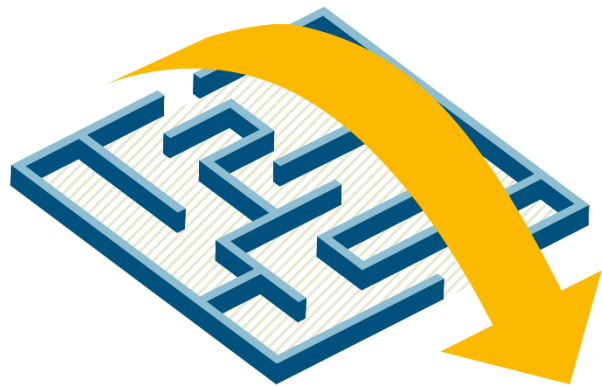


Example filling of Appendix 1, Article 94 CPR 2021/1060

October 2021



Objective of the document

This document presents a mock-up example for a simplified cost option using Article 94, CPR (2021/1060). The objective is to provide an idea how to fill the different sections of the template to avoid misunderstandings and lengthy approval processes.

The example used is a lump sum for preparation costs. No actual historic programme data was used for the example, all numbers are made up.

For calculation purposes, we are assuming an Interreg cross-border programme with a total budget of €160.000.000 (ERDF + national co-financing), with 4 Policy Objectives (=4 priority axes). The programme does not plan for significant infrastructure or works projects.

Disclaimer

The document has been prepared by Interact following discussions with the audit services (Directorate C) and better implementation unit (Directorate F) of DG Regio. It is thus not an official document of the European Commission nor an official position of the European Commission. It does not equal a real assessment for Appendix 1 and auditors from audit authorities, the European Commission or the European Court of Auditors might have different views. This document serves exclusively as an example and DG Regio will assess each appendix on a case-by case basis taking into consideration the uniqueness of each proposal in accordance with a standardised quality assessment methodology.

Versions

Version 2 has been updated with the footnote 7 (additional information on Part C of the Appendix 1).

Union contribution based on unit costs, lump sums and flat rates

Template for submitting data for the consideration of the Commission
(Article 94)

Date of submitting the proposal	30-October-2021
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This Appendix is not required when EU-level simplified cost options established by the delegated act referred to in Article 94(4), CPR are used.

A. Summary of the main elements

Priority	Fund	Specific objective	Category of region	Estimated proportion of the total financial allocation within the priority to which the SCO will be applied in %	Type(s) of operation covered		Indicator triggering reimbursement		Unit of measurement for the indicator triggering reimbursement	Type of SCO (standard scale of unit costs, lump sums or flat rates)	Amount (in EUR) or percentage (in case of flat rates) of the SCO
					Code ¹	Description	Code ²	Description			
1	ERDF	All	n/a	0,5	171	All approved projects	n/a	Lump sum to cover preparation costs	Signed subsidy contract by the lead partner	Lump sum	8.000
2	ERDF	All	n/a	0,6	171	All approved projects	n/a	Lump sum to cover preparation costs	Signed subsidy contract by the lead partner	Lump sum	8.000
3	ERDF	All	n/a	1	171	All approved projects	n/a	Lump sum to cover preparation costs	Signed subsidy contract by the lead partner	Lump sum	8.000
4	ERDF	1	n/a	0,6	171	All approved regular projects, not applicable for small scale projects implemented in this priority	n/a	Lump sum to cover preparation costs	Signed subsidy contract by the lead partner	Lump sum	8.000

¹ This refers to the code for the intervention field dimension in Table 1 of Annex I CPR.

² This refers to the code of a common indicator, if applicable.

Points of attention to Part A

The table in part A summarises information provided in part B and C for each SCO: one row of the table has to correspond to one module B (questions 1.3 to 1.11) and C filled in.

Estimated proportion of the total financial allocation within the priority to which the SCO will be applied in % should correspond part B, question 12 (% should reflect the amount indicated in Part B, question 12, but broken down as a percentage of the total amount (funding + partner contribution) of the amount for the priority).

Priority: equals the priority axis as indicated in your IP, hence the policy objectives or Interreg specific objectives (ISO).

Fund: We chose 'ERDF', but this could also refer to NDICI, IPA, OCTP or Interreg Funds (see also IP template for further information).

Specific objective: equals the specific objective(s) under which the SCO will be applied. This could be all or only one or two in case several specific objectives were chosen under the same policy objective. Should correspond to question 2 of Part B.

