



2014 – 2020 Programming Period

Introduction

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**Lisbon, Portugal
14 Oktober 2014**



2014 – 2020 Programming Period

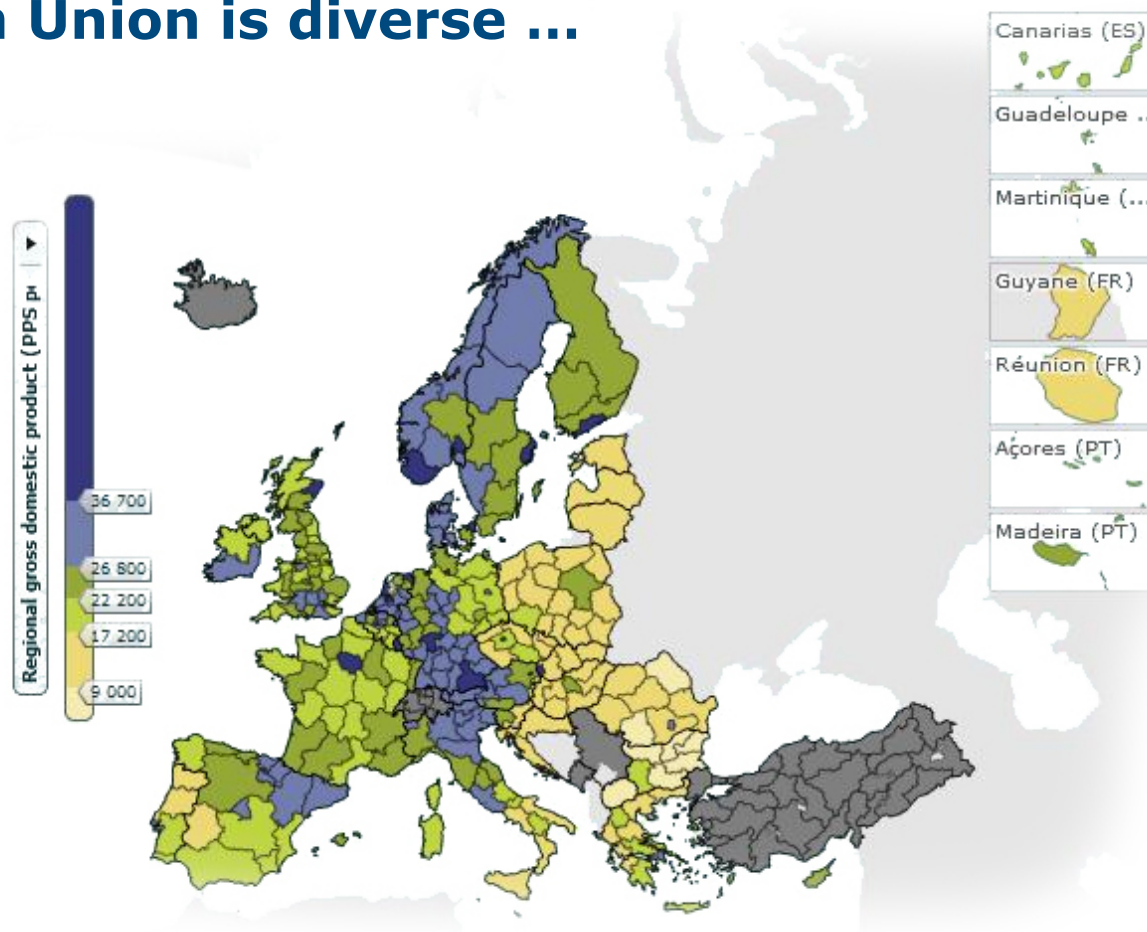
Cohesion challenge



European
Commission

The European Union is diverse ...

GDP/capita

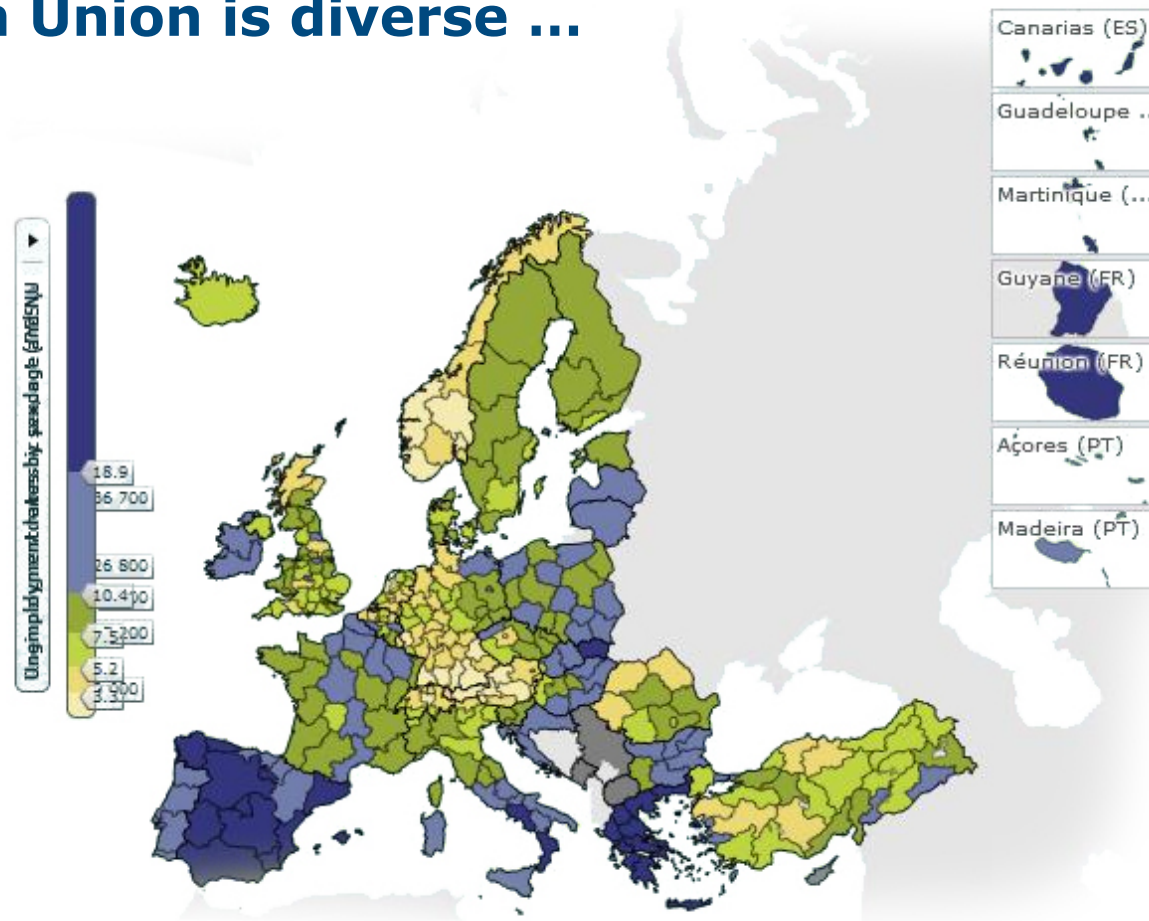




European
Commission

The European Union is diverse ...

