

Implementation of SCO's: cornerstones

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Interreg Knowledge Fair / 23-25 May 2023

Interact



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the European Union
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Plan

01

**Intro &
Updates**

02

**Project changes
and SCOs, incl.
adjustment
methods**

03

**Verification of
SCOs**

04

**Discussion,
Q&A**

05

**What's to
come**

General updates

Article 94 SCO in Interreg

- 8 schemes submitted to the EC by 4 Interreg programmes:
- 7 schemes (3 programmes) – formally and adopted;
- 1 scheme – informal submission.
- Types of SCOs:
 - 2 flat rates (staff costs & knowledge development activities);
 - 1 unit cost and 1 lump sum for staff costs;
 - 1 unit cost and 1 lump sum for organization of events and 1 lump sum for staff costs.



General updates

Article 94 SCOs

Reminders:

- It is possible to submit schemes for EC adoption during programme implementation (simplified fast-track modification procedure) – 1 Interreg programme is in the process of programme modification!;
- SCOs do not apply retrospectively (legal certainty and Appendix 1);
- submit only with a positive assessment of the AA;
- informal consultation with the EC;
- extend the use of SCOs from higher to lower level;
- [SFC 2021 – Quick guide](#)



General updates

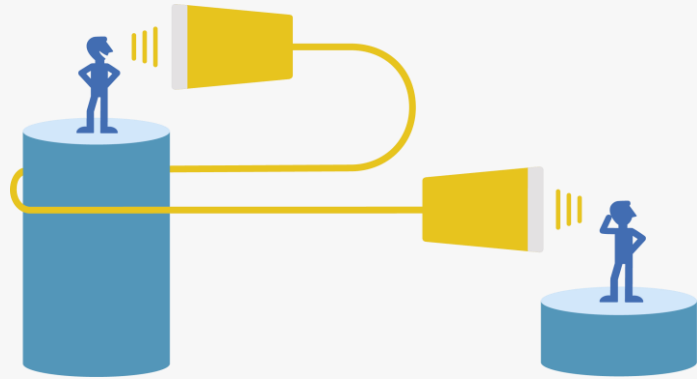
EU-level SCOs

- 6 areas: energy efficiency & renewable energy (delegated act prepared), R&I activities, SMEs growth & competitiveness; health, environment and ICT.
- WIIFM: these SCOs can be used by all Interreg programmes as equivalent to off-the-shelf schemes
- Timeline: 1st delegated act (1st area) to be adopted by the end of 2023; 2nd area – study to be completed by Sep 2023



General updates

Interreg-specific SCOs for organisation of events



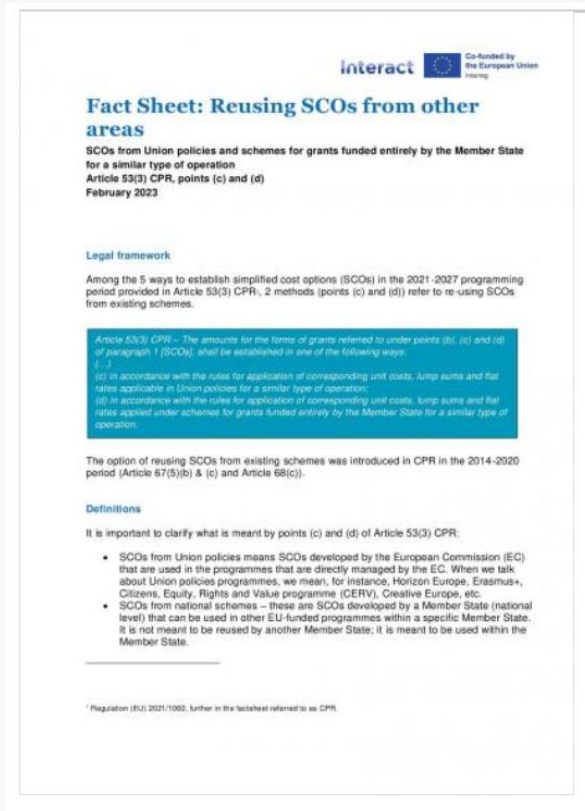
- Relevance?
- Exchange with the EC colleagues;
- Approach: data for several MS > extrapolation to other;
- Submission for the EC assessment and adoption;
- Will take time ...

