flat rates where outsourcing is used or voluntarily exclude outsourced expenditure from the scope of the flat rate rule. - simplified cost options will be applicable to all the expenditure of the project. Where projects are tendered, eligible expenditure should be determined on the basis of Article 57 (1) (a). The provision applies to all procurement including contracts below the thresholds established by EU directive.
Do we understand it correctly that the percentage of public procurement does not influence the use of the simplified cost method? Please clarify whether or not simplified cost methodologies can be applied if the project is outsourced by the beneficiary (which is often the case in ERDF). Would the extent of outsourcing influence in any way the applicability of simplified cost options?	
Paragraph 3: this can differently be interpreted. We assume that is meant that activities based on tendering only can be calculated through paragraph 1, subparagraph a (based on actual costs incurred and paid). Is that correct?	
In addition, notwithstanding Article 57 (3), could the funds	

specific rules (ref: Article 57(4)(d)) specify an applicable flat rate even for operations which are implemented through a series of procurement?	FR: Cette différentiation est utile pour éviter qu'un marché public ne soit remboursé sur base de deux coûts différents, celui du système de coûts simplifiés et celui déjà défini dans le marché public (les marchés publics sont généralement payés sur base de coûts unitaires ou de montants forfaitaires). Une exclusion totale des marchés publics aurait bloqué l'application du système : en effet dans le cas où un organisme public met en œuvre par lui-même une opération, toutes ses dépenses externes, y compris l'achat de fournitures, tombe dans le champ des marchés publics et aurait alors dû être exclue ce qui aurait abouti à un système complexe et discriminatoire. Prenons l'exemple d'une opération où une subvention est versée à un public de l'emploi pour organiser 10 formations, mises en œuvre par marchés public, et suivre 200 stagiaires, suivi réalisé par les agents du service public de l'emploi lui-même. Dans cet exemple, les formations ne peuvent être remboursées que sur base des couts réels (cas 1, projets exclusivement mis en œuvre via marché) alors que le suivi peut être remboursé sur base des couts simplifiés même si une partie des dépenses est mise en œuvre via marchés publics, par exemple la location de salle (cas 2 où seulement une partie des dépenses du projet est mise en œuvre via marchés). Voir aussi annexe 1, copie des slides illustrant cet exemple.
Article 57.3 : la Commission peut-elle illustrer cet article en donnant des exemples d'opérations pour lesquelles le paragraphe 1 s'appliquerait différemment ? Cette différenciation est-elle utile ?	
What is meant by "procurement of works, goods or services", are the procurements which are below the international or national threshold excluded or are all the purchases irrespective of the size included under this paragraph? Please confirm if the conditions referred under the last sentence gives opportunity to use all the options of Grants referred to in paragraph 1 for the whole operation/project or exclusively for the categories of costs that does not compose any procurement? Please specify the word exclusively in the first sentence	
Art. 57 (3): With this reference, in art. 98 it is envisaged that payments to the Beneficiary of a JAP shall be made as simplified costs (lump sums and standard scales of unit costs). JAP will apply to all types of grants, including those implemented through public procurement. The question is are the public procurements, which could form an part or a whole of an operation under JAP, be covered by the simplified costs	Reimbursement under JAP is made on the basis of standard scale of unit costs and lump sums. However the reference to Article 57 for JAP is limited to the calculation methods used to define the standard scales and lump sums used. Therefore JAP can be used regardless of the extent to which public procurement is used to implement projects. Commission is open to re-examine the text to ensure unambiguous drafting.
Why provisions related to financial audit in respect of simplified cost options laid down in Article 14 of the ESF regulation as quoted below are not included in Article 57 of the General Regulation? Regarding (c) it is still problematic whether such methods would be accepted during an audit.	The provisions related to financial audit as set out in Article 14.1 of the ESF regulation cannot be included as such in Article 57 because they refer to different circumstances. In the case of simplified costs under Article 57 the financial relationship between the beneficiary, the national authorities and the Commission is the same: 1 €calculated by the beneficiary on the basis of simplified costs and paid by the national authorities will be included as 1 €in the payment claim by the authorities to the Commission and will be reimbursed by the Commission (1 €x rate of the priority axis). Article 14.1 of the ESF regulation regulates and focuses on the relationship between the Commission and the national authorities. Therefore the amounts paid to beneficiaries and the amounts declared to the Commission need not be the same – payments to beneficiaries can be made on the basis of different rules. Any financial audit

	carried out at beneficiary level but also at managing authority level will take account of the fact that the expenditure has been declared to the Commission exclusively on the basis of standard scales of unit costs and lump sums. For this reason the audit work should exclusively aim at verifying that the conditions for reimbursement by the Commission have been fulfilled. However, Commission is open to examine the drafting of Article 57 with respect to the need to clarify audit requirements.
In 57(4)(a), what is "fair", "equitable" and "verifiable"? This terminology raises concerns in case of the present provisions as well.	This terminology is defined in COCOF guidance note on simplified cost options (COCOF 09/0025/04) points IV.2.2, IV.2.3, IV.2.4 (see also Annex 1). - fair means that the calculation has to be reasonable, i.e. based on reality, not excessive or extreme; - equitable means that one should not favour some beneficiaries or operations over others. The calculation of simplified costs has to ensure an equal treatment of beneficiaries and/or operations; - verifiable: The determination of simplified costs should be based on documentary evidence, which can be verified. The managing authority has to be able to demonstrate how simplified costs have been developed and applied. This documentation will be part of the audit trail. Unlike in 2007- 2013 where the methods resulting from the fair, equitable, verifiable provisions were not specified, the CPR now describes two methods respectively based on: - statistical data or other objective information, which will result in standards applicable to many operations and beneficiaries; - data by beneficiary, which will result in standards specific to each beneficiary. This approach is useful when no general database is available or when the number of beneficiaries is low.
Paragraph 4, a, ii): here is mentioning of the usual cost accounting methods. What does the Commission mean by usual? How long should a method been used in order to be usual?	Usual accounting methods are methods which the beneficiary uses to account for all of its usual day to day activities and finances (which are not linked to EU support). These methods should be in compliance with national accounting rules and standards. The length of use is not critical. An accounting method is not "usual" if it has been customised for a particular operation or for EU support.
Do we understand it correctly that methods of FP7 and Horizon 2020 would also be admitted? We recommend admitting the methods of EEA and Norway Grants as well. We are kindly asking the Commission to reflect on this possibility.	All the applicable EU methods could be used for similar operations and beneficiaries. Methods that are applied in 2007-2013 but are discontinued after 2013 will not be usable. The intention of these provisions is to clarify that where the Commission has already developed simplified costs for a particular type of beneficiary and operation under another EU policy, the Member State/the Commission need not duplicate this effort under Cohesion Policy. However the Commission is sceptical about extending this provision to Norway and EEA grants, as the specific conditions for those grants schemes are developed by the donors and not the Commission. As these grants are not financed from the EU budget, the Commission cannot take responsibility for the methods applied.

Could the rates that are established under national law (like scholarships, daily allowances etc) be used as a bases for simplified costs without any additional calculations done? Are the calculation methods regarding the rates that are established under national law excluded from the scope of audits?	Yes, rates but also unit costs or lump sums used under national support schemes (such as scholarships, daily allowances) can be used without additional calculations. The main requirement is that they are indeed applied in parallel for similar types of operations and beneficiaries. Since this requirement exists, it can also be controlled. However calculations underpinning such rates, unit costs or lump sums should not be subject to audit.
Paragraph 4, part c: the provision refers to grants funded entirely by the Member State. What is meant by that?	Simplified costs referred to should be used in parallel with EU Funds in the framework of national systems, for operations supported only by national funds (outside the scope of EU or other external programmes). To use these simplified costs in an operation, they have to be applicable to national (meaning national, regional or local) grants at the time when an operation co-financed by the CSF Funds is selected for support by the Managing Authority. For example, if a daily allowance is used in the national system to reimburse travel costs of civil servants it can be used under programmes supported by CSF Funds without the need to demonstrate that it is based on a fair, equitable and verifiable method.
Paragraph 5: reference is made to the document containing the conditions for support for each operation. Which document is meant? The individual project decision or the national rules and or program rules?	This document is an individual decision or agreement that sets out the conditions for support for each operation (defined in Article 114 3 (c)). The aim of this provision is to ensure that the beneficiary is aware of: 1) the method(s)that shall be applied to determine the costs of the operation (real costs or forms of simplified costs); 2) the conditions for the payment of the grant. The latter is particularly relevant in the case of lump sums or standard scales of unit costs, where the payment is conditional on the delivery of particular outputs or results. As many operations to which simplified costs are applied are intangible in nature, the beneficiary needs to be aware of how the delivery of outputs or results will be proven/verified and which documents should be submitted and retained for this purpose. Payment of the grant may also be conditional on compliance with quality criteria. In some cases the Managing Authority should clarify what happens in case of partial or incomplete delivery of the outputs or results (more details can be found in the COCOF guidance note on simplified cost options (COCOF 09/0025/04)). Therefore this provision has been included here to ensure that all relevant conditions for calculation and verification of eligible expenditure and payment are established in advance and provided to the beneficiary. However this is also a general obligation under 114 (3) (b).
Article 58: Flat rate financing for indirect costs for grants	
In relation to the payment of indirect costs, does the EU Commission intend to issue clear guidelines and an acceptable simplified methodological template for	Commission intends to complement and adjust the current guidance on simplified costs to include the new regulatory arrangements.