Unemployment

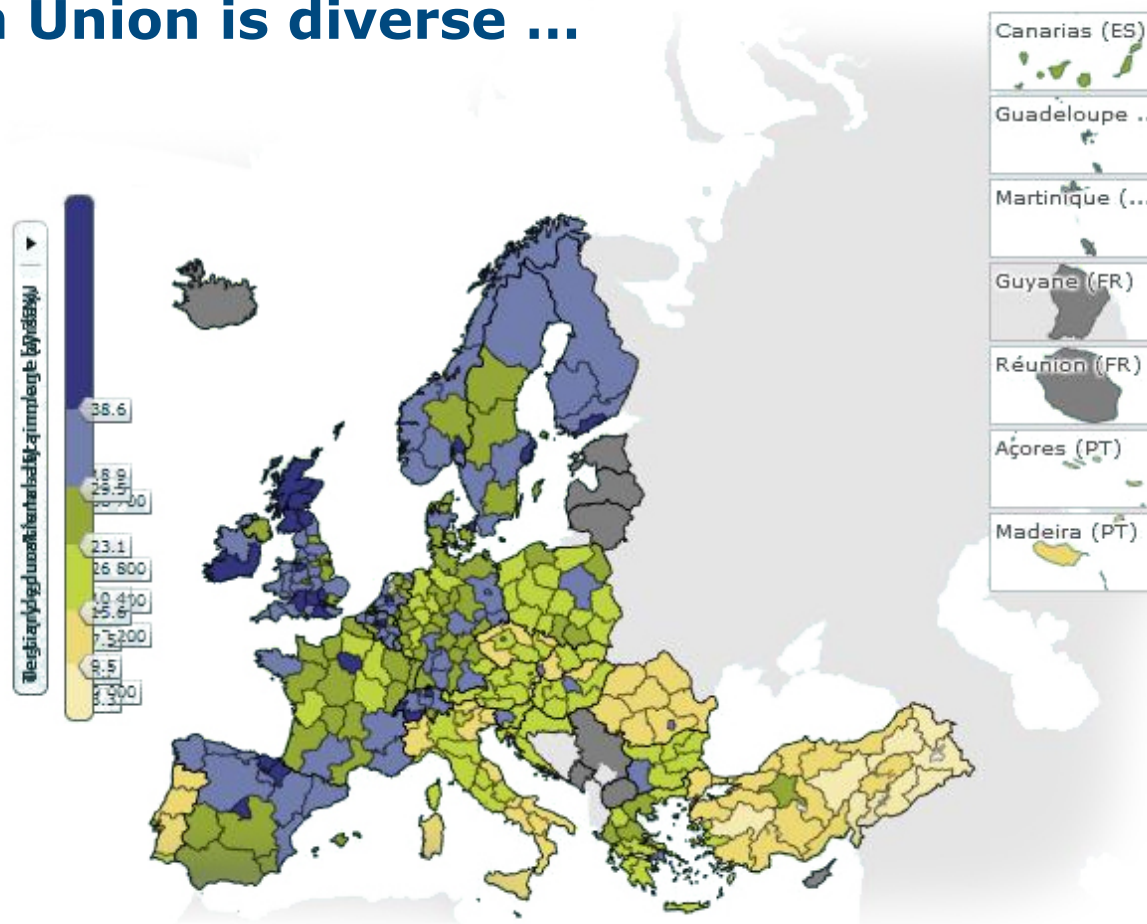




European
Commission

The European Union is diverse ...

Third-level
Education



Why an EU Cohesion Policy?

	Top	Bottom	Ratio
GDP per person (% average EU-28)	Luxemburg 266%	Bulgaria 47%	5.7*
Employment rate (%, ages 20-64)	Sweden 79.8%	Greece 53.2%	1.5

Cohesion Policy aims to reduce disparities between EU regions in order to achieve balanced economic, social & territorial development.

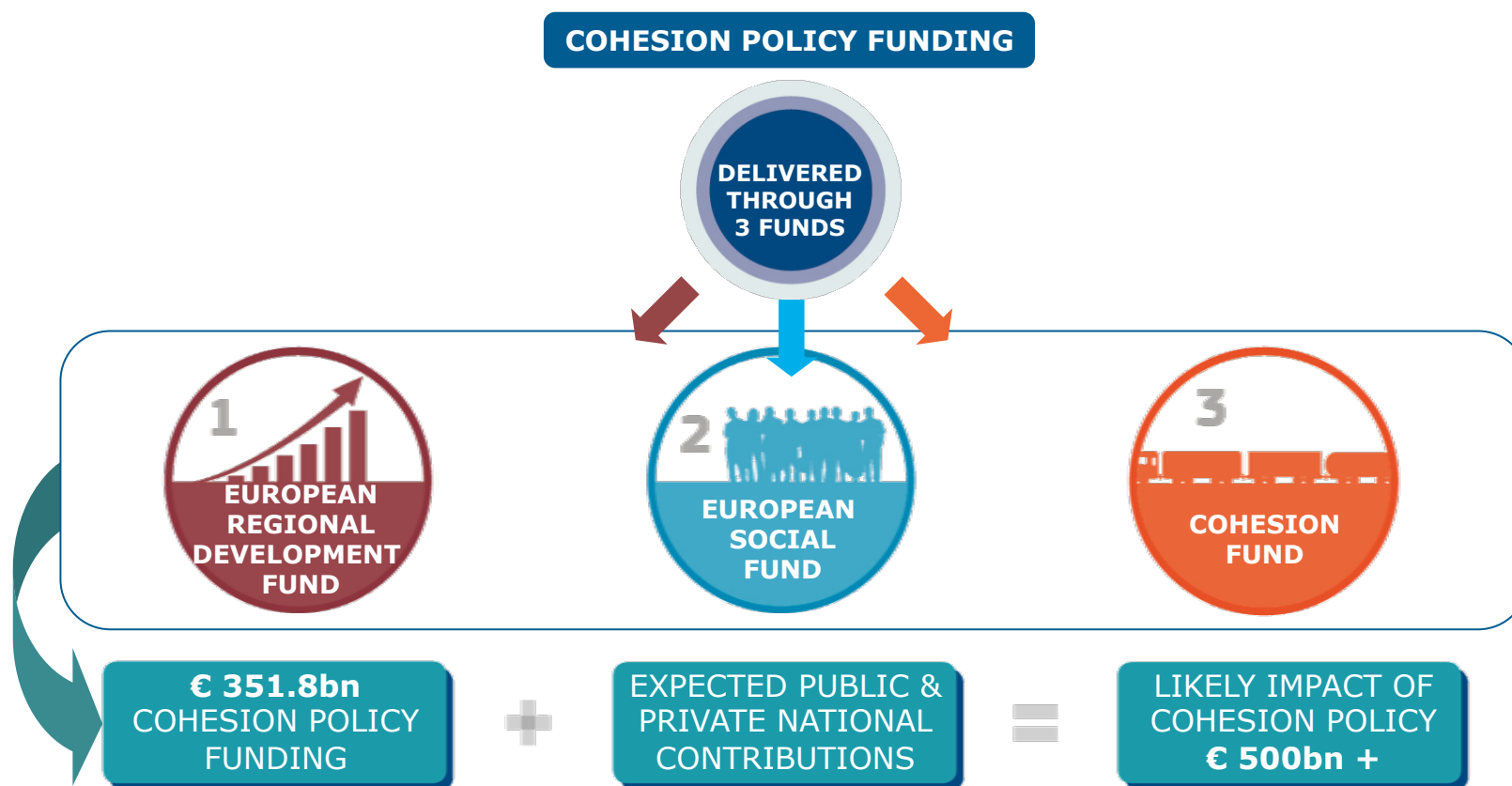
* In the United States, the difference is only 2.5 and in Japan 2



