

ESF THEMATIC NETWORK ON SIMPLIFICATION

REPORT ON SCO PRACTICES

(Draft for the 6th Meeting of the Thematic Network - The Hague – 8-9 June, 2017)

References:

Member State / Region	Finland
Reference number (TN's map of SCO practices)	7

Contact details:

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Type of SCO reported <i>(Please choose one of these types of SCO: flat rate financing, standard scale of unit costs, lump sum).</i>	LUMP SUM
Type of activities covered by the SCO <i>(Please indicate what type of activities is targeted by the SCO).</i>	SEVERAL ACTIVITIES

A. PROJECT DESCRIPTION

A1. Description of the type of operation <i>(Please describe in brief what types of operations are covered by SCO)</i>
Small projects (up to 100 000 € public funding) <u>in which the results of the project can be clearly defined.</u>
A2. Definition of outputs/results <i>(Please give a short definition of outputs and/or results)</i>
Results are determined separately for each project in the document setting out the conditions for support.

Some examples of implemented lump sum projects: Feasibility studies, preliminary reports, action plans and strategies (each before starting a wider project), knowledge strategies and learning surveys, new operational models (for example to improve the productivity of employees over 50 years), a new internet based service platform, developing and testing the suitability of an Internet-based user interface with real-time translation service to support the integration of immigrants and to promote the paths of education and employment of immigrants, a training program designed for real estate energy economy (project includes the design of the training content, training materials preparation, piloting the training and assessing the piloting training), data collection by interviews and questionnaires + seminar, an intensive club + workshops organized in job searching for people with immigrant background etc.

A3. Beneficiaries *(please indicate the types of beneficiaries involved in the operations covered by SCO)*

Educational and research institutions, municipalities and joint municipal authorities, foundations, NGOs, social partners, companies, other organisations (all kinds of beneficiaries included in the OP).

A4. Target group(s) *(Please list target groups within projects covered by SCO)*

All kinds of target groups included in the OP.

B. METHODOLOGY AND CALCULATION METHOD

B.1 Methodology *(please indicate which methodology/ies has/have been used: Fair, equitable and verifiable method / use of existing EU schemes for similar types of operation and beneficiary / Use of existing own national schemes for similar types of operations and beneficiaries / use of rates and specific methods enshrined in the regulation or in a delegated act / use of a draft budget /combination of methodologies).*

Please indicate if the concerned SCO has been covered by Art. 14(1) ESF)

Combination of methodologies:

- **draft budget**
 - historical data or other objective information to support the draft budget
 - 17 % flat rate in the ESF and 24 % in the ERDF of direct staff costs can be used to calculate the indirect cost (including also travel costs) **inside the draft budget.** 17 % / 24 % flat rate is based on our flat rate calculation methodology explained in another template (reference number 3). This choice has been made because otherwise it would be very difficult to calculate indirect costs separately for each lump sum project and we already had an approved calculation methodology for the flat rate share.

B.2 Calculation Methods *(please describe how the calculations have been made)*

Calculations are made separately for each project because we don't have many standardized project types. The basis of the method is set and the costs that can be included in the draft budget are defined in the national eligibility act. Elements needed to specify the lump sums are explained in advance to the applicants in the calls for proposals. The IBs also organize information events for beneficiaries.

The applicant presents the draft detailed budget and documents to justify all the costs in the draft budget (for example pay rolls from previous year, historical data and/or price comparison). Lump sum projects usually have only a few cost categories, for example staff cost and small material purchases + flat rate to cover the indirect costs (including also travel costs). It is the responsibility of the IB to verify the calculation and if necessary, get additional information / data. The IB can for example make additional comparisons to similar projects.

Lump sum is determined in the project decision (=the document setting out the conditions for support).

(According to our eligibility act it is also possible for the IB to draw up the draft budget, get the necessary data and make all the calculations beforehand and then launch the call for the best projects, but this option has never been used so far.)

B.3 Data source *(please indicate the type of data used and the data source)*

- Draft budget and other objective information from the applicant (for example pay rolls from previous year historical / statistical data and/or price comparison).
- Similar projects comparison from SF database.

C. IMPLEMENTATION OF SCO

(Please describe in brief what implementation rules and conditions have been set out)

Implementation rules and conditions are set out in the national eligibility act and in more detail for each project in the project decision (= the document setting out the conditions for support). Rules are based on EU legislation and guidance.

The main general conditions are:

- Lump sums up to 100 000 € of public funding are allowed for ESF and ERDF.
- Lump sum option can only be used for projects in which the results of the project can be clearly defined.
- The intermediate body (IB) decides if lump sum option is suitable for the project.
- The lump sum results of the project have to be defined beforehand in the project decision and they cannot be changed during the project.

Only the project implementation period can be extended with a decision by the IB if there is a justifiable cause (for example sick leave of the project manager).