calculating the 20% figure (Article 58), in order to ensure that it is fair and equitable and uses a verifiable calculation method?	
Will Member State just have to state they are applying the flat rate under Article 58(a) - justification required as in 2007-2013 per EC presentation on simplified costs 13/12/11 - and (b) - no justification required and other costs methods can be used for other elements of operations expenditure per EC presentation on simplified costs 13/12/11 - and then it can be applied without any consultation with Commission?	The question refers to the seminar on simplified costs organised by the Commission on 13 December 2011. - Art 58 a) is the current system of flat rate for indirect costs with additional possibilities to calculate the rate. The Commission considered that it was important to maintain the possibility to continue to use the current system given the investment made by many Member States. Therefore 20% is a maximum rate to be used and the justification of the rate will be part of the audit trail (please see an example in Annex 2, point 2.1 b). - Art 58 b) is an additional rule introduced to facilitate further the use of simplified costs: the rate of up to 15% for indirect costs is fixed in the regulation and does not require any justification. Indirect costs will be calculated as 15% of direct staff costs. The other eligible costs that are not indirect costs and not direct staff costs can be supported through real costs, standard scales of unit costs or lump sums as long as there is no double financing of the same expenditure (please see an example in Annex 2, point 2.1 c) There is no need to consult the Commission to apply these arrangements.
What kind of expenditure categories are meant under indirect cost, direct cost and direct staff cost? Does the term direct staff costs cover only expenditures related to salary or something else could be included, for example costs of business trips?	A general definition of direct / indirect cost is given in the COCOF guidance note on simplified cost options (please also refer to Annex 1) a) Direct costs are those costs which are directly related to an individual activity of the entity, where the link with this individual activity can be demonstrated. b) Indirect costs, on the other hand, are costs which are not or cannot be connected directly to an individual activity of the entity in question. Such costs would include administrative expenses, for which it is difficult to determine precisely the amount attributable to a specific activity (administrative/staff expenditure, such as: management costs, recruitment expenses, costs for the accountant or the cleaner etc.; telephone, water or electricity expenses, and so on.) In general terms, staff costs are costs deriving from an agreement between employer and employee or service contracts for external staff. They include the total remuneration, in cash or in kind, paid to people in return for the work directly related to the operation. They also include taxes and employees' social security contributions as well as the employer's compulsory and voluntary social contributions. Therefore travel costs or costs of business trips are not considered to be staff costs.

Why have the rates been established at the level (%) they are proposed by the Commission?	These rates are mainly based on the experience of the Commission acquired during audits and assessment of flat rate systems. - The maximum rate of 20% of eligible direct costs (Article 58 a) is based on current average rates for ESF operations and the current ceiling. The Commission also considers it necessary to concentrate support on core activities of operations; - The rate of 15% of eligible direct staff costs (Article 58 b) represents the middle to lower end of the rates elaborated in 2007-2013 and represents a balance between simplification and the risk of over financing. A higher rate would contradict the existing flat rate systems already in place in Member States.
Please give an example of existing methods and corresponding rates or specify criteria for selection of these rates (e.g. they have to be confirmed by the Commission?)	These rates do not need to be (re) confirmed by the Commission. The main motivation behind the introduction of the explicit possibility to apply the methods and simplified costs developed under other EU policies to similar types of operations and beneficiaries, was to reduce the burden of beneficiaries who implement operations financed under different EU policies as currently they are faced with different eligibility rules and rates for simplified costs. Simplified costs, in particular flat rates for indirect costs, are widely used in different EU instruments. Commission is open to consider whether clarification of "similar type of operation and beneficiary" can be provided in the delegated act.
How should the concept "for a similar type of operation and beneficiary" referred in paragraph 1 be interpreted?	
A clarification is needed on Article 58 (b) – could the Commission confirm that no study is needed to justify the flat rate on direct cost?	No study is needed to justify the flat rate in 58 (b). It has been proposed to reduce administrative costs associated with the development of methodologies for the application of flat rates.
CPR Art. 58.c: Please clarify what "Union polices" cover. More details about methodology and those ceilings are required, prior to the delegated act. We are kindly asking the Commission to provide justification for these ceilings	Union policies cover all instruments financed by the EU budget. More details shall be provided prior to the preparation of the delegated act within the framework of the negotiations of the CPR. Please also refer to the responses above.
Is the open formulation of provisions in Article 58 (1) c appropriate? Should the basic rules be given in the CPR regulation itself, instead of a Commission delegated act? Why does the Commission need delegated power regarding point c? While the methods and rates of point c are already established by the EC.	Given that the regulations underpinning different EU policies are negotiated separately and will not be approved at the same time, a delegated act is considered as the simplest way to specify rates and methods, once the final content of relevant legislation is known. Flat rates for indirect costs are the most common form of simplified costs used within EU instruments. Therefore a delegated act was deemed necessary to ensure an appropriate coverage of the different rates and methods.
Pourquoi ne pas fixer ce taux forfaitaire (lorsqu'il sera déterminé) directement dans le règlement plutôt que de recourir à un acte délégué ?	
What are the differences between Art. 58 and Art. 57 (1) d?	Article 57 (1) (d) establishes a general rule that grants may take the form of flat rate financing. Article 58 sets out

	the calculation methods for a particular type of flat rate – flat rate financing for indirect costs – however there are other flat rates proposed (incl. the rate up to 15% for staff costs under the ETC regulation and the rate up to 40% for total eligible costs on the basis of direct staff costs under the ESF regulation).
Article 59: Specific eligibility rules for grants	
A significant concern arises here due to the fact that any contribution in kind must have no cash payment. However, in many LEADER projects land or real estate may be provided as a contribution in kind through a lease arrangement for a nominal fee of for example €1 per year for x number of years. Can a provision be included in the case of land or real estate which allows for a nominal cash payment?	The Commission considers that allowing nominal cash payment under these provisions would add complexity to these rules. While the payment is clearly nominal in the case described, determining whether a payment is nominal or not can be more difficult in other cases.
A59.1(a) refers to public support paid to the operation whereas the current regulation refers to cofinancing from the funds. Can the Commission explain the reason for the change.	The aim is to clarify that in-kind contributions should not exceed the contribution of the beneficiary to the eligible costs of the operation. The financial management system does not differentiate between EU and national public funds.
CPR Art. 59.1.b: How can market price be controlled if the beneficiary is in a monopolistic situation? Why are "minimum criteria for establishing costs generally accepted on the market in question" not defined here? Especially defining the "market in question", and how to establish generally accepted cost levels. We think these are necessary.	The formulation of this rule has been adjusted to align more closely with the Financial Regulation. However the basic principles of its application have not changed. The value attributed to an in–kind contribution should approximate the price which the beneficiary would pay for this contribution on the market under normal circumstances. The appropriate value of an in-kind contribution can be established in different ways: based on statistics, market surveys, comparable transactions etc. It should be noted that these are common rules for the CSF Funds and cover a vast variety of different interventions, which in part, determines the general nature of these provisions. We would welcome information on problems which are related to defining "the market in question" to provide a more thorough reply. If the in–kind contribution is a service or good provided by a monopoly, it is likely that the market price is determined by the monopoly and thus is not difficult to determine.
CPR Art. 59.1.c: Please clarify the condition of independence defining what will be accepted as independent.	These provision sets out the rule that the value and the delivery of an in-kind contribution should be possible to assess and verify independently. It does not establish an obligation to do so for each individual operation. In effect it sets out a requirement for an audit trail – it should be possible to assess and to verify, that the value attributed to the in-kind contribution is compliant with the requirements point (b) and it should be possible to verify that that the in-kind contribution has indeed been made/delivered.
CPR Art. 59.1.d: Please clarify the contradiction in terminology between 1/d (land or real estate) and 3/b (land not built on and land built on).	Commission is open to examine the terminology used.

CPR Art. 59.1.e: Will the COM publish a register for such costs?	Commission has no plans to create a register for such costs, as these vary across Member States, regions and types of work.
59 (2). What is the reference time for depreciation? Are there any guiding documents? Concerning depreciation: Is it possible to depreciate any equipment purchased before the beginning of the eligibility period (supporting document is before). Of course, the depreciation would cover only the programming period.	National rules have to be applied with regard to the reference time for depreciation. The depreciation of an investment divides the cost of an item over the economical lifetime of that item. Therefore it does not matter when the item has been purchased, as long as the economical lifetime has not been exceeded. The beneficiary would need to submit supporting documents to prove the purchase price of the item and the appropriate rate of depreciation.
59 (2). What about the case where public grants are withdrawn for calculation of the depreciation? Would this make the cost eligible?	The intention of this provision is to prevent double financing of equipment from several public sources (first via purchase and then via depreciation). If public grants have been withdrawn from the purchase, depreciation can become eligible.
CPR Art. 59.2.d: the term "public grant" should be defined. Is it used in the meaning of state aid, or in a wider sense? The notion of public grants in the case of public entities (amounts granted by the State to public entities without EU money involved) is not obvious in all MSs	The term of "public grant" is not used in the meaning of State Aid. It refers to any funding granted to a beneficiary by public authorities.
CPR Art. 59.3.a: According to this paragraph „interest on debt" is not eligible. It is also excluded in the present ERDF regulation (Art 7). However Art 3.2.c of the same regulation in effect enables the provision of "interest subsidy". Also, according to 4.3 of the FEI COCOF note interest subsidies are possible both in case of FEI and grants. As loans are a certain form of debt and related interests are eligible, we recommend rephrasing "interest on debt". Please also clarify whether only the interests on existing debt cannot be eligible, or interest subsidy to a bank loan would be ineligible, too, in the next programming period	As in the current programming period, cohesion policy funds can support interest rate subsidy schemes. The Commission will examine the need to reformulate "interest of dept".
CPR Art. 59.3.c: We think the rules set in 59.3.c are unclear and complicated. What is "infrastructure"? How would VAT generated by an industrial park made by a private company be treated? Is it an infrastructure or a productive investment for the owner? Paragraph 3, part c: the wording of this text is complex. What is different than the provision in the current regulation?	In the period 2007-2013, the rules on the eligibility of VAT are not homogeneous among the CSF Funds. Recoverable VAT is ineligible under all CSF Funds, however there are differences in the treatment of non-recoverable VAT. Under Cohesion Policy, non recoverable VAT is currently eligible, under EAFRD and EFF, only the non recoverable VAT borne by beneficiaries other than States, government authorities and public bodies where they act as public authorities (which are thus regarded as non-taxable persons) is eligible. There are other EU instruments under which VAT is never eligible (e.g. the 7th Framework Programme). Commission has proposed a more harmonised approach to VAT. The proposal starts from the approach

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<td>currently taken for EAFRD and EFF and complements it.