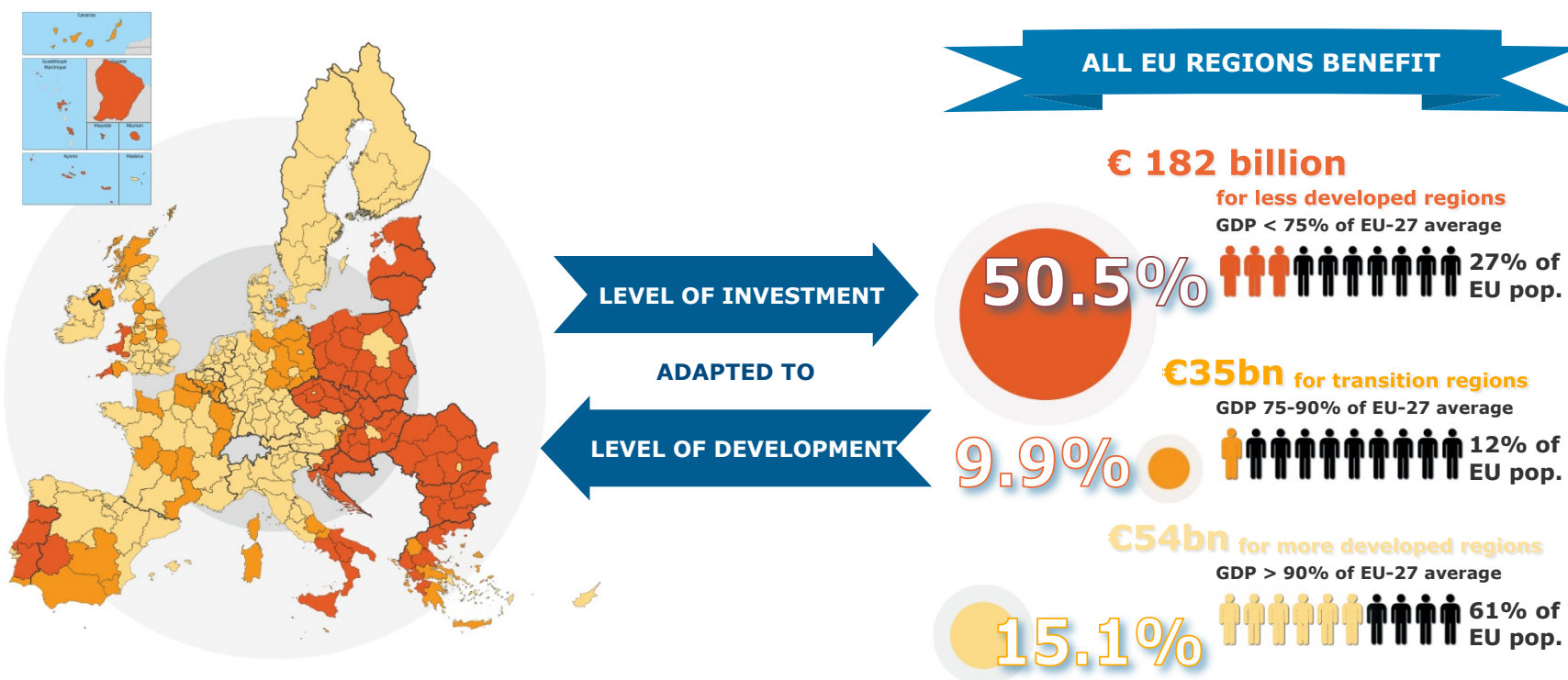
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**The response- 2014-2020
The Fund allocations**

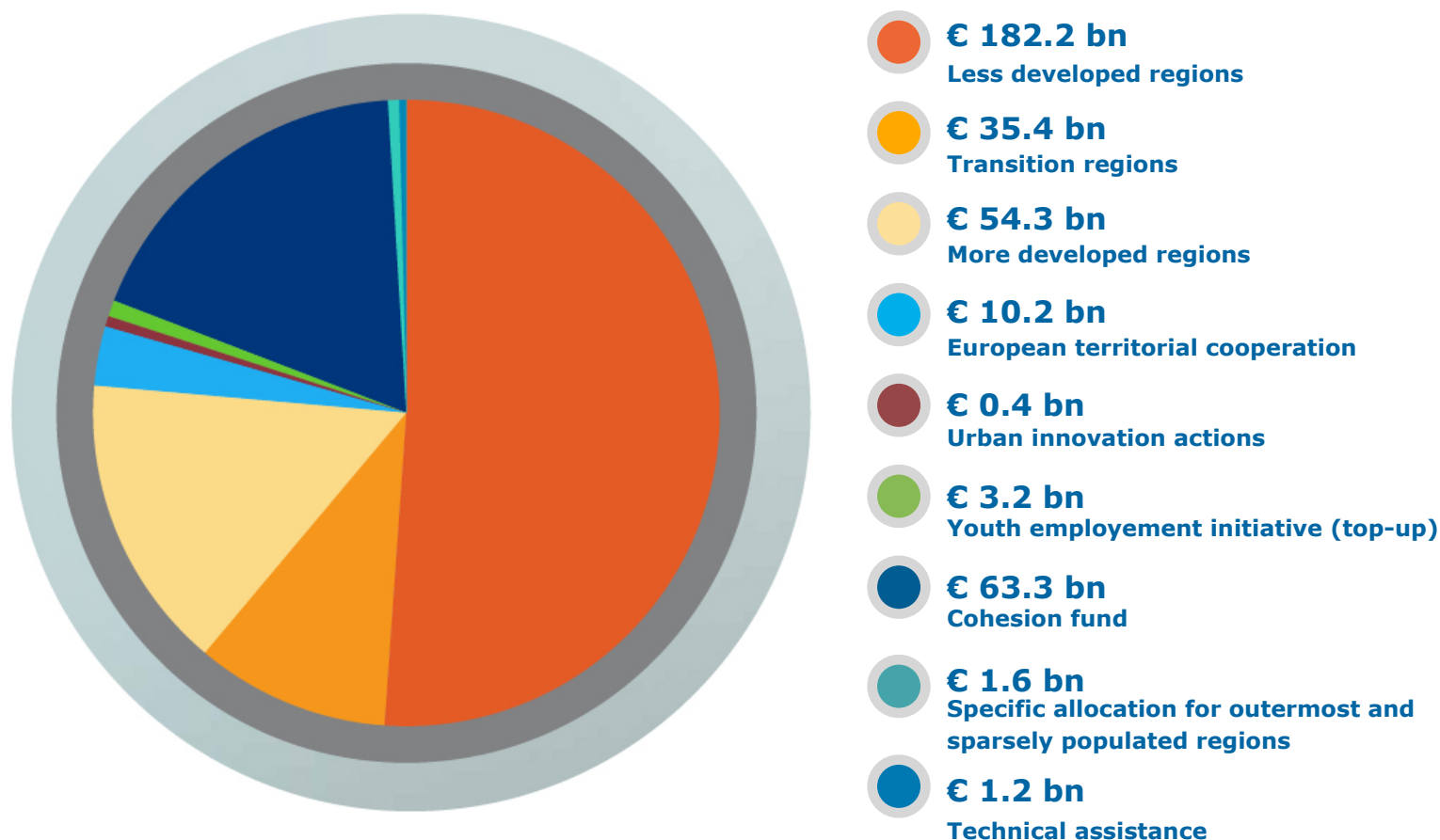
3 funds to invest in growth and jobs



Investing in all EU regions

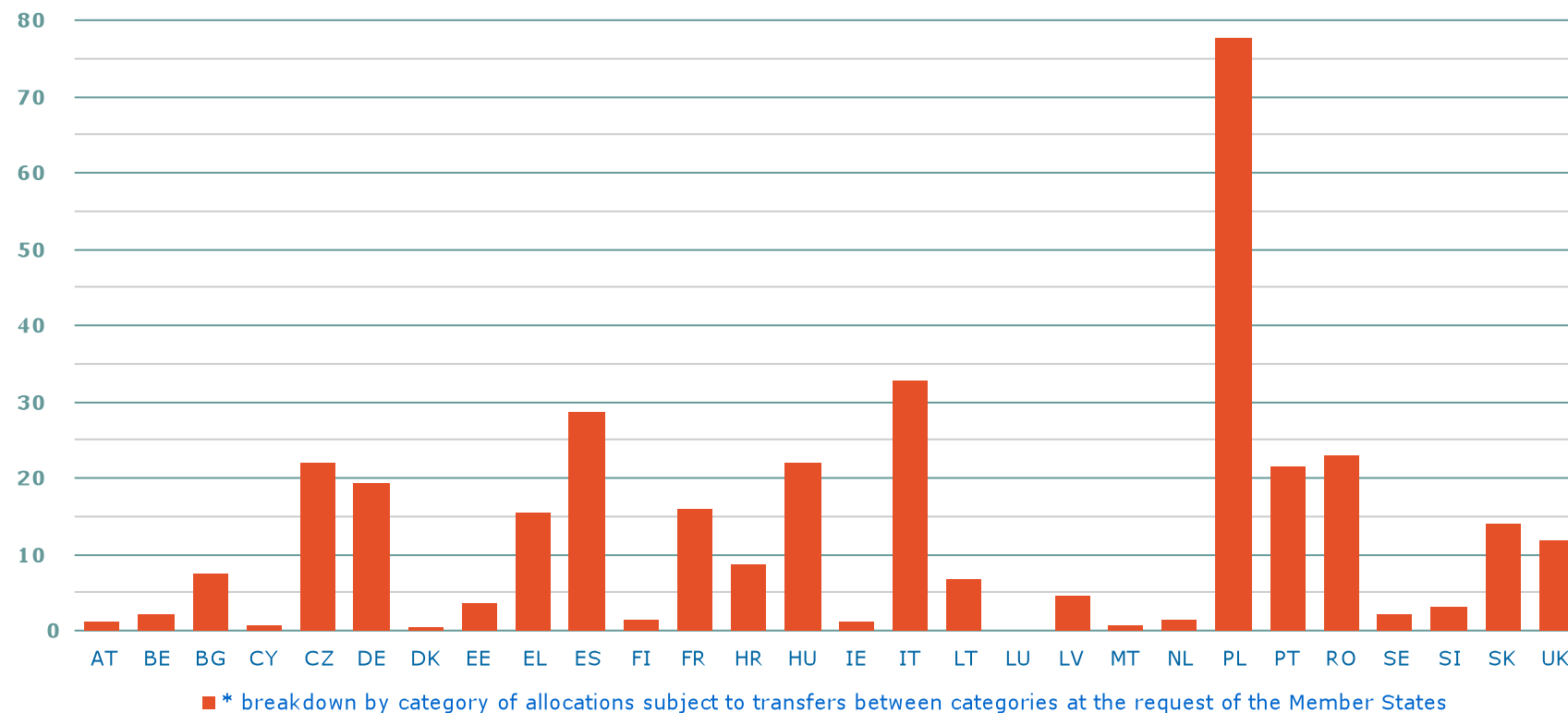


Cohesion Policy Funding 2014-2020 (€ 351.8 bn)



