

# ESF THEMATIC NETWORK ON SIMPLIFICATION

## REPORT ON SCO PRACTICES

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

### References:

<b>Member State / Region</b>	<b>FRANCE National OP</b>
<b>Reference number (TN's map of SCO practices)</b>	<b>3 to 5</b>

### Contact details:

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

## A. PROJECT DESCRIPTION

<b>A1. Description of the type of operation</b> <i>(Please describe in brief what types of operations are covered by SCO)</i>
<b>Off the shelf flat rates :</b> <ul style="list-style-type: none"><li>- flat rate for financing indirect costs (15 % of direct staff costs), Article 68 (1)(b) CPR</li><li>- flat rate for financing the remaining eligible costs (max. 40 % of eligible direct staff costs), Article 14 (2) ESF Regulation</li><li>- flat rate for financing indirect costs (20 % of direct costs), Article 68 (1)(a) CPR + national regulation (Arrêté du 1er avril 2016 relatif à la forfaitisation des dépenses indirectes des opérations recevant une participation du Fonds social européen et de l'Initiative pour l'emploi des</li></ul>

jeunes).

All types of projects with indirect costs can use the flat rates.

Beneficiaries with no indirect costs are not allowed to use the flat rates.

As for the 20% flat rate (based on a study at national level), some beneficiaries cannot apply the SCO because the study found that this rate could lead to overfinancing or underfinancing : projects over 500 000 € ; certain local public employment services...

**A2. Definition of outputs/results** *(Please give a short definition of outputs and/or results)*

The expected results are those mentioned in the act setting out the conditions of the grant ( -> implementation of the project). There are no specific results expected, contrary to lump sums or SSUCs.

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

Almost all beneficiaries with indirect costs (or other costs than staff costs for the 40% rate) can use the flat rates.

Beneficiaries with no indirect costs or projects with staff costs only (40% rate) are not allowed to use the flat rates.

As for the 20% flat rate (flat rate set at 20%, based on a study at national level), some beneficiaries cannot apply the SCO because the study found that this rate could lead to overfinancing : projects over 500 000 € ; certain local public employment services...

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

No specific target group.

**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)*

Two off-the-shelf flat rates (15% and 40%) are provided for in Article 68 (1) (b) CPR and Article 14 (2) ESF Regulation.

The 20% flat rate is provided for in the CPR (article 68 (1) a) but the rate itself was determined at national level after a study.

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

- As for the 40% flat rate, the French authorities decided to apply a 40% fixed flat rate (equal treatment of the beneficiaries + allowed by article 14 (2) ESF Regulation)
- The 20% flat rate was determined at national level after a study on 2007-2009 historical data. The indirect costs were compared to the direct costs, in order to set the rate. The EC authorised the use of this flat rate on the 2014-2020 period, provided that the conditions set out in the study remained the same as in 2007-2009 (same rate, same excluded beneficiaries and projects...)

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

For the 20% fat rate : historical data (sample of ESF operations). The national study was released in 2009 and based on 2007-2009 data.

**C. IMPLEMENTATION OF SCO**

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

**For all flat rates :**

In the application for a grant, the beneficiary can choose a flat rate, according to the project's types of costs.

The application is made through an IT system (Ma Démarche FSE), which was developed by the Ministry of Labour's ESF Department. The IT system was designed in order to lead the beneficiary to the appropriate flat rate → the beneficiary describes the project and the types of costs related to the project (answers questions in the IT system). This information is used by the IT system to suggest the right flat rate.

The managing authority then analyses the application and decides whether the flat rate can actually be applied or not, according to the managing authority's analysis of the project and to the applicable rules.

**D. AUDIT TRAIL**

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

As stated in the regulations, when the payment claim is issued, the beneficiary does not have to justify the incurred costs if they are covered by a flat rate. The beneficiary provides supporting documents only for the project's implementation.

Whenever procured costs are covered by the 40% rate, the French managing authority recalled that the beneficiaries have to comply with the public procurement rules and keep track of the procedure.

### **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).*

### **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).*

The administrative burden is alleviated, because the supporting documents to provide are related to the project's implementation.  
The checks on the payment claim are therefore easier to perform.  
+ Lower error rates.

### **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.)*

Legal uncertainties slowed down the use of the flat rates : at the beginning it was not clear whether the incurred costs shall be justified or not and whether these SCOs were compatible with state aid rules.

### **H. LESSONS LEARNED AND POINTERS**

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*(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).*

- This SCO helps to reduce error rates and administrative burden, especially with regard to supporting documents.
- Off-the-shelf SCOs without a preliminary study or calculation method are the easiest to use and to implement. These SCOs provide more legal certainty.
- It would be simpler if off-the-shelf flat rates had a fixed rate. Indeed, if the rate is fixed by the regulations, it cannot be challenged by auditors and the managing authority does not have to justify the chosen rate.

**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.).*