• For those beneficiaries which are able to deduct VAT paid on their purchases, VAT is an ineligible cost for them under the current rules as well as the rules proposed for 2014-2020 (as it is not a cost for them).
• For public bodies, VAT is an ineligible cost where it is paid for implementation of activities in which they engage as public authorities (where public bodies shall be regarded as non taxable persons in accordance with the VAT Directive). Otherwise, non-recoverable VAT is eligible for public bodies.
• Non-recoverable VAT remains eligible for other beneficiaries, in particular for non-governmental organisations.

VAT will not be eligible for investment into infrastructure (buildings, power grids, roads etc.), regardless of the type of beneficiary.</td>
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<td>Article 60: Eligibility of operations depending on location</td>
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<td>Please explain introduction of suggested detailed rules in CPR Article 60 regarding ERDF, and the reasons the Article 60 (2)b ceilings are linked to the Fund and not to the nature of operations (tangible/intangible etc.)?</td>
<td rowspan="4">In the case of infrastructure and productive investment the location of the operation is self evident. In other cases, the location of the operation can be determined by the location of the activities, or by determining where the results of these activities are used. The latter may be case for R&D operations, where some of the activities may involve work in other countries, but results of such work are used in the programme area. This would also apply in the case of study trips.

Technical assistance expenditure is by default linked to the operational programme it is financed from and is for the benefit of that programme. Therefore technical assistance expenditure is intended to be eligible if the conditions set out in Articles 52 and 109 are fulfilled.

Promotional activities should be understood as activities which aim to raise awareness and disburse information (e.g. on business opportunities at trade fairs).</td>
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<td>Please consider the practical implications of having to calculate and assess percentage points in different operations and parts thereof, as the concept “location of operation” is self evident only in infrastructure projects and in some productive investment projects.</td>
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<td>Could the Commission consider excluding technical assistance from the applicability of these provisions?</td>
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<td>It is laid down that an operation may be implemented outside the programme but within the Union subject to several conditions. Taking this provision into account, could the following exemplary expenditure be eligible:
Organization of a study trip to a third country in order to acquire some specific skills and knowledge;
Implementation of the research project with participation of researcher from a third country or implementation of some</td>
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<tr><td>activities of the research project in a third country.
In this context please explain or provide definition of promotional activities referred to in 60.3. Could it be applied for R&D projects?</td><td></td></tr>
<tr><td>What is the meaning of par. 4, saying that art. 1-3 are not applicable to ETC programs or to the ESF: no activities permitted or no limits? This must be clarified in the wording.</td><td>For the ESF, a corrigendum will be introduced. Paragraph 1 of this article is applicable to ESF. Paragraph 2 is not applicable to the ESF because article 13.2 of the ESF regulation will apply. Therefore operations can be implemented outside the programme area provided that the conditions of Article 13.2 ESF are satisfied. Provisions in Article 60 do not apply to ETC, because the ETC regulation establishes specific rules on eligibility of operations depending on location.</td></tr>
<tr><td>How does this proposal relate to the proposal regarding cooperation activities for all programmes (art. 14.a (v)? Does it not create a bottleneck for i.a. macro regional strategies and cross border transport projects?</td><td>It is one of the basic premises of Cohesion Policy that funding that has been allocated to develop a particular region should be used for the benefit of that region. However some flexibility has been provided in Article 60 to accommodate specific circumstances where investment outside the programme area is essential to benefit the programme area.

The attainment of objectives set in macro-regional strategies as well as cross border transport projects require cooperation, commitment and a contribution from all participating regions and Member States. It is unclear how Article 60 which provides flexibility to finance operations outside the programme area could create bottlenecks in this respect.</td></tr>
<tr><td>CPR Art. 60.2.a: Please clarify who would decide, according to what criteria whether the operation is “for the benefit of the programme area”? Can an auditor come and say this is not entirely for the benefit of the area in question but for other areas as well? We think that it should be more precisely defined or stated that it is up to national rules to decide.</td><td>It is difficult to define precise criteria in advance, as circumstances and operations vary to a great extent. However the benefits yielded by the operations should accrue to the programme area. One mechanism for ensuring that an operation is indeed for the benefit of the programme area is the approval of the monitoring committee under point (c) of this paragraph.</td></tr>
<tr><td>Paragraph 2, part b: Why have these percentages been proposed?</td><td rowspan="3">The differences in the maximum ceilings are due to the different nature of the investments under ERDF/CF and EAFRD. In the case of EAFRD, which is a fund for rural development, there is a particular need to regulate investment in urban areas. It should also be noted that the ceiling established for EAFRD applies at the level of the programme.

The different treatment of the ESF is related to the specific eligibility rules of the ESF, the Fund supporting almost exclusively "soft" operations. In most of the cases the relevant criterion to assess geographic eligibility of ESF operations is not the area where it is located but the benefit for the programme area. Therefore introducing a maximum share or an agreement of the monitoring committee was considered unnecessary.</td></tr>
<tr><td>Please provide an explanation for the different maximum percentages allowed for different funds at (2b)?</td></tr>
<tr><td>What is the reasoning behind the 10 % threshold at priority level and the different treatment for ESF?
(There is a large variety as regards the financial size of the priorities, so in some cases relatively modest amounts can be over this threshold).</td></tr>
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Article 60 - pourquoi le taux de 10% applicable aux FEDER, fonds de cohésion et FEAMP est-il limité à 3% pour le FEADER ?	
Why is there a need for both a threshold and a specific approval from the monitoring committee?	These provisions have been proposed to facilitate special circumstances where investment outside the programme area is needed to yield a certain benefit for the programme area. A threshold of 10% is proposed as a reasonable threshold to accommodate these exceptional circumstances, where these occur. However the bulk of interventions which benefit the programme area should be undertaken within the programme area. The approval by the monitoring committee is a mechanism that facilitates the assessment of whether an operation (or a type of operation) is indeed for the benefit of the programme area and provides legal certainty in this regard.
Article 61: Durability	
Pourquoi la possibilité de réduire le délai de 5 à 3 ans pour les investissements des PME n'a-t-elle pas été reprise pour la prochaine période?	This exception for SMEs has been maintained but in another wording. Article 61 sets out that the applicable period is 5 years from the final payment to the beneficiary or the period of time set out in the State Aid rules, where these are applicable. Where State Aid rules prescribe a period of 3 years, this can be applied.
Please explain the term productive investment. Does it compose only investments in goods?	Productive investment is an investment made to increase the productive capacity of an enterprise.
Why does an infraction lead to a full recovery of entire support, and not a proportionate part of it?	These provisions define the general rule that breaches related to Article 61 constitute a basis for recovery of support. Commission is open to examine the need for a specific wording for the application of the principle of proportionality with regard to these provisions.
CPR Art. 61.1: Please clarify whether the obligation to "repay the contribution" would refer to the full amount regardless of whether it happens right after the completion or in the last year?	
The Slovak Republic invites COM to explain whether repayment is made upon meeting all conditions stated therein.	The provisions proposed mean that only one of the conditions listed in 1 (a)- (c) needs to be fulfilled to provide a basis for a recovery of support (please note the "or" at the end of point (b)).
CPR Art. 61.1.a: Why relocation inside the same region within 5 years would automatically imply repayment? The current text is more restrictive than State aid rules (which allow for relocation inside the same region). The idea of "relocation" should be better defined. What is considered relocation?	The aim of these provisions is to ensure that the investment made continues to benefit the programme area during an appropriate time period after the investment has been made. Therefore it is not intended that relocation within the programme area would trigger a recovery. Relocation to a new location outside the programme area (even in same Member State) can constitute a breach of Article 61 and lead to a recovery.

CPR Art. 61.1.b-c: Regarding 1 b) and c) there is a change compared to the current regulation: while now these two conditions are cumulative, the new proposal makes each of them enough to imply a repayment. Please clarify.	The objective of these provisions is to ensure that investments made for the benefit of a certain region continue to benefit that region for a period of at least 5 years and that EU funding is not used to earn an undue advantage. Each of the points in 1(a)-1(c) provides an alternative basis for recovery. Explanations are provided below. 1 (a): If productive activity stops or it is relocated the region no longer benefits from the investment (NB: if cessation occurs due to non-fraudulent bankruptcy, paragraph 3 applies). 1(b): If the infrastructure supported is sold by the beneficiary, and support is not recovered, the beneficiary gains an undue advantage; 1(c): If support was provided for a certain purpose, and the beneficiary uses the investment for another purpose, the region will not benefit from the investment as was intended. Example of 1(c): If support is provided to build a tourism information centre, but the beneficiary converts this building into a private house or a cabin for rent, the original purpose of the operation (to provide tourism information for visitors) is no longer fulfilled. If the managing authority had known of this conversion in advance, no support would have been granted since the support was based on the plan to construct a tourism information centre.
CPR Art. 61.2: Does the following part mean that the conditions are cumulative? ("[...]shall repay the contribution from the Fund only where they are subject to an obligation for maintenance of investment under the applicable State aid rules and where they undergo a cessation or relocation of a productive activity within the period laid down in those rules.")	Yes, these conditions are cumulative
Art 61 (1) c: Is art. 61 (1) c a separate case in which the contribution has to be repaid? If this is the case, does the COM intend a change in comparison to the current programming period?	Yes, this is a separate case. Please refer to the responses above.
Art. 61 (2): This is unclear, please give us practical examples	The objective is to harmonise the rules with those applicable to state aid (including the *de minimis* rule). This rule already exists for the ESF in the current programming period (being introduced as a part of the simplification package). Where the *de minimis* rules is used there is no requirement for maintenance of investment. As regards exempted aids such as training aids there is also no requirement for maintenance of investment but conditions of the aid for the recruitment of disadvantaged workers in the form of wage subsidies require that the employment is