Budget allocations per Member State (2014-2020)

Total EU allocations of cohesion policy 2014-2020* (billion €, current prices)





2014 – 2020 Programming Period

**The response- 2014-2020
The new legislation**



Legislative package 2014-2020

(EC) 1303/2013: **Common provisions** on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund (= **the European Structural and Investment Funds**)

Part One: Subject-matter and definitions (Art. 1-3)

Part Two: **Common provisions applicable to ESI Funds** (4-88)

Part Three: General provisions applicable to the **ERDF, ESF and CF** (89-121)

Part Four: General provisions applicable to the **ERDF, ESF, CF and EMFF** (122-148)

Part Five: Delegations of power, implementing, transitional and final provisions (149-154)



Legislative package 2014-2020

- **European Regional Development Fund – (EC) 1301/2013**
- **Cohesion Fund – (EC) 1300/2013**
- **European Social Fund – (EC) 1304/2013**
- **European Territorial Cooperation – (EC) 1299/2013**
- **European Grouping of Territorial Cooperation – (EC) 1302/2013**



Main Topics

- *Changes in comparison with the 2007-2013 period in the CPR*
- *Eligibility*
- *Simplification*
- *Result based management*
- *Audit and anti-fraud measures*
- *Annual accounts*



2014 – 2020 Programming Period

**Changes in comparison with
the 2007-2013 period**

Lynsey Moore



Key changes

- **More strategic focus and targeting resources at growth and jobs** - alignment with Europe 2020, Common Strategic Framework, Partnership Agreements, thematic concentration and minimum share for ESF
- **Results orientation** - sound intervention logic fixing clear objectives towards which progress can be measured, common indicators, performance framework (milestones and targets), performance review and reserve (6%) Simplified costs options (SCO) and Joint Action Plans
- Emphasis on **Partnership** and **integrated territorial approaches** - Code of Conduct on Partnership, Integrated Territorial Investments, Community Led Local Development



Key changes

- Ensuring right framework conditions for successful investments through **ex-ante conditionalities**
- Link to wider **economic environment and reform processes** (taking account of Country Specific Recommendations and National Reform Programmes - macro-economic conditionality)
- **Improved eligibility and control provisions** – clear eligibility rules and annual accounts



Common Strategic Framework

Strategic guiding principles to facilitate the programming process setting: how the ESI Funds are to contribute to Europe 2020 and ensure coherence with economic governance

Integrated approach

Emphasis on coordination and synergies between ESI Funds as well as with other Union policies and funding instruments

Horizontal principles and cross-cutting policy objectives

Addressing key territorial challenges

Cooperation activities





Partnership Agreement

An overarching strategy at national level which:

- Covers the 5 ESI Funds
- In line with the Common Strategic Framework sets out the planned use of the Funds
 - consistent with the Europe 2020 strategy and relevant CSRs
 - taking account of territorial challenges
 - coordinated to ensure an integrated approach

Core elements:

- strategic choices = selected thematic objectives, allocations, main results
- list of programmes
- coordination between Funds and with other policies
- commitments on administrative capacity and reduction of administrative burden

**Link to Europe 2020 and consistency with European Semester is key.
Process for developing the PA can be top-down or bottom-up depending
on institutional framework of MS**



A menu of 11 thematic objectives for programmes

1. Research & innovation
2. Information and communication technologies (ICT)
3. Competitiveness of SMEs
4. Shift towards a low-carbon economy
5. Climate change adaptation & risk prevention and management
6. Environmental protection & resource efficiency
7. Sustainable transport & removing bottlenecks in key network infrastructures
8. Promoting employment & supporting labour mobility
9. Social inclusion, combating poverty and any discrimination
10. Education, training and vocational training for skills & lifelong learning
11. Institutional capacity building & efficient public adm.

ERDF: TO 1-11

CF: TO 4-7 and 11

ESF: TO 8-11

Rationale for thematic concentration

2007-2013

**Limited impact due to
fragmentation of
resources
in areas which
do not always
underpin economic
and social
development**



2014-2020

**focus on limited
number
of policy areas which
support Europe 2020
and contribute to
economic and social
development and
cohesion**

ERDF thematic concentration



Research and Innovation



ICT

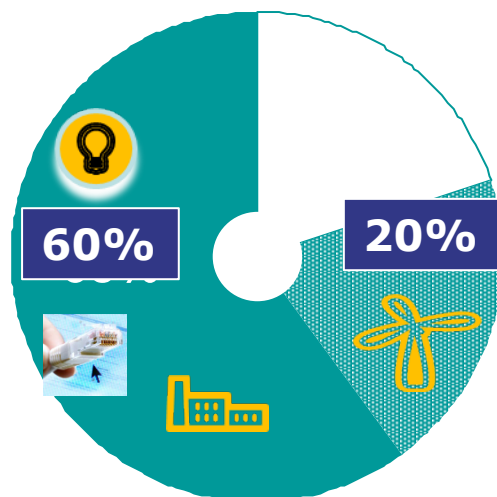


SMEs competitiveness

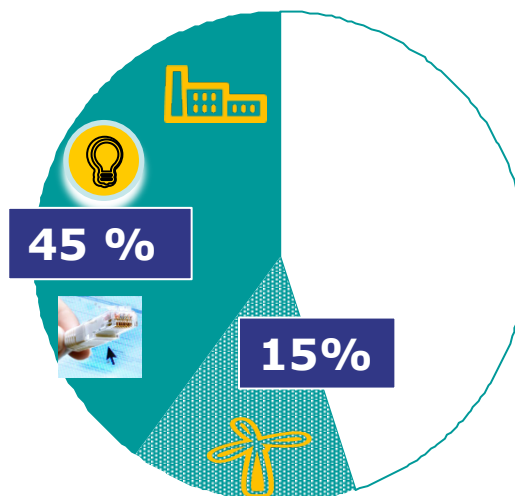


Low-carbon economy (energy efficiency and renewable energy)