Type(s) of operation covered

Code: Codes which can be found in Table 1 of Annex I CPR. Codes are listed by the policy objectives, for Interreg-specific objectives two codes in the section "Other codes related to policy objectives 1-5" can be used: code 173 for ISO 1, code 174 for ISO 2.

Description: Refers to the type of projects in the programme and not to the description of the code used in the field before. Should be consistent with question 1 of Part B.

Indicator triggering reimbursement

Code: Code refers to the code of a common indicator if applicable (as set out in Annex 1 of Regulation (EU) No 2021/1058). If this is not applicable, the field is to be left empty. Only the common indicators have to be mentioned here.

Description: Specific type/ description of the simplified cost option. Should be consistent with question 3 of Part B.

Unit of measurement for the indicator triggering reimbursement: Should describe what will be measured, so that the SCO can be paid. Should be consistent with the question 4 of Part B.

Amount (in EUR) or percentage (in case of flat rates) of the SCO: amount of an individual SCO (should be equal to question 6 of Part B).

B. Details by type of operation (to be completed for every type of operation)

Did the managing authority receive support from an external company to set out the simplified costs below?

If so, please specify which external company: ~~Yes/No – Name of external company~~

Question	Points of attention	Example
<p>1. Description of the operation type including the timeline for implementation³</p>	<p>Projects should be clearly described (covering eligible activities, beneficiaries, expected outputs, envisaged starting date, envisaged end date).</p> <p>Should be consistent with Part A, Type(s) of operations covered.</p> <p>Provide relevant information to show that projects (project partners) are within the scope of the programme, that projects (project partners) contribute to the objectives of the programme, (that they are not physically completed/fully implemented).</p>	<p>The lump sum for project preparation will be provided to all approved “regular” cooperation projects (usual duration 2-3 years) under all 4 priority axes (in the priority axis 4 only under specific objective 1). The projects will be eligible for the preparation costs lump sum upon the signed subsidy contract.</p> <p>This lump sum will not be applicable for small-scale projects, which are implemented exclusively under specific objective 2 of priority axis 4. All small-scale projects will have a specific call for proposals, which might also include a preparation cost lump sum, but with a different scope and value and only decided at a later stage of the programme implementation.</p> <p>The average implementation time of regular projects is 2-3 years with several calls (hence, starting points) over the programming period. Indicative 4 calls for projects with 120 approved projects. The indicative date of the 1st call for proposals: 1 September 2022. All projects should be finalised by December 2029.</p>

³ Envisaged starting date of the selection of operations and envisaged final date of their completion (ref. Article 63(5)).

2. Specific objective(s)	Should be consistent with Part A, Specific objective.	Priority axis 1-3: all Priority Axis 4: specific objective 1
3. Indicator triggering reimbursement ⁴	Type/ description of SCO. Should be consistent with Part A, Indicator triggering reimbursement and question 4.	Lump sum to cover costs of application preparation (“Preparation costs lump sum”)
4. Unit of measurement for the indicator triggering reimbursement	Should be consistent with types of operations identified in question 1 and with the indicator triggering reimbursement (question 3) Part B.	Signed subsidy contract by the lead partner
5. Standard scale of unit cost, lump sum or flat rate	Should be consistent with Part A, Type of SCO (standard scale of unit costs, lump sums or flat rates).	Lump sum
6. Amount per unit of measurement or percentage (for flat rates) of the SCO	Should be consistent with Part A, Estimated proportion of the total financial allocation within the priority to which SCO will be applied in % and Amount (in EUR) or percentage (in case of flat rates) of SCO; and Part C, question 3. However, here the	€8.000

⁴ For operations encompassing several simplified cost options covering different categories of costs, different projects or successive phases of an operation, the fields 3 to 11 need to be repeated for each indicator triggering reimbursement (Indicator 1; Indicator 2). This can be repeated as many times as needed.

	individual amount of the SCO has to be provided.	
7. Categories of costs covered by the unit cost, lump sum or flat rate	Provide clear description of cost categories covered by an SCO. Describe arrangements to ensure that no double financing of costs occur (especially in case of SCOs combination).	<p>The lump sum will cover the following cost categories:</p> <ul style="list-style-type: none"> - staff costs, - administration costs, - travel & accommodation costs, - external expertise costs and - equipment costs <p>which cover the items listed as indicated in the Interreg Regulation 2021/1059(no significant changes to the categories of costs regulated in the Delegated Act 481/2014 for 2014-2020 period).</p> <p>The categories and items are the same as the categories used to calculate the value of the lump sum (more details in section C).</p> <p>To ensure that items are not accidentally reported twice, the eligibility period will serve as a second element: the preparation cost lump sum will cover all expenditure needed for the preparation of the project in the timeframe from 01/01/2021 until the date of submission a project to the programme. All expenditure incurred after, will be considered implementation costs.</p>
8. Do these categories of costs cover all eligible expenditure for the operation? (Y/N)	If not all eligible expenditure are covered by an SCO, describe which cost categories are claimed on top of the SCO for these operations (arrangements to avoid double financing).	<p>No.</p> <p>This will only cover the preparation phase of the project. The eligibility period will be 01 January 2021 until the date of submission of the application form to the programme. All expenditure incurred after will be covered by the 'implementation phase' of the project.</p>