	maintained for at least the minimum period consistent with national legislation or collective agreement. The rules on regional aid require investments to be maintained in the region for a minimum period of at least 5 years (3 years for SMEs) after their completion. Example: An SME receives employment aid to hire two additional workers (a net increase in the number of employees in the establishment concerned, compared with the average over the previous 12 months). The state aid consists of a percentage of the wage costs for the created employment granted for 24 months. The scheme specifies that the employment created shall be maintained during a minimum period of three years in the case of SMEs. If the enterprise closes down before the three years are completed, the contribution has to be recovered.
CPR Art. 61.4: Please provide more information and explanation on this paragraph. What is the reason for it? In what cases would it apply?	With the enlargement of EGF to farmers this paragraph clarifies that a farmer or employees changing of activity and eligible to the EGF are excluded from the scope of Article 61.
Article 140 : Proportionate control	
The proportionality rule applicable to the 2007-13 period included an exemption from the preparation of an audit strategy and an evaluation plan for smaller OPs with a low co-financing rate. Why have both of these simplification mechanisms been dropped in the draft proposals for the 2014 – 2020 period (Article 140)?	Article 74 of (EC) Reg.1083/2006 1 (a) provided for an exemption from the obligation to submit to the Commission services an audit strategy for small operational programmes. In the current proposal the simplification is further enhanced: as set out in Article 116 of the CPR the audit authority does not submit its audit strategy to the Commission anymore, unless the Commission services expressly request it. Commission does not approve the audit strategy, thus allowing the audit authority to start its work immediately.
Has any consideration been given to extending the principle of proportionate control to the requirement for a Ministerial – level Accreditation Authority (Articles 64, 117)?	The proposal is that there is a national accreditation process for managing and, where relevant, certifying authorities for all programmes. Member State will transmit to the Commission only the accreditation decision, not all of the underlying documents (system description and audit report and opinion of the independent audit body) as was the case in 2007-2013. In addition there will be no formal acceptance by the Commission on the national accreditation procedure, and interim payments can start immediately after the Commission has received the accreditation decision. The Commission will have the possibility for programmes with an EU contribution exceeding EUR 250 000 to request the underlying documents within two months of the receipt of the accreditation decision and make observations in regard to them within a period two months. Article 117.4 sets out criteria to underpin this request to ensure the application of the principle of proportionality.
How was the proportionality principle respected in setting the level of EUR 100 000? Did the Commission also consider a higher threshold?	The Commission proposes proportional control arrangements for operations where the total eligible expenditure does not exceed EUR 100.000 (Article 140.1). A large number of operations for example in the area of services, education and training, equipment and small infrastructure will fall under this threshold. For larger projects, including large infrastructure projects, other proportional control arrangements are proposed (no more than one audit per year). The aim is to reduce the administrative burden for all beneficiaries. This threshold and the

	different types of proportionate measures proposed constitute a major simplification compared to the current situation where an operation, independently from its size, may be audited many times in a year by national and EU bodies.
Sur la période actuelle, l'autorité d'audit nationale contrôle chaque année un échantillon statistique d'opérations tiré parmi l'ensemble des opérations dont les dépenses ont été déclarées à la Commission durant l'année considérée, quel que soit le montant de ces opérations. L'autorité d'audit peut donc être amenée à contrôler une opération pluri-annuelle plusieurs fois avant que celle-ci ne soit clôturée. Ce nouvel article 140 implique-t-il d'écarter de l'échantillon les opérations dont le montant total (ou prévu) est inférieur à 100 000 €	As set out in Article 116(6) of the CPR, the Commission will adopt the methodology for the sampling method by means of implementing acts. As a result of Article 140(1) of the CPR, the sample of operations to be audited by the audit authority will need to be based on a more restricted population that does not include the operations set out in that provision, i.e. operations with total eligible expenditure below EUR 100 000 that were already audited or other operations already audited in the same accounting year.
La Commission peut-elle confirmer que dans les deux cas énoncés à l'article 140.1, une opération déjà contrôlée par l'autorité d'audit nationale ne pourra plus être contrôlée par les auditeurs de la Commission ? et qu'un contrôle effectué par une autorité d'audit nationale ne pourra donc pas être re-performé/re-contrôlé par les auditeurs de la Commission (car cela est aussi lourd pour le bénéficiaire qu'un contrôle direct)?	The requirement to avoid duplication of controls concern both national and Commission audits, with the exception of the need to reperform the work of the audit authority on some operations in order test the reliability of the work of the audit authority or where there is evidence of risk of irregularities. However reperformance is limited to very few operations. Moreover the Commission will also be able to take into account the reliability of the audit work performed for 2007-2013 programmes, which will limit the need for such testing.
Paragraph 1 doesn't mention any period. Does it mean that operations <EUR100.000 would only be audited once over their whole implementation? If so, it should be clearly stated.	Yes, an operation with a total cost below EUR 100 000 will not be audited more than once up to its closure.
Article 140.2 : l'allègement du travail d'audit ne semble concerner que les auditeurs de la Commission et non pas les auditeurs nationaux. Il s'agit donc d'un élément de proportionnalité dont ne bénéficient pas les Etats membres. La Commission peut-elle confirmer que les travaux d'audit mentionné aux paragraphes 140.2 et 140.3 sont des travaux ex-post, car effectués après apurement des comptes ?	Proportional control arrangements aim at reducing the administrative costs related to audit and the burden on beneficiaries subject to repetitive audits. National auditors will continue to audit representative samples of operations, but taking into account the clauses on proportional control arrangements in the population to be selected (see replies above). Article 140 (p.2 and p.3) of the CPR establishes the same approach as Article 73 of (EC) Reg. 1083/2006 for the current programming period, without the condition related to the good functioning of the system. The purpose is to verify the conditions to be able to rely exclusively on national audit results. The Commission's audit work on re-performing the work of the audit authority will be carried out independently of the timing of the clearance of accounts, but on completed audits.

Paragraph 2: what does the Commission meant with significant deficiencies? Is that the case with a score of 2 and an error rate below 2%?	The term "significant deficiency" is already in use in the current provisions and refers to the lack of compliance with key requirements and obligations as defined in a shared guidance note between the Commission and the audit authorities. According to this guidance, and further guidance on the treatment of errors in the annual control report, a management and control system assessed as category 2 and with an error rate below 2% would not be qualified as a system presenting "significant deficiencies", but would normally be qualified as a system that functions well, subject to minor improvements. Please also refer to guidance notes mentioned above: COCOF 08/0019/01-EN and COCOF/11/0041/01-EN.
CPR Art. 140.3: is a good initiative, however, more information is needed how and on what basis would "the Commission conclude that it can rely on the opinion of the audit authority"? Please clarify.	This provision is very similar with the current one on single audit embedded in Article 73 of (EC) Reg. 1083/2006 for the current programming period, without the additional condition on the good functioning of the system. Commission may therefore conclude that it can rely on the opinion of the audit authority for its own assurance process when it has assessed, on the basis of its own audits and a review of the work of the audit authority, that the work of the audit authority is reliable, of good quality and in line with the regulatory requirements and the international auditing standards.
CPR Art. 140.4: We are kindly asking the Commission what a "specific risk of irregularity or fraud" would be?	The expression "specific risk of irregularity or fraud" covers any situation where the Commission considers that there is a risk that an operation is (or may be) affected by a serious irregularity or fraud. The assessment of whether there is such a risk depends on many factors, such as the information provided by Community or national audits or controls, or complaints addressed to the Commission on the use of EU funds in a specific operation. Commission retains under Article 140.4 the possibility to intervene directly to investigate such cases or may request the audit authority to report on such cases. A risk assessment must have been carried out.
Article 140.4 : La Commission peut-elle clarifier dans quels cas l'autorité d'audit nationale peut ou doit revenir sur des opérations clôturées (le doit-elle en cas d' « éléments probants »)?	See the replies above. The national audit authority can always investigate a closed operation if it has any suspicions, and in particular in case of a suspicion of fraud or of a specific irregularity. A national audit of such cases may avoid net corrections that are applied in case of detection of irregular expenditure by the Commission or ECA after closure.
Pour le FSE : toutes les dépenses incluses dans les comptes, que les opérations soient achevées ou non, sont considérées comme clôturées. La clôture devient purement annuelle, à l'instar des dépenses du développement rural. Cela signifie-t-il qu'il n'est plus possible de revenir sur des dépenses déjà déclarées à la Commission ? Que se passe-t-il s'il n'est découvert qu'à la fin d'une opération que le montant prévu lors d'un marché a été dépassé, ce qui remet en cause l'intégralité des dépenses du marché considéré ?	Pour les dépenses FSE toutes les dépenses inclues dans les comptes annuels sujets à la décision d'apurement sont considérées comme clôturées (Article 131.2 CPR). Cependant il reste possible de revenir pendant trois ans à compter du 31 décembre de l'année d'apurement sur ces dépenses (Article 132.1 CPR). S'il y a besoin d'effectuer une correction financière celle-ci pourra être effectuée pendant cette période. Cela laisse donc une durée cumulée de 5 ans où des contrôles sont possibles. Sur le FSE la fréquence de marchés de cette durée est faible, la probabilité que l'intégralité des dépenses soient remises en cause apparaît également faible vue la nature des opérations FSE et dans tous les cas le système de monitoring devrait détecter de tels cas avant l'échéance de marchés aussi longs.
ESF regulation	