Alternatives:

- Lump sum from CERV;
- Practice from SI-HU (unit cost and lump sum for organization of events – approved in Article 94).

General updates

SCOs from Union policies/ national schemes



Reminders:

- For similar types of operations (similarity to be justified by the MA);
- SCOs in use;
- totality of the method;
- mirroring updates and adjustments (in-built) of the original method.

Practice:

- 1 Interreg programme – lump sum for events (P2P projects) – scheme from CERV



General updates

Collection of Interreg SCOs

Mapping SCOs for 2021-2027 – Interreg Collection – 30 programmes

Please provide your input - [link to the document](#)

| A | B | C | D | E | F | G |
|---|---|---|--|--|---|---|
| Interreg SCOs 2021-2027 | | | | | | |
| version | May, 2022 | | | | | |
| For each SCO, please use a separate row! | | | | | | |
| Interreg programme | Contact person | Type of SCO | Describe an SCO/ amount/ % | Level of application | Type of projects covered | Use |
| <i>Choose from the drop-down list (order: CBC, TN, INT, IPA CBC, ENI CBC)</i> | <i>Indicate a contact person (and email) for SCOs in your programme</i> | <i>Choose from the drop-down list. 'OTS' = off-the-shelf SCO IR = Interreg Regulation</i> | <i>also, specify if 'Other SCO' was selected in the previous column. e.g., EUR 10 000 lump sum for preparation costs, 5% flat rate for travel and accommodation costs for all partners</i> | <i>EU - programme SCO - new level in 2021-2027 (SCO should be described in the Annex to an Interreg programme) Programme - beneficiary level - "usual" use of SCOs</i> | <i>Please indicate type(s) of projects covered by an SCO (e.g., all, regular projects, small projects of SPF, small-scale projects, etc.)</i> | <i>Mandatory or optional (also specify, if different for different types of projects)</i> |
| IA) Germany/Mecklenburg Western Pomerania/Brandent | rn Gabler (b.gabler@wm.mv-regierung | based on fair, equitable and verifiable met | 13.200€ lump sum for preparation costs (per project / d | Programme - beneficiary SCO, Article 53 CPF | regular projects | not take it. In the latter case projects are not |
| IA) Germany/Mecklenburg Western Pomerania/Brandent | rn Gabler (b.gabler@wm.mv-regierung | staff costs to cover the remaining eligible c | | Programme - beneficiary SCO, Article 53 CPF | regular projects | optional |
| IA) Germany/Mecklenburg Western Pomerania/Brandent | rn Gabler (b.gabler@wm.mv-regierung | modation - up to 15 % of the direct staff co | 4% flat rate for German project partners and 6% flat rate | Programme - beneficiary SCO, Article 53 CPF | regular projects | optional |
| IA) Germany/Mecklenburg Western Pomerania/Brandent | rn Gabler (b.gabler@wm.mv-regierung | % of the direct costs other than the direct st | 10% for partners with costs for infrastructure and works | Programme - beneficiary SCO, Article 53 CPF | regular projects | optional |
| IA) Germany/Mecklenburg Western Pomerania/Brandent | rn Gabler (b.gabler@wm.mv-regierung | - up to 15 % of eligible direct staff costs, A | 10% flat rate | Programme - beneficiary SCO, Article 53 CPF | regular projects | optional |
| IA) Germany/Mecklenburg Western Pomerania/Brandent | rn Gabler (b.gabler@wm.mv-regierung | olicies for similar types of operations, Art | EUR 5.000€ for project closure (per project, only LP), co | Programme - beneficiary SCO, Article 53 CPF | regular projects | not take it. In the latter case projects are n |

SCOs - several implementation issues

Assurance on legality and regularity for SCOs and FNLC (Art. 94, 95 CPR)

MA to confirm that expenditures entered in accounts are legal and regular vs management verifications focused on fulfillment of conditions for reimbursement