<p>9. Adjustment(s) method⁵</p>	<p>If applicable, indicate frequency and timing of the adjustment(s) and a clear reference to a specific indicator. Explain sources that it is based on (national legislation or other, incl. a link to the website where this indicator is published if applicable, take screenshots in case information on a website is dynamic).</p>	<p>Yes, a one-time indexation will happen, in case of inflation (in case of deflation it will not). For projects approved in calls for proposals after 01 January 2024 the amount will be adjusted (increased in case of inflation) by the average inflation rate of the programme's Member States for the years 2021-2023 in accordance with Eurostat data.</p> <p>To reflect the reality of price developments, which also applies to the expenditure in Interreg programmes, an inflation adjustment seems to be the most suitable and proportionate adjustment method. As the rate will be taken from Eurostat and will be limited to the Member States of the programme it will match the developments for projects in our territory.</p> <p>Accordingly, the calculated amount based on historic programme data from 2014-2020 was adjusted (see section C, question 2).</p>
<p>10. Verification of the achievement of the units</p> <ul style="list-style-type: none"> - describe what document(s)/system will be used to verify the achievement of the units delivered - describe what will be checked and by whom during management verifications - describe what arrangements will be made to collect and store relevant data/documents 	<p>Describe clearly document(s)/system(s) used for the verification; body(ies) to perform and documents to check in the course of the management verification; arrangements to collect and store relevant data. Information of the system to collect and store relevant data should be consistent with information provided in Part C, question 1.</p>	<ul style="list-style-type: none"> - <i>What document(s)/system will be used to verify the achievement of the units delivered:</i> <p>The approval decision of the Monitoring Committee (official decision notes), together with the signed subsidy contract.</p> <ul style="list-style-type: none"> - <i>What will be checked and by whom during management verifications</i> <p>The MA/JS will be carrying out the management verifications for the preparation costs lump sum i.e., it will verify that the project was approved, the subsidy contract signed by the lead partner.</p> <ul style="list-style-type: none"> - <i>What arrangements will be made to collect and store relevant data/documents</i> <p>The relevant documents required by provisions of CPR regulation (i.e., the Monitoring Committee decision notes, approval notification, payment proof for the preparation costs lump sum) will be stored in accordance with the management and control system description and will be available in the electronic monitoring system of the programme.</p> <p>Even though the programme is setting-up a new electronic monitoring system</p>

⁵ If applicable, indicate the frequency and timing of the adjustment and a clear reference to a specific indicator (including a link to the website where this indicator is published, if applicable).

		for the 2021-2027 period, the specifications and related procedures will not change in the future. In the 2014-2020 period, the AA carried out a system audit on the electronic monitoring system and it was assessed as category 1.
11. Possible perverse incentives, mitigating measures ⁶ and the estimated level of risk (high/medium/low)	In case of combination of SCOs, there is always a risk of double financing – describe measures to mitigate the risk. E.g., if a lump sum for preparation costs is used, there is always a risk of double financing too – delimitation in time between preparation costs and implementation costs should be made clear.	All project proposals are subject to an assessment, performed by the Monitoring Committee/JS according to quality criteria in line with provisions of Article 22 of the Interreg regulation before approval and only relevant projects will be approved. The quality criteria are published with the call for proposal and equally applied to all project applications. To avoid a double financing risk, particular attention will be paid to the payment date for expenditure reported in the implementation phase during management verifications. We consider any risks regarding the preparation cost lump sum low and due to a transparent and equal treatment approach to project assessment, we do not see the risk of any perverse incentive.
12. Total amount (national and EU) expected to be reimbursed by the Commission on this basis	Should be consistent with Part A, Estimated proportion of the total financial allocation within the priority to which the SCO will be applied in % and Part C, question 3. However, here the total amount to be spent for the SCO should be indicated. In the example: app. 120 projects * 8.000€.	€960.000

⁶ Are there any potential negative implications on the quality of the supported operations and, if so, what measures (e.g., quality assurance) will be taken to offset this risk?