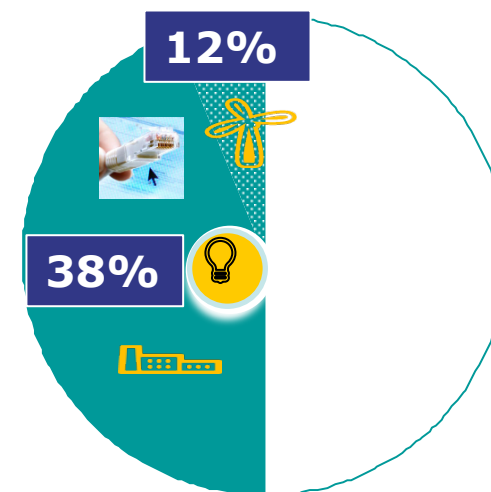
More developed regions



Transition regions

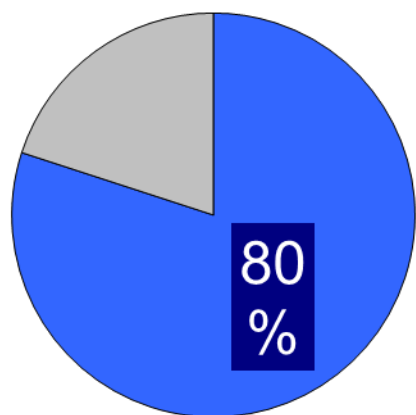


Less developed regions

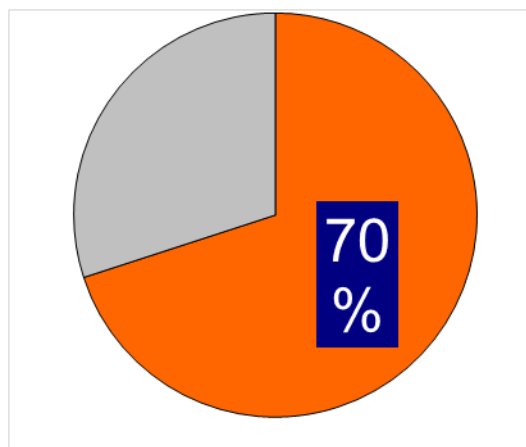


ESF thematic concentration

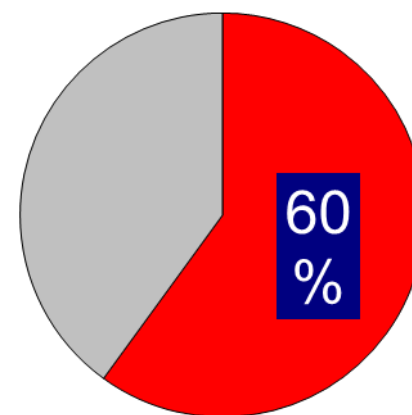
- Consistency with NRP & related Council recommendations
- 20% ESF to social inclusion & fight against poverty (TO9)
- Thematic concentration of each OP on up to 5 investment priorities (out of 19) for employment/mobility, education/training, social inclusion & institutional capacity:



more developed



transition



less developed



ESF Minimum Share

- For the first time in the history of cohesion policy a minimum share for the ESF is set at 23.1% for 2014-2020
- Based on national ESF shares for 2007-2013 and MS employment levels
- Mandatory minimum set out in the CPR, actual share to be determined in the PAs based on needs and challenges

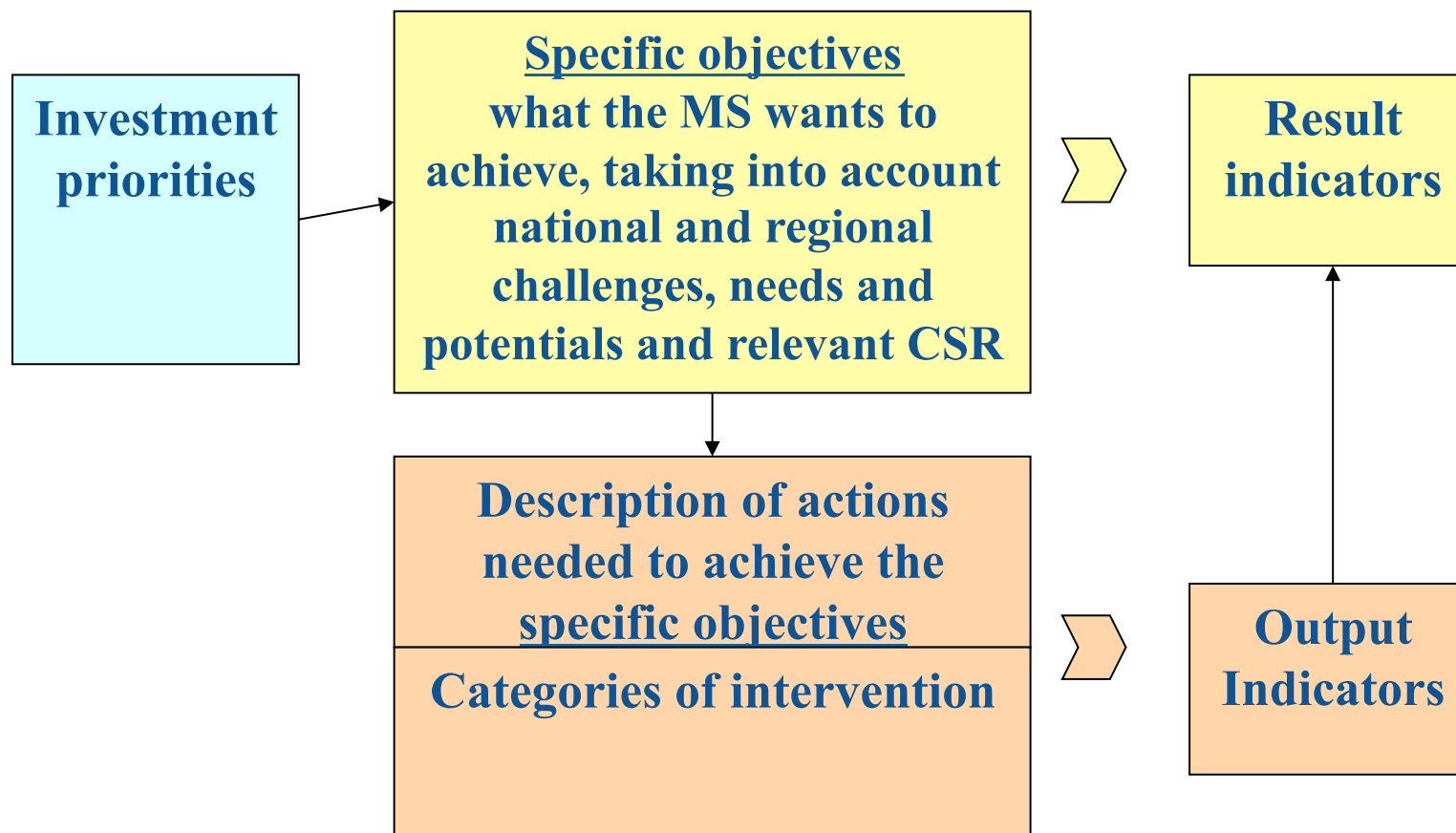




Youth Employment Initiative

- **Resources for the YEI** consist of EUR 3 bn from the specific budgetary allocation for the YEI and at least EUR 3 bn corresponding ESF support
- Programming of YEI is fully integrated into ESF programming
- MS may choose to programme YEI as either:
 - a dedicated operational programme
 - a dedicated priority axis or
 - a part of one or more priority axes
- Specific allocation for YEI does not require national co-financing => co-financing is required only for matching ESF
- In YEI dedicated priority axes, which combine ESF funds from more than one category, the highest co-financing rate applies

Intervention Logic for Each Priority Axis





Performance Reserve

- Priorities which achieve their milestones: reserve is allocated definitively.
- Priorities which do not achieve their milestones: MS proposes the attribution of their pre-allocated reserve among priorities which did achieve their milestones (respecting thematic concentration and Fund and category of region allocations).
- Consequent amendment of OPs, including targets.





Partnership and multi-level governance

MS to organise partnership with the competent regional and local authorities for Partnership Agreements (PA) and each programme, also including

- competent urban and other public authorities
- economic and social partners
- relevant bodies representing civil society

Partners to be involved in preparation of PAs and progress reports throughout preparation and implementation of programmes incl. participation in monitoring committees

European code of conduct for partnership (Delegated Act)

COM to consult organisations representing partners at Union level on the implementation of the Funds + report to EP and Council on the outcome



Integrated Territorial Investment

- An optional tool to achieve an integrated approach to the use of ESI Funds where there is an integrated territorial strategy in place – e.g. for sustainable urban development
- Proposed to facilitate an integrated implementation of funds from multiple priority axes and programmes (and ESI Funds) in specific territories
- ERDF, CF and ESF may be combined within ITIs. EAFRD and EMFF contribution to ITIs must be of complementary nature (no self-standing EAFRD and EMFF ITIs)





Priority axis 1:
**supporting
employment
friendly growth
through the
development of
endogenous
potential**

ERDF-50 million

Priority axis 2:
**Enhancing the
competitiveness
of SMEs**

ERDF - 50 million

Priority axis 3:
**Enhancing access
to, use and
quality of ICT**

ERDF - 10 million

**ITI for the integrated
development of region X**
EUR 155 million

Priority axis 4:
**Promoting
employment and
labor mobility**

ESF - 20 million

**Rural
development
programme
measure:** Farm
and business
development

ERDF - 20 million

**EMFF operational
programme
measure:**
Facilitating
diversification
and job creation
EMFF - 5 million

Community Led Local development - CLLD



Sub-regional areas. The local **territorial** approach (Article 28.1a)

Flexible response to needs

Community led partnerships. Participatory and partnership approaches (Article 28.1.b)

Mobilises knowledge, energy and resources

Integrated multi-sectoral local strategies (Article 28.1.c)

Linkages and synergy. Horizontal and vertical

Innovation (Article 28.1.d)

New markets, products, and ways of doing. Social innovation

Networking and cooperation
(Also Article 28.1.d)

Transfer of good practice, joint solutions to common problems

R
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S



Ex ante conditionalities

Why?