SCOs under Art. 94

- Use of SCOs in national currency (Art. 87 CPR – all amounts in programme should be in euro)
- 2 levels of SCOs – can SCOs established using point (c) Union policies and (d) national schemes be „lifted“ up to the EC – programme level

Article 72(1)(e) and Annex XVII CPR

Collection of data linked to expenditure (procurement) vs management verifications of SCOs not covering the underlying costs or specific procurement procedures



Implementation of SCOs & project changes



Points of departure

- SCOs – costs calculated according to a pre-defined method based on outputs, results, or other costs
- An SCO is a reliable proxy of real costs
- Methods of reimbursement for projects (*at the project partner level*) should be set out in the subsidy contract (Article 22(6) of the Interreg Regulation) >> Ideally, it does not change during the project implementation (*no changes from real costs to SCOs and vice versa*)



Project changes and SCOs

Unit costs

Change to project content/ activity – unit cost is the only reimbursement method and real costs are not allowed. Other changes – framed by programme rules (min quantity, flexibility, formal request).

Flat rates

Fixed percentage, no changes during project implementation.
Clean basis costs!

Lump sums

Changes to project output not possible (fixed); limited scope of project changes; budget changes not possible. Careful design!

Project changes and SCOs



A unit cost/ lump sum established giving an X amount for 100 people attending a seminar changed into a video-conference of 5 people attending.

- Not all categories of costs used to calculate an SCO are relevant anymore;
- a project should be adjusted to reflect the new situation > subsidy contract modified to define new activity(ies) and a corresponding new SCO.

Principles to respect:

- An SCO is a reliable proxy of real costs;
- changes in the established SCO methodology during implementation should be avoided (unless the adjustment method is foreseen!).

Project changes and SCOs



Changing the mode of reimbursement during the project implementation. E.g., part of the project is implemented as an SCO and part as real costs – to cover additional costs of an extraordinary nature, not foreseen in the initial budget of projects (real costs basis)?

- Yes, provided the project is divided into two or more stages that cover successive phases of an operation;
- it is also possible to define a separate cost category to cover that costs (e.g., costs incurred for additional expenditure linked to COVID-19 measures);
- case-by-case, force majeure situations.

Principles to respect:

- No double-financing;
- equal treatment and transparency for all projects/ beneficiaries

Project changes and SCO's



An event was supposed to be organised in country X (a CBC programme uses unit cost per participant/ day to cover the costs of the event). The morning of the event the nation-wide strike of railroad workers started, which makes it impossible for colleagues to get to the venue. What to do with the costs of catering which were already incurred?

- Force majeure case;
- Potential solution – to reimburse catering costs as real costs (if a programme allows reporting additional costs on the real costs basis).

Principles to respect:

- No double-financing;
- equal treatment and transparency for all projects/ beneficiaries

Project changes and SCOs



A project (CBC) received a lump sum for preparation costs upon the signature of the subsidy contract. During implementation, one of the partners withdrew, which led to the termination of the contract agreement. Can the amount of preparation costs be claimed back by the programme?

- If in the subsidy contract, conditions for payment of the lump sum for preparation costs refer to a successful implementation of the project/ delivery of project outputs - yes;
- If conditions for payment of the lump sum are signed subsidy contract and approved AF with no further details, there is no legal basis for the programme to claim money back.



Updates of SCO's methodologies

Adjustment methods



Adjustment methods



- Periodic adjustments especially in the multiannual project implementation;
- Adjustment methods are not considered modifications of SCO methodology (if foreseen in the SCO methodology, documented and justified, e.g., due to inflation, etc.);
- It is possible to use different SCOs from one call to another (adapted SCOs due to inflation or economic changes, e.g., in energy costs, levels of salaries, etc.);
- SCOs should be a reliable proxy for the real costs!
- Adjustments of SCOs (Article 94) should be described when establishing the methodology. Any deviations from the approved SCOs will be considered irregular.
- No recommended adjustment methods – up to the programme to design one (e.g., inflation, data from the statistical offices, Eurostat BUT reliable and coherent data);
- Automatic adaptations enshrined in the methodology (based on inflation, or evolution of salaries for instance)