Article 13	
ESF Art. 13.3: Excludes the purchase of land as opposed to CPR Art 59 par. 3.b, which allows for it up to 10% of the total eligible expenditure. Nevertheless the ESF regulation stipulates that the provisions laid down there would be “in addition” not as derogation to Art. 59.3 of the CPR. Please explain.	The intention is to exclude the purchase of land as is the case for the period 2007 2013.
The Slovak Republic invites COM to provide a definition for the expression “purchase of infrastructure”.	The wording used is the wording of the current regulation. The intention is to exclude the purchase of infrastructure but also the building or the renovation of infrastructure.
p. 4. Why can contributions in kind disbursed by third party been subsidized? These are no costs of the beneficiaries.	These are not costs of the beneficiaries but costs necessary to implement the operations. They for instance refer to remuneration or daily allowances of trainees. An equivalent provision has been in place for several programming periods and is essential to ensure the eligibility of these types of costs.
Article 14	
Paragraph 1: it is unclear which method the Commission will introduce in addition to the methods described in Article 57 of the General Regulation. What is the goal of this provision?	The purpose of this provision is to introduce the possibility for the Commission to reimburse funds to Member States on the basis of standard scales of unit cost and lump sums, but independently of the financial arrangements between the Member State and the beneficiary. Therefore it is a different system than the one covered by Articles 57/58 of the CPR which regulate the financial relationship between the national authorities and the beneficiary. Even if both systems use standard scales of unit costs and lump sums, they are not applied at the same level. (see also Annex 2 point 1for guiding principles).
The ESF Article 14(1) 1st para is not clear: what is the area of application – eligible expenditure paid to beneficiaries or some other expenses that have been borne by the MS’s and which the Commission will reimburse based on simplified cost options?	The Commission always reimburses expenditure paid by the Member State. However in this case "expenditure paid by Member States" is the result of a calculation based on the standard scales of unit costs or lump sums justified by the Member State. There is no compulsory link to the expenditure of the Member State and the beneficiary. The Member State will have the possibility to use its own national rules (accounting practices) to reimburse beneficiaries.
Art. 14 (1): What is meant by “[…] the member state may apply its accounting practices […]” What is meant by accounting practices in this context?	
Can the Commission explain the purpose of the fourth paragraph in 14.1 and what accounting practices it has in mind.	
Article 14(4) does not include the flat rate option available	Commission did not include flat rate systems under Article 14.4 because these mixed systems are used to

under Article 58 of the General Reg and Article 14(2) of the ESF Reg. We consider this a major disadvantage for operations with public support that does not exceed €50,000. Even if error rates can significantly be reduced by application of simplified cost options, do the Commission agree that regarding ESF Article 14(4) sometimes the small projects could be best served by the 40%-option in article 14 point 2 instead of the lump sum or standard scales of unit costs?	reimburse only particular categories of costs and thus their effect in terms of simplification can be more limited. The reduction of the administrative burden is a priority. Implementation based on real costs is complex in the case of ESF. The use of flat rates does represent an improvement, but the use of unit costs and lump sums has an even greater effect on the burden of beneficiaries. Commission understands that it was difficult for this period to define lump sums or unit costs for certain operations which were not standard or did not have predictable outputs. The proposals aim to address these difficulties by including the possibility to calculate lump sums and unit costs on the basis of a draft budget (Art 14.3 ESF). If outputs or results cannot be easily defined it is possible to work on the basis of simpler (input) indicators (e.g. day of mentoring).
Article 14 §2 – Simplified cost option: Could it be clarified when the 40%-rule would be applicable? The link between this ceiling of 40% and the one in the general regulation of 15% for staff costs (indirect costs) is unclear. How do they work together? Please provide clarification and examples in writing – what is e.g. „remaining eligible cost"?	Article 14.2 is applicable in the case of grants as is the case for the other simplified cost options defined in Article 57. Article 57.3 also applied. The rate of 40% is established as a "ready made" rate and can be used by the national authorities without justification. This rate is applied to direct staff costs and is used to calculate all the eligible costs of the operation that are not direct staff costs ('the remaining eligible costs'). When this system is used the total eligible cost of the operation will be equal to the amount of direct staff costs plus 40% of those staff costs. Article 14.2: Total eligible cost = (direct staff costs) + (40% x direct staff costs) (See example in Annex 2, point 2.1 d) Article 58.b of the CPR is related to the calculation of a different category of expenditure, the indirect costs. The rate up to 15% is applied to direct staff costs to calculate the indirect costs. It means that the direct costs that are not direct staff costs will have to be declared in addition but are not used to calculate the indirect costs. Article 58.b of the CPR: Total eligible cost = (direct staff costs) + (15% x direct staff costs) + (direct costs that are not direct staff costs). (See example in Annex 2, point 2.1 c) Article 14.2 and 58.b are two different systems of flat-rate financing. They cannot be combined given that the remaining eligible costs (under Article 142 of the ESF Regulation) include the indirect costs.
Paragraph 2: can the Commission explain the choice of 40%? Because the text also refers to Article 57, paragraph 4, part d of the General Regulation, there appears to be a circular argument. Does the rate of up to 40% applies or will there be a fixed rate of maximum 40%?	The reference to Article 57.4 (d) of the CPR means that the rate is fixed at EU level at a maximum of 40%. The wording is consistent with the one used in Article 58 (b). 40% was chosen as a modest rate representing the results of the analysis of available statistical data from a number of Member States.

Art. 14 (3): The article is not clear, please provide a practical case	Article 57(4) of the CPR defines 4 possibilities to establish simplified cost options. Article 14.3 of the ESF regulation adds a fifth possibility: calculation by reference to a draft budget in the case of grants below EUR 100.000. The draft budget will be used to calculate the specific simplified costs related to this operation or project. This budget will be archived by the managing authority as a supporting document to justify the simplified costs used. The financial management of the operation / project will be based only on simplified cost options, not on the budget itself. This possibility is flexible and should facilitate the implementation of Article 14.4 of the ESF Regulation. Please also see Annex 2, point 2.2
Paragraph 3: can the Commission explain what is meant by this paragraph?	
Could you please clarify the connection between paragraphs 3 and 4 of article 14 (if any)? Paragraph 4 seems to be more restrictive than paragraph 3 (which refers to a higher amount of public support). In paragraph 3 some options are possible (possibility to use flat rate financing on the basis of a draft budget; such a possibility is not admitted in paragraph 4).	Paragraph 3 describes an additional calculation method for simplified cost options in the case of grants below EUR 100.000. Paragraph 4 has a different purpose: it imposes two of the three simplified cost options for the management of operations in the case of grants below EUR 50.000. All methods of calculation of simplified costs set out in Article 57.4 of the CPR as well as the one defined under paragraph 3 of the ESF Regulation can be used to determine the lump sums and standards scales of unit cost that are compulsory under paragraph 4.
The Slovak Republic proposes to increase to EUR 200 000. In reality, it often occurs that particularly small projects require a higher amount due to staff costs. Consequently, smaller projects may be disadvantaged.	EUR 100.000 threshold already represents 70% of ESF operations.
Article 14.4. Does the provision except for operations receiving support within the framework of a state aid scheme also cover assistance provided under de minimis rule?	The definition covers the *de minimis* rule (see definition of State Aid set out in Article 2.10 of the CPR).
Art. 14 (4): How will simplified cost be implemented for projects over EUR 50 000 receiving support within the framework of a state aid scheme? Does it mean that simplified costs will not be applicable for grant schemes under state aid rules?	State Aid rules will apply to projects independently of the threshold. Simplified cost options shall always apply without prejudice of the State Aid rules (see point IV.8 of the COCOF guidance note on simplified cost options, Annex 1)
ETC Regulation	
Article 17- General rules on eligibility of expenditure: Could the Commission explain more in details the prioritarization of rules?	Art. 17 establishes a clear hierarchy of applicable eligibility rules. At the top are the eligibility rules established at EU level, either in or on the basis of Art. 55-61 CPR or on the basis of the empowerment to set out additional specific rules on eligibility of expenditure for cooperation programmes in a delegated act. These rules apply to all programmes.