- To improve the **effectiveness and efficiency of investment**
- To ensure that the necessary framework conditions for effective and efficient use of Union support are in place

Types:

- **Thematic ex ante conditionalities** in cohesion policy are linked to the 11 thematic objectives and the investment priorities of cohesion policy
- **General ex ante conditionalities** are linked to horizontal aspects of programme implementation



Key stages for Ex-ante conditionalities

The MS has to check which ex-ante conditionalities are **applicable** to the specific objectives pursued within the investment priorities it has selected, and whether the applicable ex-ante conditionalities are **fulfilled**.

COM assesses adequacy and consistency of the info provided by MS

If relevant criteria are not fulfilled by submission of the programme:
MS to provide an action plan to ensure fulfilment not later than the end of 2016

If disagreement on fulfilment – burden of proof lies with COM

If the COM thinks that non-fulfilment leads to **significant prejudice** (harm/damage) to the effectiveness and the efficiency of the achievement of the specific objective of the investment priority concerned it can **suspend interim payments** at the stage of adoption of a programme.

Interim payments can also be suspended if there is no fulfilment by end of 2016.



Measures linking effectiveness of ESI Funds to sound economic governance

First strand: Reprogramming of ESI Funds

Art.23(1) CPR: EC may request a MS to review and propose amendments to the Partnership Agreement and relevant programmes to:

- support the implementation of relevant CSR ex Article 121(2) and 148(4) TFEU
- support the prevention and correction of macroeconomic imbalances in accordance with Regulation 1176/2011
- maximise the impact of ESI Funds if the Member State:
 - receives financial assistance under Regulation 407/2010
 - receives financial assistance under Regulation 332/2002
 - receives financial assistance under Regulation 472/2013



Measures linking effectiveness of ESI Funds to sound economic governance

Second strand: Non-compliance within economic governance procedures

Art.23(9) CPR: EC shall make a proposal to the Council to suspend part or all commitments or payments for the programmes of a MS where:

- Council decides that a MS has not taken effective action to correct its excessive deficit in accordance with Art. 126(8) or 126(11) TFEU
- Council adopts two successive recommendations in the same imbalance procedure due to insufficient corrective action plan of MS in accordance with Art. 8 of Regulation 1176/2011
- Council adopts two successive decisions in the same imbalance procedure establishing non-compliance of MS because of not taking recommended corrective action in accordance with Art. 10(4) of Regulation 1176/2011
- EC concludes that MS has not taken measures to implement the adjustment programme and decides not to authorise disbursement of financial assistance (Reg. 407/2010 or 332/2002)
- Council decides that a Member State does not comply with the macroeconomic adjustment programme in accordance with Art. 7 of Regulation 472/2013



Measures linking effectiveness of ESI Funds to sound economic governance

Second strand: Non-compliance within economic governance procedures

Art.23(9) CPR: Priority shall be given to suspension of commitments over payments.

Art.23(11) CPR: Suspension shall be proportionate in scope and level, respect the equality of treatment between MS and take into account economic and social circumstances.

Equality of treatment: Double-capping methodology which limits the suspension of commitments to a certain share of ESI Funds and a certain share of nominal GDP of Member State concerned. If non-compliance persists, percentages will be gradually increased.



2014 – 2020 Programming Period

**Changes in comparison with
the 2007-2013 period**

**Eligibility, Financial Instruments
Melina Soumela**



Scope and investment priorities (set out in Fund-specific regulations)

Scope

defines what can and cannot be funded – is set out in Articles on scope in the ERDF, CF and ESF regulations

Investment priorities

the more detailed and focused objectives for which the Fund should be used – they are important for setting specific objectives; set out in relation to each thematic objective.

The programmes should focus on what the programme should achieve (investment priorities),

not on what MS/regions want to finance (scope).



Scope of the ERDF - Positive list

- a. Productive investment by SMEs.
- b. Productive investment related to R&I or low carbon economy (all enterprises), and on ICT in the case of cooperation between large enterprises and SMEs
- c. Infrastructure - basic services: energy, environment, transport, ICT
- d. Infrastructure: business, social, health, R&I, education
- e. Endogenous potential: fixed investments in equipment and small-scale infrastructure, incl. small-scale cultural and sustainable tourism infrastructure , services to enterprises, support to R&I bodies...
- f. Networking, cooperation, capacity building, studies.



Scope of the ERDF - Negative list

- a. De-commissioning or construction of nuclear power stations.
- b. Reduction of greenhouse gas emissions from activities falling under Emissions Trade Scheme.
- c. Manufacturing, processing and marketing tobacco.
- d. Undertakings in difficulties (EU's State Aid rules).
- e. Airport infrastructure unless related to environmental protection or accompanied by mitigating measures

**No major changes compared to the current period.
However - note certain restrictions.**



Scope of the ESF – Main priorities

- a. Sustainable and quality employment and labour mobility: Access to employment for job-seekers and inactive people; integration into the labour market of young people; self-employment, entrepreneurship; equality between men and women; adaptation of workers and enterprises; active and healthy ageing; modernisation of labour market institutions.
- b. Social inclusion, combating poverty and any discrimination: Active inclusion; integration of marginalised communities such as the Roma; equal opportunities; enhancing access to services; social entrepreneurship; CLLD
- c. Education and training : Preventing early school leaving and equal access to early-childhood, primary and secondary education; access to tertiary education; life-long learning, vocational education and training
- d. Institutional capacity : support to reforms and better regulation, capacity building for public sector and stakeholders.



Scope of the Cohesion Fund

Positive list

- a. Environment, including sustainable development and energy presenting benefits for the environment.
- b. Trans-European networks in the field of transport infrastructure.
- c. Technical assistance.