C. Calculation of the standard scale of unit costs, lump sums or flat rates⁷

1. Source of data used to calculate the standard scale of unit costs, lump sums or flat rates (who produced, collected and recorded the data; where the data are stored; cut-off dates; validation, etc.).

Example	Points of attention
<p>We used all preparation cost expenditure declared to the EC from the 2014-2020 programming period as source of data to establish the amount of the lump sum.</p> <p>Preparation costs were reported as its own work package based on real costs in the programming period 2014-2020; the granular data used for calculations was extracted from the programme’s electronic monitoring system. Part of the data was also subject to checks in the frame of audit of operations. There were no findings regarding the eligible expenditure certified (all preparation costs were confirmed as legal and regular). As mentioned above, the electronic monitoring system was audited by the audit authority and assessed as category 1.</p> <p>In the 2014-2020 period, preparation costs for setting up the project specified in a project preparation work package were paid on a real cost basis up to a total amount of €15.000. The project preparation work package covered all potential costs related to the project application. Specifically, staff costs, office and administrative costs, travel & accommodation costs, external expertise and service costs and equipment costs (covering the items listed in the Delegated Regulation 481/2014). The eligibility period was from the</p>	<p>Describe sources of data (all data or a sample is used?), clearly indicating data timeframe. If some projects were not included in the analysis, provide justifications why.</p> <p>Information on the system should be consistent with Part B, question 10).</p> <p>Provide exhaustive cost categories (costs) used to calculate an SCO (should be consistent with Part B, question 7) (no place for “e.g.” or “etc.”!).</p> <p>Describe arrangements to ensure that the data used is up-to-date.</p>

⁷ There is a single Part C for all SCOs schemes included in Appendix 1. This section has to be filled in with relevant information for each SCO scheme included in Part AS and assessed by the programme audit authority. The assessment of the audit authority has to be uploaded in SFC under the module General > Documents. The limitation of characters in Part C has been raised until the maximum allowed by the system, i.e., 8000 characters. The information in Part C should be a short summary of the more detailed information that is included in the AA assessment. If deemed necessary, other supporting documentation can be uploaded in the system via the same module General -> Documents.

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<p>beginning of the programming period (01 January 2014) until the date of submission of the project application to the programme.</p> <p>In 2021/2027, the exhaustive category of costs covered by the preparation costs are listed under the Interreg Regulation 2021/1059 (Articles 39-44). These costs correlate with the headings and items regulated in the Delegated Regulation 481/2014) in the 2014-20202 period.</p> <p>All expenditure was verified and validated as eligible expenditure by independent controllers through management verifications before the submission to the MA/JS (in line with the management and control system of the programme and the relevant provisions in the CPR and Interreg Regulation). The corresponding list of expenditures, certification of the expenditure as well as overall project payment claims are stored in the electronic monitoring system. All approved projects for the 2014-2020 programming period have by now reported their preparation costs.</p> <p>For the purposes of the lump sum calculation all necessary data was extracted from the electronic monitoring system and all validated preparation costs of the approved projects have been considered for the calculation of the amount to define the lump sum.</p>	<p>If you used historic programme data, make sure that you refer to “certified” data and if it is all data available (or not because not all projects are closed).</p> <p>In case other objective data or expert judgement is used, make sure that the data is available to show that your calculation is consistent, complete etc.</p>
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2. Please specify why the proposed method and calculation based on Article 94(2) is relevant to the type of operation.

Example	Points of attention
<p>A lump sum for preparation costs will significantly lift the administrative burden of project and accelerate payments, which will also help the programme implementation. In the real cost system projects had to wait</p>	<p>Does a proposed SCO reflect reality? Why is it needed? Which simplification does it bring and who does it affect?</p>

until the approval of the first payment claim (between 9-12 months after project start), adding to this the time between submission and approval of projects (between 6-12 month), and the preparation time itself...

Given this, projects not only had to wait up to 2 years before actual expenditure could be reimbursed, but often documentation was no longer complete or difficult to trace and costs could not be claimed. Therefore, beneficiaries often incurred and paid other preparation costs that were not claimed due to the administrative burden and time-consuming reporting for rather small amounts.

All projects when submitting a project proposal have generated costs for the preparation of the proposal, independent from the question whether they can be claimed or not. We can safely identify the following costs (already mentioned above): staff costs (writing the application, communicating & working with potential partners), linked administration costs, travel costs and costs for meetings to discuss content and meeting partners, translation costs for necessary documents and external service providers (some projects hire consultants to help with the application, which then reduces the direct involvement of staff), equipment (IT for writing the application).