Why has the Commission proposed delegated acts to set additional rules in 17.1? How does this relate to the power for the monitoring committee to set rules in para 2 or for national rules to apply in para 3.	For matters not covered by rules established at EU level, the monitoring committee shall establish eligibility rules that apply for the programme as a whole, in order to ensure equal treatment of beneficiaries in the programme area. The application of harmonised rules would also make it easier to carry out controls and audits jointly, which would help to further streamline implementation systems and contribute to a greater standardisation of procedures. The INTERACT programme could be of assistance in providing model documents and templates. For matters not covered by rules established at EU or programme level, the national/regional rules apply.
Article 18 – Staff costs	
Could more information be provided regarding the methodology for choosing the 15%? Could the COM explain the relation between this article (18) and article 58 (general regulation) Why does the Commission chose the option of a flat rate of 15% in Article 18? How to deal with the cases which normally accumulate higher staff costs? It says further that human resources can be calculated as a fixed percentage. In what situations should it be applied? And what method should be used? Because there is a certain maximum percentage mentioned.	Art. 18 of the ETC-regulation sets out a specific flat rate for cooperation programmes. It is additional to the flat rate for indirect costs set out in Art. 58 of the CPR, which can also be used by ETC programmes. Art. 58 of the CPR defines certain flat rates that can be applied to calculate indirect costs, whereas Art. 18 of the ETC Regulation provides a flat rate for the calculation of the direct staff costs (= part of direct costs) of an operation. This is an additional simplification proposed for ETC programmes. If staff costs account for a higher percentage than 15%, a calculation based on real costs has to be used. The rate of up to 15% has been proposed based on experience gained to date. Flat rates are an option, thus their use is not obligatory. No further studies or methodologies are required to apply the rate up to 15% as set out in Article 18 of the ETC Regulation.
Article 19 - Eligibility of operations in cooperation programmes depending on location	
Article 19 - Eligibility of operations in cooperation programmes depending on location: Could COM clarify the notion of "programme area"?What territories are meant by wording "outside the Union part of the programme area"? Does it involve only territories outside European Union territory or does it also include territories that are inside European Union, but outside programme area? If it involves only territories outside European Union, what rules will apply for operation or part of operation implemented outside programme area but inside European Union (article 60 of CPR does not apply for ETC)?	Art. 19 (1) of the ETC Regulation establishes the general rule that operations under cooperation programmes have to be located in EU territory, i.e. in the Union part of the programme area. This clarification is necessary since the programme area may also include areas outside the EU (e.g. FR-CH). Art. 19(2) and (3) of the ETC Regulation establish derogations from this rule for the implementation of operations outside the Union part of the programmes area. These derogations apply to all operations outside the Union part of the programme area, regardless of whether these are located inside or outside the EU. For a programme at the German-French border for example, the Union part of the programme area would be the territory covered by the programme in Germany and France. The derogation would consequently apply to operations implemented in other parts of Germany or France, but also in Belgium or in Switzerland.

	For a programme at the French-Swiss border, the Union part of the programme area would be the French territory covered by the programme. The derogation would therefore apply to operations implemented in Switzerland, but also in other parts of France. It could also cover operations in Belgium.
What about the case that an ETC programs wants to cover activities outside its program area, but in the Union? When this should be covered, we suggest a better wording.	See above, this is covered by Art. 19.
How to interpret art.19 ETC and article 60 CPR together? Is it at all possible to finance activities under ETC programs outside the programme area but within the EU? This could pose problems i.a for the Northern Perifery programme, which has the secretariat in Copenhagen, outside the area.	See above.
ETC Art. 19.2.b: says that the MA may accept all or part of an operation implemented outside the Union part of the programme area if the total amount allocated to them does not exceed 20 % of the support from the ERDF at programme level. Why 20% here and 10% only for national programmes? Please provide clarification.	The 20% flexibility (inside the Union) is already applied in the 2007-2013 period. The intention was to increase the flexibility and to simplify rules by treating the implementation of operations outside the programme area but inside (currently 20%) and outside the EU (currently 10%) in the same manner. For rules applicable to operational programmes under the "Investment in growth and jobs" goal please refer to responses on Article 60.

Annex I: Relevant extracts of the COCOF note on simplified cost options (Reference: COCOF 09/0025/04-final)

INTRODUCTION 4. A PROVISION RESTRICTED TO GRANTS

The simplified costs options concern only operations and projects[1] implemented in the **form of grants**, for which otherwise the real costs principle is usually applied i.e. all declared expenditure is justified by paid invoices and other accounting documents of equivalent probative value. Therefore, simplified cost options are not available to operations or projects subject to public procurement contracts[2].

4.1 The determination of the exact scope of use of the simplified costs options

Given the variation of what is considered as an operation or a project it is necessary to give some guidance on how to determine the exact scope of use of the simplified costs options.
In the case where the simplified cost options are applicable to the operation, one has to determine if it can be applied to all parts of the operation. This depends on the nature of what is considered as an operation by the Member States. In some Member States an operation consists of and is implemented through a group of projects (the definition depends on the set-up of the operational programmes, supported by the Funds under their respective scope of assistance). In order to assess in which projects of the operation the simplified costs options can be applied, it is necessary to define the projects constituting the operation at the lowest possible scale. If the beneficiary outsources the implementation of some of the projects, in their entirety, via public procurement contracts (training, seminar, personalised support, etc see example 1 below) or all the projects, the simplified cost options cannot be applied to these projects subject to public procurement contracts.

4.2 Outsourcing within a project implemented by the beneficiary itself

If the beneficiary implements itself a project (keeping full control on the management and implementation of the project), the simplified costs options are applicable, even if some of the **budget lines or expenditure items** within the project (part of the project execution like cleaning services, external expertise, purchase of furniture, etc) are outsourced.
In the case of flat rate for the indirect costs it should be taken into account that the extent of outsourcing by the beneficiary can have an impact on the proportion of indirect costs. Therefore, Member States should assess the impact that the extent of outsourcing within operations has on the proportion of indirect costs and hence the flat rate. Mitigating measures should be introduced in the methodology. If the extent of outsourced activities has a significant effect on the proportion of indirect costs, the flat rate should either be reduced proportionally to the extent of outsourcing or the flat rate should be applied only to those costs which are not outsourced. However, it may also be that the extent of outsourcing has no

[1] An operation is defined as "a project or group of projects selected by the managing authority of the operational programme concerned or under its responsibility according to criteria laid down by the monitoring committee and implemented by one or more beneficiaries allowing achievement of the goals of the priority axis to which it relates" (Article 2(3) of Regulation (EC) No1083/2006)

[2] By operations "subject to public procurement contracts" the Commission aims at designating the operations implemented through the award of public contracts in accordance with Directive 2004/18 (including its annexes) or public contracts below the thresholds of the same Directive.

effect on the proportion of indirect costs or that this effect is insignificant. In this case no mitigating measures might be needed. The effect of outsourcing should however be analysed (for example on the basis of similar past measures or the previous projects) and should be taken into account when establishing a methodology for the application of the flat rate.
It is important to recall that all operations financed by the structural Funds have to comply with all applicable Community and national rules. The issue of implementing correctly public procurement rules within the project is not linked to the use or not of the simplified costs options. For this reason the audit of operations about the implementation of simplified costs options will focus on elements quoted under paragraph IV.3 of this note without considering the underlying procedures followed by a beneficiary for public contracts[3]. Nevertheless, horizontal thematic audits on the compliance with rules applicable could analyse also procedures followed for public procurement. With regard to document retention for public contracts under simplified costs, national rules apply.

4.3 Recommended approach for projects outsourced even where beneficiaries belong to categories that are not covered by Directive 2004/18

Commission services recommend to apply the approach developed above (Point 4.1 applied by analogy.Point 4.2 adhered to in all cases) for projects outsourced, even where beneficiaries belong to categories that are not covered by Directive 2004/18, in order to respect the intention to restrict the simplified cost options to grants.

The examples below illustrate the abovementioned principle:

Example 1: A grant of € 20,000,000 is allocated to a public employment service (“beneficiary”) to organise, during two years, the re-integration of 5,000 long term unemployed people ("the operation"): this operation will be implemented via several projects: € 7,000,000 of personalised support projects implemented directly by the beneficiary, trainings, implemented directly by the beneficiary for €5,000,000 and outsourced via public procurement contracts for the remaining part (€8,000,000). Since the beneficiary is a public entity, training institutions for the part outsourced will have to be chosen through the national (and if applicable, Community) “public contract award procedures” and the simplified cost options will not be applicable to this part of the grant. It will be applicable only to an amount of € 12,000,000. For the trainings that the beneficiary implements by its own means it is accepted that some of the expenditure items are outsourced and included in the simplified cost options (for example external experts, cleaning services, etc.).

Example 2: A municipality receives a grant of €1,000,000 for the construction of a road. For this the municipality has to award a public work contract of an estimated value of €700,000. In addition the municipality incurs certain related costs of € 300,000 (expropriations, litigation costs, monitoring of the progress on the ground, environmental studies realised by its own staff, campaigns, tests for the reception of the road etc). For the amount of €300,000 of direct costs and insofar as these costs are eligible under the National and EC provisions, simplified costs (eg. indirect costs on a flat rate basis of direct costs) can apply.

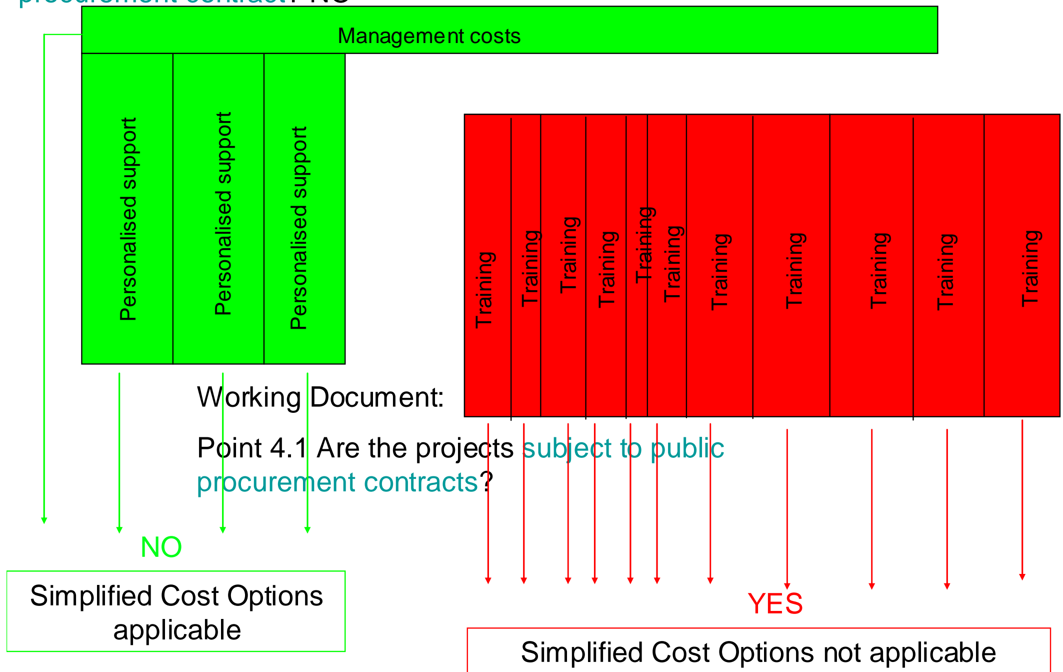
(For information, copy of the slides used in COCOF to illustrate example 1)

[3] In the case of flat rate rule for indirect costs, **direct costs** justified on the basis of real costs are not considered as using simplified cost options.