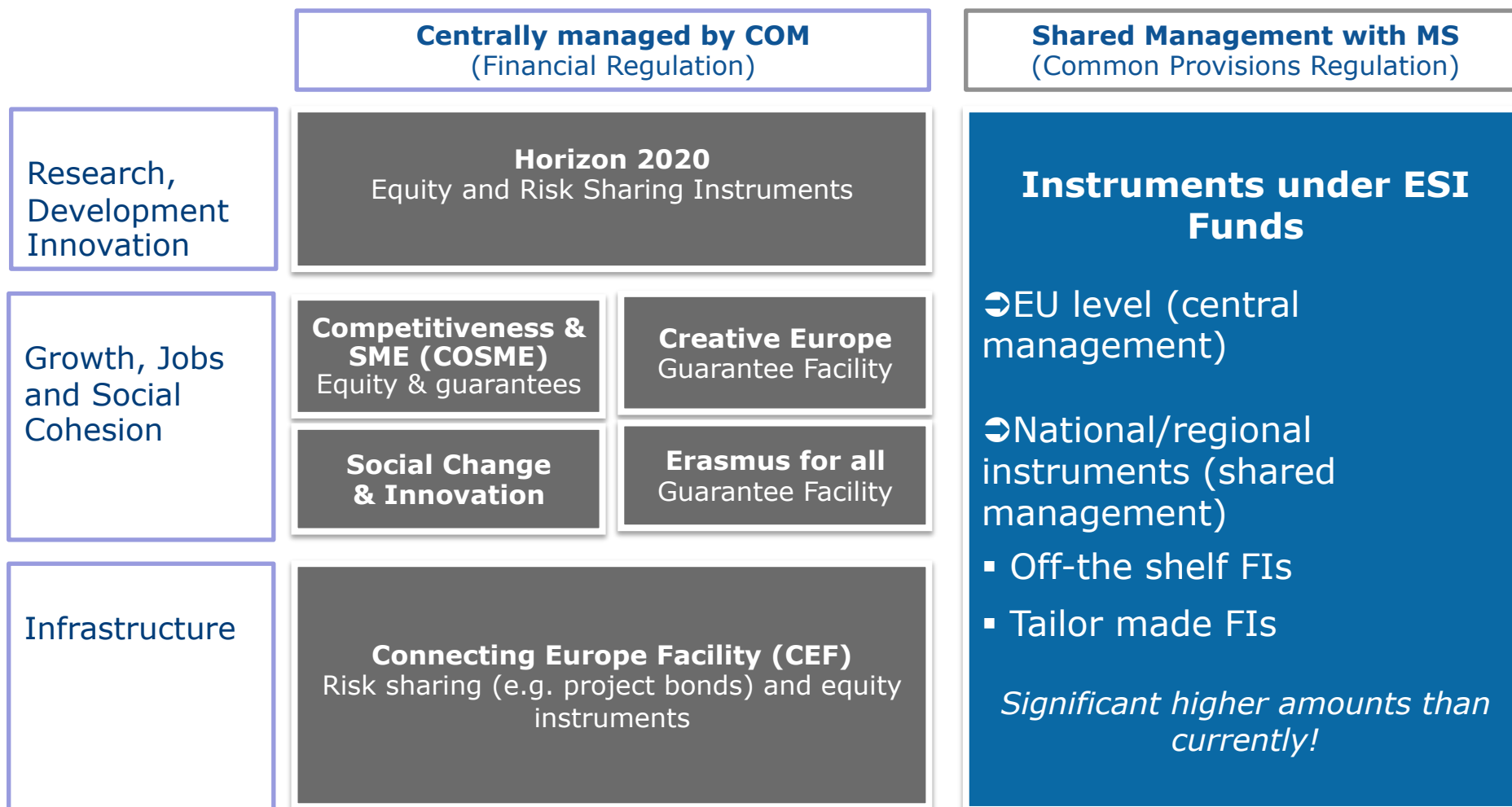
Negative list

Same as for the ERDF

+ housing, unless it is for promoting energy efficiency and renewable energy use



Financial Instruments in MMF proposals 2014-2020





Financial instruments 2014-2020: Key changes ⁽¹⁾

- ➔ **Wider scope:** Expansion to all thematic objectives & priorities foreseen by ESIF OPs (ERDF, ESF, Cohesion Fund, EAFRD, EMFF)
- ➔ **More implementation options for managing authorities:**
 1. FIs at national, regional, transnational or cross-border level (shared management)
 - Managed under the responsibility of the managing authority (FoF, body implementing FI)
 - Tailor-made instruments (cf. current period)
 - Standardised "off-the-shelf instruments for quick roll-out
 - Managed by managing authority
 2. Contribution to EU level FIs under central management (ring-fencing)



Financial instruments 2014-2020: Key changes ⁽²⁾

- ➔ **Ex-ante assessment to be carried out** before launch of FI operation under the ESIF
- ➔ **Better combination of FIs & other forms of support:**
 - In financial instrument: Grant component may cover financing (e.g. state aid compliant subsidy element) or technical support for the benefit of the final recipient
 - At the level of final recipients: Combination is now possible also with assistance from other programmes supported by the EU budget
- ➔ **MAAs may undertake implementation tasks directly** for FIs consisting solely of loans and guarantees
- ➔ **Incentives regarding EU co-financing rates:**
 - EU-level instruments: Up to 100% of the paid support may come from ERDF, ESF and CF; separate priority axis to be foreseen
 - Instruments implemented at national/regional level: ERDF, ESF, CF co-financing rate to increase by 10% if an entire priority axis is implemented through financial instruments



Financial instruments 2014-2020: Key changes ⁽³⁾

➔ **Phased contributions to FIs**

- MAs to pay programme contributions in at least 4 tranches
- Subsequent payments from MA to FI to be made on the basis of FI investment rate in relation to programme contributions received

➔ **More detailed rules concerning**

- eligible expenditure at closure,
- the (re-)use of interest/other gains and ESIF resources returned during the programming period,
- the use of interest/other gains and ESIF resources returned after closure (legacy)

➔ **Annual reporting by MAs**

- MA to report to COM on FI operations annually (annex to the annual implementation report); reporting items should be aligned with requirements of the Financial Regulation
- COM to publish annual summary report on the basis of data received



2014 – 2020 Programming Period

**Changes in comparison with
the 2007-2013 period**

**Major and Net-Revenue Generating Projects; Simplified Costs
Andreas von Busch**



Major Projects (Art. 100-103 CPR)

The **Member State** has to:

- Identify a major project.
- Establish a list of major projects in Operational Programmes.
- Collect the information necessary for approval of a major project.

Total **eligible** cost exceeds:

- EUR 50 million (non-transport projects)
- EUR 75 million (transport projects)

NEW: 2007-2013 – the **total** cost of the project
2014-2020 – the **total eligible** cost of the project



Key differences (1)

Item	2007-2013	2014-2020
Threshold	EUR 50 million for all projects	EUR 50 million (general rule) EUR 75 million transport
List of MPs in OPs	Indicative	Compulsory
Appraisal of MP documents	Compulsory by the Commission	Two possibilities: 1.Notification: by external experts 2.Commission's appraisal – as currently

Key differences (2)

Item	2007-2013	2014-2020
Scope of the appraisal	Full documentation on major project (Application)	Two possibilities: 1.Notification: limited assessment (independent expert review as a basis) 2.Commission's appraisal – as currently: assessment of full documentation
Adoption of the Decision	3 months	Two possibilities: 1.Notification: 3 months 2.Commission's appraisal:as currently 3 months

Key differences (3)

Item	2007-2013	2014-2020
Possibility of interrupt the assessment	YES	Two possibilities: 1.Notification: NO 2.Commission's appraisal – YES
Adoption of the Decision	3 months	Two possibilities: 1.Notification: 2 months 2.Commission's appraisal:as currently 3 months
Form of the Decision	Implementing Act	Two possibilities: 1.Notification: tacit agreement 2.Commission's appraisal: Implementing Act

Key differences (4)

Item	2007-2013	2014-2020
Payment applications	Expenditure relating to major projects can be included in payment applications before the project has been approved by a Commission decision	Expenditure relating to major projects may be included in payment applications only: after 1.the notification to the Commission of the major project decision by the Managing Authority, or 2.the submission for approval of the major project application to the Commission.

Key differences (5)

Item	2007-2013	2014-2020
Validity of the Commission approval	A Commission decision on a major project is valid for the entire programming period	The approval by the Commission shall be conditional on the first works contract being concluded ... within three years of the date of the approval of the project by the Commission. The deadline could be extended in duly motivated cases by not more than two years.



Operations generating net revenue after completion (Art. 61 CPR)

Despite the title, Article 61 applies to operations, which generate net revenue:

After their completion only or

During their implementation and after their completion

*Definition of **net revenue** provided*

cash in-flows directly paid by users for the goods and services provided by the operation, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for service, less any operating costs and replacement costs of short-life equipment incurred during the corresponding period.

(operating cost-savings generated by the operation shall be included in the net revenue unless they are offset by an equal reduction in operating subsidies)



Net Revenue Generating Operations

*Potential net revenue shall be determined **in advance**, reducing the eligible expenditure of the operation to be cofinanced from the EU Funds, ...*

... according to one of the following methods:

- a) Calculation of the discounted net revenue using the funding gap method**
- b) Application of a flat rate net revenue percentage**
- c) Application of a decreased cofinancing rate for a chosen priority axis (using the net revenue flat rate)**

Flat rates

The advantage of this method is that the Member State does not need to calculate the funding gap, instead the decisional amount is directly established as follows:

$$\mathbf{DA = EC * (1-FR)}$$

where

EC stands for eligible cost

FR stands for flat rate (%)

All the net revenues generated during implementation and after completion of the operation are considered to be taken into account by the application of the flat rate and are therefore not deducted subsequently from the eligible expenditure

Decreased cofinancing rate

further simplification as regards the use of flat rate

1 priority axis – 1 sector – 1 flat rate

$$\text{Reduced maxCRpa} = \text{maxCRpa} * (1 - \text{FR})$$

where

maxCRpa stands for maximum co-financing rate of the priority axis

application of this method needs to be done in advance (part of the Commission decision on the programme)



Simplified Costs

ECA Annual report 2012:

- Did not detect any errors related to the specific use of SCOs.
- Indicates that projects whose costs are declared using SCOs are less error prone.
- Encourages a more extensive use of SCOs.