- Lump sum can be divided into several phases. For each phase a separate result must be specified in which the payment is based. The evidence documents required to approve the results of each phase have to be explained in the project decision by the IB.
- The draft budget in which the calculation of the lump sum is based can only include costs that are eligible according to the national eligibility act. The applicant must provide proof documents for each cost type in the draft budget in the project application phase.
- The IB must use fair, equitable and verifiable method when calculating the lump sum. This means, for example, that the elements needed to specify the lump sums have to be explained in advance to the applicants in the calls for proposals. The IB must treat similar projects with the same standards. Regional differences in the price level must be taken into account.
- The payment for the beneficiary is made only if the result defined in the project decision has been fulfilled and the beneficiary has provided the evidence documents as specified in the project decision.

D. AUDIT TRAIL

(Please provide a brief description of the audit trail for the concerned SCO, including documents, key contents/conditions and procedures)

All the project documents (applications including the draft budget and the project plan, project decisions, payment claims, monitoring and final reports, management verifications etc.) are created and stored electronically in the EURA 2014 database, which functions as an electronic archive and controls the audit trail.

- The beneficiary draws up the application including the draft budget and the project plan electronically in the SF information system “EURA 2014”. All of the supporting documents including the evidence documents to support the draft budget and lump sum calculation are electronically attached to the application and are stored in the EURA 2014 system.
- The processing of the application by the IB, including the confirmation of the lump sum calculation is stored electronically in the EURA 2014 system in specified information fields.
- The IBs perform desk-based checks to every payment claim to verify that the results of the lump sum project have been realised and that the beneficiary has complied with the conditions for support set up in the project decision.
- The IBs perform also on-the-spot checks where the correct realisation of the results can be further verified if necessary among other subjects of inspection. On-the-spot checks are documented electronically to the EURA 2014 system.

E. ASSESSMENT BY THE AUDIT AUTHORITY(IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

(If relevant, please explain how the audit authority has been involved in preparation and assessment of the SCO).

The AA was consulted during the preparation of the lump sum scheme in the programming period 2007-13. The Ministry of Finance where the AA is situated has also given an official statement of the national eligibility act which includes the rules for lump sum option and other SCOs.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

(Please explain how you have perceived impact/added value of the SCO for the MA, beneficiaries and other stakeholders).

Based on comments from some of the Finnish IBs:

- In general, the basic idea of the lump sum option has been realized well.
- Due to the lump sum option also smaller beneficiaries have been more involved. However some of the personnel of the IBs think that this option is more suitable for experienced beneficiaries which are already familiar with the implementation of projects.
- The management of lump sum project, especially the payment process, is really simple which has been welcomed by the beneficiaries. The beneficiaries have been also happy with the fact that it is possible to adjust the way the project is implemented without changing the project decision as long as the results defined in the decision are achieved.
- For the IB, the lump sum option causes work in the decision phase, when you anyway have to figure out how much the operations are likely to cost and defining of course the outcome of the project. But it is so easy to pay – when everything has gone as planned.
- Sometimes the lump sum option is useful for trying / testing a new, maybe a bit risky idea on a small scale.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

(Please indicate any issues/problems/challenges you have experienced when setting out or implementing the SCO, i.e. high workload, state aid, public procurement, national legislation, revenues etc.)

- We don't have many "standardized" project types in our OP, which means that the contents and form of the projects varies quite a lot. That is why it was not possible to calculate specific lump sums beforehand for specific activities. We are still quite happy with the solution.

H. LESSONS LEARNED AND POINTERS

(Please indicate any unforeseen practical implications that have emerged and any key lessons you have learned from the development and implementation of the concerned SCO practice).

Based on comments from some of the Finnish IBs:

- The crucial point of the lump sum option is the definition and documentation of results of the project. Definition must be made in co-operation with the beneficiary so that there will not be any misunderstandings on either side. The lump sum is really easy to pay, if the required results have been clearly documented in the project decision.
- The lump sum option suites well for example different kinds of surveys, reports, workshops, seminars etc., where the results can be clearly defined. However, the results should not be either defined yet too explicit. The option suites best for quite short period projects.
- The risk for the beneficiary can be considerably reduced by dividing the results and thereby the payments into parts. However, sometimes it is difficult to define intermediate results. It depends of the project.
- The importance of achieving the results must be really underlined for the beneficiary (several times).
- The possibility to use flat rate –option to calculate the indirect costs inside the draft budget of the lump sum project has been considered a really good reform which we made for the programming period 2014-20.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

(Please list documents or links to online documents like complete methodology, calculation methods, documents submitted to the Commission, guidance for MAs and beneficiaries, calls for proposals, audit trail, legal acts etc.).

Legal acts, guidance for beneficiaries etc. (in Finnish and in Swedish):

<http://www.rakennerahastot.fi/>