Operation = group of projects

Working Document:

Point 4. Is the operation subject to public procurement contract? NO

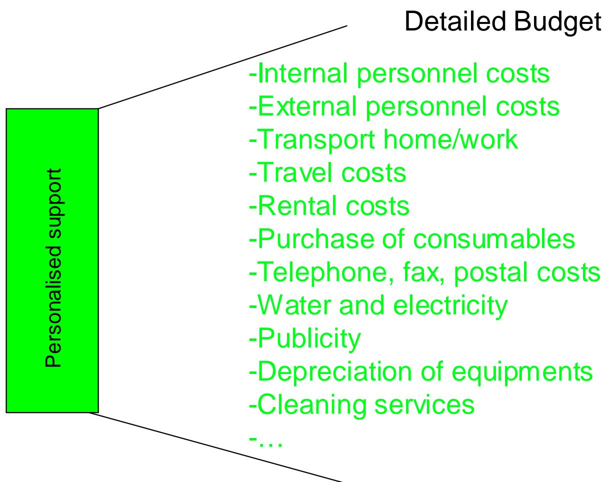


Working Document:

Point 4. Is the operation subject to public procurement contract? NO

Point 4.1. Are the projects subject to public procurement contracts? NO

Point 4.2
Simplified Cost Options applicable



The beneficiary implements himself the project: the simplified costs options are applicable, even if some of the **budget lines or expenditure items** within the project are outsourced.

! Assess impact of outsourcing on flat rate for indirect costs.

I.3 Definition of direct and indirect costs:

In the absence of a European accounting definition of direct or indirect costs, managing authorities or their intermediate bodies should identify clearly what constitutes direct and indirect costs for each type of [ERDF or] ESF operation concerned.
a) Direct costs are those costs which are directly related to an individual activity of the entity, where the link with this individual activity can be demonstrated.
b) Indirect costs, on the other hand, are costs which are not or cannot be connected directly to an individual activity of the entity in question. Such costs would include administrative expenses, for which it is difficult to determine precisely the amount attributable to a specific activity (administrative/staff expenditure, such as: management costs, recruitment expenses, costs for the accountant or the cleaner etc.; telephone, water or electricity expenses, and so on.).
Both direct costs, fully demonstrated by supporting documents, and indirect costs at flat rate are regarded as real costs, in line with Article 11 of Regulation (EC) 1081/2006.

IV.2. CONDITIONS TO BE MET FOR SIMPLIFIED COSTS

IV.2.1** It must be **established in advance:

It is important to communicate to the beneficiaries in the grant decision the exact requirements to substantiate the declared expenditure and the specific output or outcome to be reached.

Therefore, simplified cost options have to be defined ex ante and must be included for example in the call for proposals or at the latest in the grant decision. The relevant rules and conditions should be incorporated in the national eligibility rules applicable to the operational programme[4]. It also means that once the standard scale of unit, the rate or the amount (in the case of lump sums) are established, it cannot be changed during or after the implementation of an operation to compensate for an increase in costs or underutilisation of the available budget.

The scope of the simplified cost options to be applied, i.e. the category of projects, activities of beneficiaries for which they will be available, should be clearly specified.

Member States should try to strike a balance between a wider scope of application, ensuring conformity with the conditions "fair and equitable", and a narrower scope, which risks over-differentiation of rates and might defeat the objective of simplification.

*IV.2.2 It must be **fair**:*

The calculation has to be reasonable, ie based on reality, not excessive or extreme. If a given standard scale of unit cost has in the past worked out at between 1€ and 2€ the Commission services would not expect to see a scale for 7€ From this point of view the method used for identifying the unit cost or the flat rate or the lump sum will be of the utmost importance. The Managing Authority must be able to explain and to justify its choices. An "ideal" fair calculation method could adapt the rates to specific conditions or needs. For example, the execution of a project may cost more in a remote region than in a central region because of higher transport costs; this element should be taken into account when deciding on a lump sum or rate to be paid for similar projects in the two regions. In any event, simplified costs should not be misused (eg the flat-rate rule should not lead to inflation of costs of the operation and operations should not be split in order to permit the systematic use of lump-sums).

The objective of the audit work will be to examine the basis used for establishing the rates and whether the rates finally set are indeed in line with this basis.

*IV.2.3 It must be **equitable**:*

The main notion underlying the term "equitable" is that it does not favour some beneficiaries or operations over others. The calculation of the standard scale of unit cost, lump sum or flat rate has to ensure an equal treatment of beneficiaries and/or operations.

Examples would be differences in rates or amounts that are not justified by objective features of the beneficiaries or operations, or by express policy objectives.

Auditors will not accept calculation methods which unjustifiably discriminate against particular groups of beneficiaries or types of operations.

*IV.2.4 It must be **verifiable***

The determination of flat rates, standard scales of unit costs or lump sums should be based on documentary evidence, which can be verified. The managing authority has to be able to

[4] Either at national or regional level or specific to the particular programme.

demonstrate the basis on which it has been drawn up. It is a key issue to ensure compliance with the principle of sound financial management. This verification will be part of the audit trail. It will not be accepted to define "ex nihilo" standard scales of unit costs, flat rate or lump sums.
In setting the standard scales of unit costs, the lump sums or the flat rates for indirect costs the managing authority should take a documented decision (rather than an informal acceptance), and this reasoned decision should set out the basis applied. In fact, the experience gained on the "flat rate rule for indirect costs" demonstrates that many methods can be used to establish lump sums and standard scale of unit costs in advance, the most common amongst them being the analysis of historical data (survey, statistical analysis, etc).

However, other methods basing the calculation on an analysis of current real costs structure linked to the scale of unit cost, such as daily allowances, training scholarships, market prices, similar scales used by public authorities could also be used as far as they comply with the conditions set out in Article 11(3)(b) of Regulation (EC) 1081/2006 and Article 7(4) of Regulation (EC) No 1080/2006 and apply for similar cases.

Even if this creates additional administrative workload for their determination, it is also possible to calculate unit costs or lump sums on the analysis of a draft detailed budget proposed by the candidate beneficiary, compared with the expected outputs and with comparable operations.

It could also be envisaged that Member States work by call for proposals: a Member State would publish in advance the basis on which it is going to calculate lump sum grants and that this is, again, *fair, equitable and verifiable*. This means that applicants should know the criteria on which the grant will be based, and that these criteria should be standard and apply to all applicants for the same types of projects. For example, in the case of a call for proposals, the managing authority should be able to answer such questions as: “Is the call for proposals complete in the details needed? Are the elements needed to determine the lump sum well specified and explained in advance? Does the managing authority check that the costs included in the draft detailed budget submitted, for example, are reasonable and acceptable in view of determining the lump sum in the grant decision?. Another solution could be that the Member State defines a lump sum for a specific activity and calls for proposals on the basis of this amount, funding the best proposals.

IV.8. Compatibility of simplified cost options with State aid rules

Simplified costs options set out in Article 7(4) of Regulation (EC) No 1080/2006 as amended by Regulation (EC) No 397/2009 and Article 11(3)(b) of Regulation (EC) No 1081/2006 as amended by Regulation (EC) No 396/2009 should apply without prejudice of the State aid rules such as, in particular, those applying to schemes exempted from the notification requirement (e.g. aid granted under the General Block exemption Regulation (EC) No 800/2008). Equally, the provisions of Regulation (EC) No 1998/2006 on the "de minimis" aid have to be taken into account.

Before deciding on the application of simplified costs for projects to be implemented through State aid schemes, managing authorities should ensure the eligibility of expenditure to which simplified costs apply and the compliance to the aid ceilings and assess whether the simplified costs are appropriate for a given scheme.

Annex 2: Simplified costs in the Regulations 2014 -2020

1. Guiding principles

The new proposal for simplified costs for 2014-2020 is based on 4 principles: (1) Maintaining the 'acquis' (the current systems can also be used in the programming period) while (2) extending the possibilities to reimburse expenditure on the basis of simplified costs, (3) providing more legal certainty and (4) harmonising different rules currently applied to EU funding.

Two types of extended possibilities were proposed in the Regulations:

- Additional possibilities within the current system excluding procurement: these include additional possibilities for the use of flat rates and additional possibilities for the calculation of simplified costs. These are described in Art 57 & 58 of the CPR, Art 14.2&3 of the ESF Regulation and Art 18 of the ETC Regulation.

  The main feature of these possibilities is the correspondence between the expenditure 'on the ground' i.e. expenditure that gives rise to reimbursement by national authorities towards the beneficiaries (including expenditure calculated based simplified cost options) and what is certified to the Commission.

- Extension of the possibility to use simplified costs for all types of grants, including those implemented through procurement: these possibilities include the Joint Action Plans (Art 93 to 98 of the CPR) and simplified costs set out in Art 14.1 of the ESF Regulation.

  For these two cases a decision of the Commission defining simplified cost options (lump sums and standard scales of unit costs) will allow the managing authority to transform outputs and results into expenditure included in the statement of expenditure. However the relationship with the expenditure on the ground is severed - the amount declared to the Commission by the Member State is based on the agreed cost of each unit delivered, or a result achieved and does not necessarily need to correspond to expenditure incurred by the beneficiary or payments made to the beneficiary by national authorities.