With a lump sum for preparation costs the programme can ensure that all approved projects will receive compensation for the work done, without having to go to the archives to evidence the related expenditure and more importantly with much less delay (time cut in half) compared to the real cost system.

As a secondary effect, it will also lift the burden for management verifications and the work of the MA/JS. Currently when following up on the preparation cost work package, significant resources have to be put by controllers and the MA/JS (clarification on submitted cost items, question on the eligibility). From a survey carried out among projects, and already mentioned above, we learned that often real costs due to minor administrative oversights, not the nature of costs, could not be accepted by controllers and therefore not be reimbursed. A typical issue encountered was simply that project partners did not record time of staff

Why is a specific calculation method used?
Why is average used (and not mean, median)?
Why is a specific sample used (if applicable)?

<p>working on the project preparation, because they were not aware of that requirement and, therefore, the staff costs could not be accepted. This led to unnecessary frustration on project and controller side. This can be avoided with a lump sum for preparation costs.</p> <p>As we did not have significantly different types of operations, the lump sum will be applicable for all regular projects (except for small-scale projects as specified in question 1 of Part B) for projects in 2021-2027.</p> <p>We propose a lump sum, based on the average verified real costs for the preparation of all approved regular projects with signed subsidy contracts, because it best reflects the reality of projects. Even though not all costs incurred by projects could be claimed for the preparation of projects (see above), using all certified expenditure allows the future programme for a prudent approach to make best use of EU funds.</p> <p>We use the average as it reflects best the programme reality and levels out extremes. We have not considered any further manipulation of the data or weighting of specific cost items, as we do not see any added-value in further limiting or prescribing activities and related costs of the projects for their preparation (except for an indexation – see sections B, question 9 and C, question 3).</p>	
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3. Please specify how the calculations were made, in particular including any assumptions made in terms of quality or quantities. Where relevant, statistical evidence and benchmarks should be used and, if requested, provided in a format that is usable by the Commission.

Example	Points of attention
<p>We based the proposed preparation cost lump sum on the expenditure declared to the EC as the programme data from the 2014-2020 programming period, in detail:</p>	<p>Describe a step-by-step calculation and how you arrived at the amount/ percentage (in case of a flat rate financing).</p>

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<ul style="list-style-type: none"> - Total amount of certified preparation costs (€889.263) divided by all 117 approved projects = €7.600,54. - Update of the amount based on the indexation method to reflect the increase of prices for the period 2021-2027. Multiplication of average preparation costs (€7.600,54) with the accumulated average inflation, according to Eurostat, of both Member States for 2014-2020 (5,8%) to reflect the general increases in prices: €8.040,66 - Based on the above elements and to work with a 'simple' number we decided to round down to: €8.000 	<p>In case of sampling, explain how and why. In case of excluded data (outliers), explain your reasoning.</p> <p>Avoid rounding up as there might be a risk of overpriced SCOs. A prudent approach could be to round down.</p>
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4. Please explain how you have ensured that only eligible expenditure was included in the calculation of the standard scale of unit cost, lump sum or flat rate.

Example	Points of attention
<p>The data used was verified in accordance with the management and control system description of the programme (e.g., management verifications, quality checks & audits) and part of audit of operations with no findings. As highlighted above, the programme's electronic monitoring system was assessed by the audit authority during their system audit assessed as category 1 in the 2014-2020 programming period.</p>	<p>This is about data reliability. You are expected to explain why the data used is meaningful. E.g., for historic programme data, that it was verified through management verifications and that any audit findings were corrected, or, in case of national statistics that the data basis does not include anything which is not considered eligible.</p>

5. Assessment of the audit authority(ies) of the calculation methodology and amounts and the arrangements to ensure the verification, quality, collection and storage of data.

Example	Points of attention
<p>The assessment of the audit authority is positive with regard to the calculation methodology (is in line with the regulatory requirements), amount, the arrangements to ensure verification, quality, collection and storage of data. The conclusion template for the assessment is attached and the checklist is available upon request.</p>	<p>The positive ex-ante assessment by the AA is mandatory. The work requires a cooperative approach.</p> <p>A good practice is to agree with your AA on a timeline and (if needed) rules of procedure when it comes to informal/formal exchange, know-how, documents to be submitted, expectation management, etc.</p> <p>Checklist for the assessment of SCOs and a conclusion template for the Appendix are available here.</p> <p>Assessment of SCO can be supported by GoA (e.g., national data in different countries) or external provider, but final opinion has to come from programme’s AA (signing off).</p>