Adjustment tools

Table 1. Indexation tools for SCOs adjustment

Source: prepared by Methodological Support Division.

| Indexes | Changes of national legislation | Changes in EU legislation | Publication of new statistical data |
|---|---|--|--|
| <ul style="list-style-type: none"> • Consumer price index (CPI) for specific country • Harmonized consumer price index (HCPI) • Inflation rate • OECD Total CPI index • Labour cost index (LCI) • Monthly wage index • Construction cost index | <ul style="list-style-type: none"> • Minimum wage growth • Amount of the basic social allowance • Basic amount of official salary • Changes in the legal acts regulating the employer's taxes (social insurance contributions) • Changes in the legal acts, where set amounts of accommodation and subsistence allowances • Changes of VAT rate | <ul style="list-style-type: none"> • Changes in Erasmus+ Program Guide • Changes in Delegated Regulation | <ul style="list-style-type: none"> • Public expenditure on education per pupil/ student based on FTE by education level and program orientation • Fuel prices • Average monthly salary in particular sector |

Source: [ESFA](#), [LT](#), [Methodological Support Division](#)

Historic vs Forecasted indexes

Table 6. The model of usage forecasted CPI for SCO adjustment

| Year | The most often used method for indexation | Forecast indexes | 1st adjustment | 2nd adjustment |
|------|---|---|---|---|
| 2016 | Historical data | Historical data | Historical data | Historical data |
| 2017 | The actual CPI indexes are used | The actual CPI indexes are used | The actual CPI indexes are used | The actual CPI indexes are used |
| 2018 | | | | |
| 2019 | | | | |
| 2020 | | | | |
| 2021 | | | | |
| 2022 | Prepared methodology with data recalculated in 2021 years price level | Prepared methodology with data recalculated in 2022 years price level using forecasted index for 2022 | | |
| 2023 | | | Recalculated SCOs using forecasted index for 2023 | |
| 2024 | | | | Recalculated SCOs using forecasted index for 2024 |

Source: [ESFA, LT, Methodological Support Division](#)

Examples of adjustment methods

Interreg programmes

Labour cost index, inflation (CPI), annual, in case of hyperinflation (other unforeseen changes)

ERDF/CF mainstream

If inflation reaches +/- X%; annual, based on economic indicators; automatic, based on indexes in the public sector; reassessment of unit cost every 2 years – adjustment if LCI is +/- 5%; OECD Total CPI index; in the middle of programme implementation.



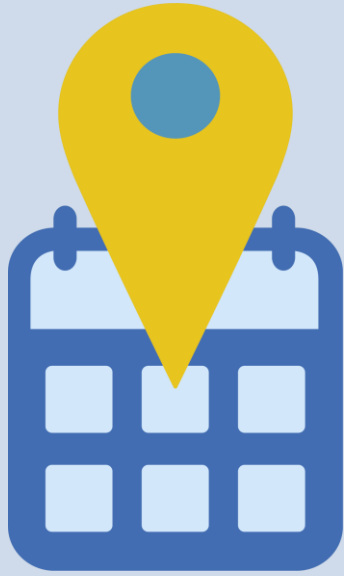
Verification of SCOs – focus on outputs and results

Factsheet – What to check, what not to check when verifying SCOs



Questions & Answers



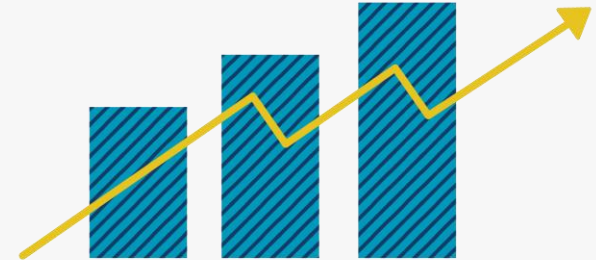


What's to come?



Focus in 2023/2024

- Management verifications of SCOs
- Draft budget method
- SPF and small projects
- Audit of SCOs methodologies – findings
- Adjustment methods



+ Brand-new project in 2024 – Training programme “**Plunging into SCOs**”

Cooperation works

All materials will be available on:
www.interact-eu.net