2. Additional possibilities for 'current' simplified cost options (excluding procurement)

2.1 Flat-rate financing

The flat-rate financing option is extended to all types of flat-rate financing (Art 57 1, d) rather then the calculation of indirect costs only: any part of the eligible costs can be calculated as a percentage of another part of eligible costs.

Apart of the rate, such systems are defined by:

- the description of costs that will be calculated (for example the indirect costs);

- the description of costs to which the rate is applied (for example direct costs are used as a basis to calculate indirect costs).

Therefore a meaningful comparison of different flat rates requires a detailed understanding of specific costs that are calculated and to which the rate is applied.

Table 1: Overview of the options for flat rate financing included in the Commission proposals

Reference	The categories of costs calculated	Rate	Categories of costs to which the rate is applied	Basis for the methodology applied at MS level	Remarks	Calculation of Total Eligible Costs
CPR 58 (a)	Indirect costs	Up to 20%, to be calculated	Eligible direct costs	- Fair, equitable, verifiable method - Existing MS or EU schemes - Project budget (ESF)	Current system with additional calculation methods	TEC = DC + <=20% DC (alternatives possible where some of the DC are not used to calculate the indirect costs and are added separately)
CPR 58 (b)	Indirect costs	Up to 15%	Eligible direct staff costs	No methodology needed	Other eligible direct costs are declared in addition	TEC = DSC + 15% DSC + other eligible direct costs excluding direct staff costs
ESF Reg 14 (2)	Remaining eligible costs of an operation	Up to 40%	Eligible direct staff costs	No methodology needed	Example of a rate falling under Article 57 (1) (d) outside Article 58	Total eligible cost (TEC) = Direct staff costs (DSC) + 40% DSC
ETC Reg 18	Staff costs	Up to 15%	Direct costs other than staff costs	No methodology needed	Example of a rate falling under Article 57 (1) (d) outside Article 58	TEC = Direct Costs (DC) other than staff costs + 15% DC other than staff costs + Indirect Costs (IC)
CPR 57 (1)(d)	One or several categories of costs	To be calculated	Other categories of eligible costs	- Fair, equitable, verifiable method - Existing MS or EU schemes - Project budget (ESF)		TEC = One or several categories of costs + % of one or several categories of costs
CPR 58 (c)	Indirect costs	Rates applied in other EU policies	Eligible direct costs	To be determined in delegated acts		TEC = DC + % DC

In order to illustrate some of the possibilities, the different flat rate methods will be applied to the same example.

a) General case, reimbursement of eligible costs actually incurred and paid (Art 57 1 a):

The eligible expenditure is based actual costs, with supporting financial documents for every line of the budget:

1.1 Internal personnel – remuneration	40.597
1.2 Int. pers. - transport home/work	415
1.3 Internal personnel – travel costs	69
1.4 External personnel – remuneration	26.095
1.5 External personnel - travel costs	0
2. Participants	0
3.1 Non depreciable consumption goods	6.037
3.5 Publicity	2.064
3.6 Organisation costs	571

3.1 Personnel costs (management)	8.000
3.4 Depreciation Equipment and immovable goods	36
5.1 Internal administration, accountancy, management	375
5.4 General doc. and publicity for courses & structure	604
5.5 Office supplies	571
5,8 Telephone, post, fax	13
5,9 Taxes and insurance	134
5.12 Movable material (depreciation)	73
5.13 Immovable goods	0
5.17 External accountancy costs	357

Total eligible costs	**86.012**

b) Flat rate rule for indirect cost under Article 58 (a) (equivalent to the current system)

The MS defines a system with the definition of direct costs and a rate, based on a fair, equitable and verifiable calculation (or other available calculation methods). In this example, the statistical evidence provides for a rate of 12%, with a definition of direct and indirect costs based on the budget. Left column = Direct Costs / Right column = indirect cost.

The eligible expenditure are based on actual costs for direct costs and calculated as 12% of direct costs for indirect costs

Direct costs	**75.849**	**Indirect costs = 12% of direct costs**	**12%**

1.1 Internal personnel – remuneration	40.597
1.2 Int. pers. - transport home/work	415
1.3 Internal personnel – travel costs	69
1.4 External personnel – remuneration	26.095
1.5 External personnel - travel costs	0
2. Participants	0
3.1 Non depreciable consumption goods	6.037
3.5 Publicity	2.064
3.6 Organisation costs	571

Indirect costs = 12% x 75.849 *9.102*

Total eligible costs =	**84.951**

Direct costs + calculated indirect costs

c) *Flat rate rule for indirect cost under Article 58 (b) of the CPR: Flat rate of up to 15% of eligible costs*

The MS shall only use direct staff costs to calculate the indirect costs. The rate is defined by the Regulation and does not need to be justified. Other eligible direct costs can be declared but not used to calculate the indirect costs.

Direct costs	**75.849**
1.1 Internal personnel – remuneration	40.597
1.4 External personnel – remuneration	26.095
Direct staff costs	***66.692***
1.2 Int. pers. - transport home/work	415
1.3 Internal personnel – travel costs	69
1.5 External personnel - travel costs	0
2. Participants	0
3.1 Non depreciable consumption goods	6.037
3.5 Publicity	2.064
3.6 Organisation costs	571
Other eligible direct costs	***9.157***

Indirect costs = 15% of direct staff costs	**15%**

Indirect costs = 15% x 66.692 *10.004*

Total eligible costs = 66.692 + 10.004 + 9.157	**85.853**

= Direct staff costs +calculated indirect costs + other eligible direct costs

d) Flat rate rule under Article 14.2 of the ESF Regulation

The MS shall only use direct staff costs to calculate all the eligible expenditure of the operation. The rate is defined by the Regulation and does not need to be justified. No other costs can be declared.

Direct staff costs	**66.692**
1.1 Internal personnel – remuneration	40.597
1.4 External personnel – remuneration	26.095
Direct staff costs	***66.692***

Remaining eligible costs = 40 % of direct staff costs	**40%**
Remaining eligible costs = 40% x 66.692	*26.677*
Total eligible costs = 66.692 + 26.677	**93.369**
= Direct staff costs + calculated remaining eligible costs	

2.2 Calculations methods

The new Regulation clarifies and extends the range of calculation methods allowed.
Four types of calculation methods are established by Article 57 (4) and a fifth one is introduced for the ESF in Article 14.3 of ESF Regulation.
a) fair, equitable and verifiable calculation method;
b) methods and corresponding scales of unit costs, lump sums and flat rates of Union policies for a similar type of operations and beneficiaries;
c) methods and corresponding scales of unit costs, lump sums and flat rates used by Member States for a similar type of operations and beneficiaries;
d) rates established by this Regulation of the Fund specific rules;
e) exclusively for the ESF grants below 100.000 EUR, scales of unit costs, lump sums and flat rates established on the basis of a draft budget agreed ex.ante by the Managing Authority.

An example is provided below for this last possibility.

Let's consider that the example used under point 2.1 is a draft budget made for a training of 14.500 hours x trainees (sum of hours of trainings that every trainee should undergo).

This draft budget is discussed and agreed between the MA and the beneficiary. The calculation of the simplified cost option will be based on these data.

Total Direct costs	**75.849**
1.1 Internal personnel – remuneration	40.597
1.2 Int. pers. - transport home/work	415
1.3 Internal personnel – travel costs	69
1.4 External personnel – remuneration	26.095
1.5 External personnel - travel costs	0
2. Participants	0
3.1 Non depreciable consumption goods	6.037
3.5 Publicity	2.064
3.6 Organisation costs	571

Total indirect costs	**10.163**
3.1 Personnel costs (management)	8.000
3.4 Depreciation Equipment and immovable goods	36
5.1 Internal administration, accountancy, management	375
5.4 General doc. and publicity for courses & structure	604
5.5 Office supplies	571
5,8 Telephone, post, fax	13
5,9 Taxes and insurance	134
5.12 Movable material (depreciation)	73
5.13 Immovable goods	0
5.17 External accountancy costs	357

Total eligible costs	**86.012**

Flat rate for indirect costs = 10.163 / 75.849 =	13.4%

For example, if the MA decides to use a flat rate system to calculate indirect costs pursuant to Article 58 (a), the MA will define the direct (in red in the table) costs and the indirect costs, then the flat rate. On the basis of this draft budget the rate used would be: 13.4%.

These documents shall then be archived by the MA to justify the choice of the rate but is not part of the document between MA and beneficiary setting out the different rules.

In this document the definition of the direct costs and the rate shall be specified, with the reference to the relevant articles of the Regulation (notably Art 14.3 of ESF Regulation).

In this document, the budget for the operation will look as a draft budget used when the flat rate system for indirect costs is used (see below)

Total Direct costs	**75.849**
1.1 Internal personnel – remuneration	40.597
1.2 Int. pers. - transport home/work	415
1.3 Internal personnel – travel costs	69
1.4 External personnel – remuneration	26.095
1.5 External personnel - travel costs	0
2. Participants	0
3.1 Non depreciable consumption goods	6.037
3.5 Publicity	2.064
3.6 Organisation costs	571

Total indirect costs	**13.4%**
Indirect costs = 13.4% of direct costs	*10.163*
Total eligible costs	**86.012**

The same could be applied for a scheme based on standard scale of unit costs: considering that the total eligible cost is EUR 86.012 for 14.500 hours x trainees, a scale of unit cost could be defined as: 86.012 / 14.500 = 5,93 EUR / hour x trainee.

The grant would then be paid according to this standard:
- the draft budget would be archived by the MA to be used as a justification of the standard;
- the document between MA and beneficiary setting out the different rules shall specify the definition of the standard scale of unit costs (what is an hour x trainee), how it should be justified (attendance list) and its unit cost (5,93 EUR). The reference to Article 14.3 should also be made.