Advantages:

- Reducing administrative burden for beneficiaries
- Reducing administrative burden for the management bodies
- Reducing the risk of error rate



Simplified Cost Options

**Standard scales of
unit costs**

Lump sums

Flat rate financing

What are the calculation methods ?

- **Ex ante evaluation**
Fair, Equitable and Verifiable method
- **Use of existing EU schemes**
(for similar type of operation and beneficiary)
- **Use of existing own national schemes**
(for similar type of operation and beneficiary)
- **Use of specific rates and methods from the CPR and Fund specific regulations**



What are standard scales of unit costs?

Unit cost

A training costs **1,000€** per person completing the training



Output foreseen

7 people will follow the training = a total of 7 persons completing the training



Maximum grant

7 persons x 1,000€ = **7,000€**



Real output

1 trainee dropped-out at the middle of the course = **6 persons trained**



Real grant

6 persons trained x 1,000€ = **6,000€**





What are lump sums?

Lump sum

On the basis of historical data, a training is expected to cost **7,000€**



Output foreseen

7 people will be trained



Maximum grant

If 7 people complete the training = **7,000€**



Real output

1 person drops out and only 6 people are trained



Real grant

Only 6 person were trained and not 7 as agreed = **0€**



What are lump sums?



**Max: 100,000 EUR
public contribution !**



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What is flat rate financing?

The application of a percentage:

- to one or several categories of costs
- to calculate ...

... Indirect costs

... Other categories of costs

How do you calculate flat rate for indirect costs ?

Up to 25% of eligible direct costs

- Fair, equitable and verifiable methodology
- Existing similar national methodology

Up to 15% of eligible direct staff costs

- No need to make any calculation
- NEW

Using a flat rate applied in Union policies (Delegated act)

- For a similar type of operation and beneficiary
- NEW

Restrictions for use of simplified costs

- Simplified costs may not be used for major projects
- Operations or projects forming part of an operation implemented EXCLUSIVELY through public procurement: real costs ONLY

Vs

- public procurement limited to certain categories of costs: all options open – Commission Implementing Regulation to clarify

When to use SCOs?

**Real costs are
difficult to verify/
justify**

High error rates

**Risk on retention of
documents**
(SCOs = less paper
but not paperless !)

**Want to focus on
outputs and results**

**Reliable data on
financial and
quantitative
implementation**

**Operations/
projects are not
100% procured**

**Need to reduce
administrative
burden**

**As soon as possible
but with a little
preparation!**



2014 – 2020 Programming Period

Result based management

Melina Soumela



Four building blocks for result orientation

- 1. Result orientation of programmes**
- 2. Indicators**
- 3. Performance framework, review and reserve**
- 4. Evaluation and Reporting**

Objective is the same but technical details vary by
Fund – due to the scope of the Funds



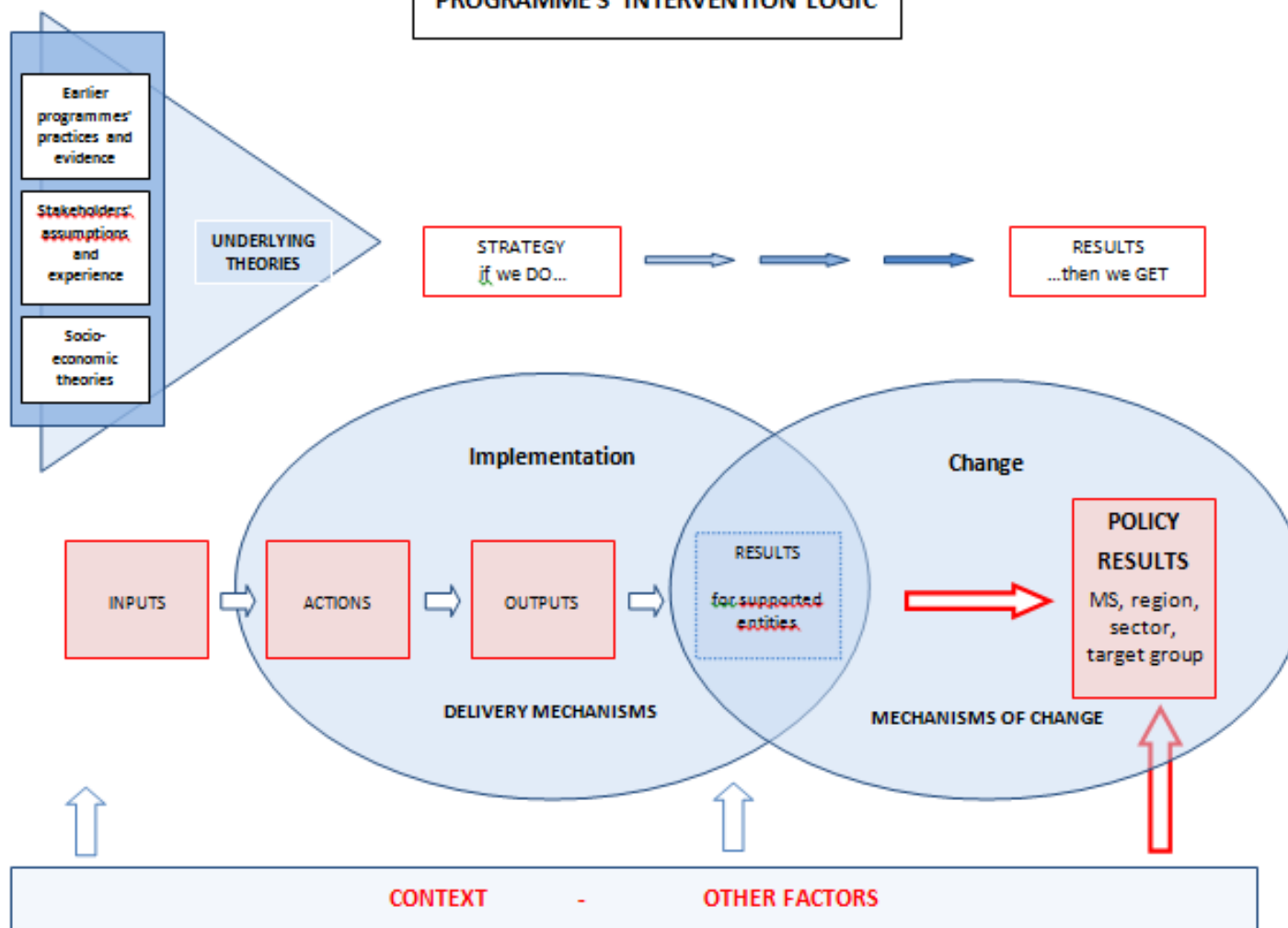
New Focus on Results

- What do you want to change?
- What indicator can capture this change?
- What is the baseline (for ERDF: the situation before the programme; for ESF: previous experience)?
- How will the outputs of the programme contribute to change?
 - ERDF/CF: Results relate to change in the region/sector
 - not just for supported entities
 - ESF: Results relate to participants or supported entities
 - immediate & longer term



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PROGRAMME'S INTERVENTION LOGIC



Performance Framework Building Blocks

Priority level broken down by cat. of region & fund

Milestones (intermediate targets)

- *To be achieved by the end of 2018*
- *Formally reviewed in 2019*

Targets

- *To be achieved by the end of 2023*
- *Formally reviewed at closure*

Indicators: Financial, Output, Result (ESF), Key implementation steps



Performance review

- In 2019, the performance of the programme priorities is assessed by EC against the milestones set for the end of 2018.
- Values reported in 2018 Annual Implementation Reports submitted by 30 June 2019.
- Commission decision by 31 August 2019 on priorities which have achieved milestones, broken down by cat. of region & fund.
- All indicators of a priority to reach 85% of milestones to gain access to its reserve.



Joint Action Plan

An operation with a pre-defined scope managed in relation to its outputs and results to be achieved (condition for reimbursement)

COM and MS to agree on outputs and results which shall contribute to the specific objectives and form the basis of support from the Funds

Beneficiary = a public law body

It comprises a (group of) project(s) not consisting of the provision of infrastructure*

Public expenditure allocated = minimum EUR 10 million (pilot projects: 5 million) or 20% of the OP, whichever is lower

**) In practice more appropriate for ESF, limited use for ERDF*

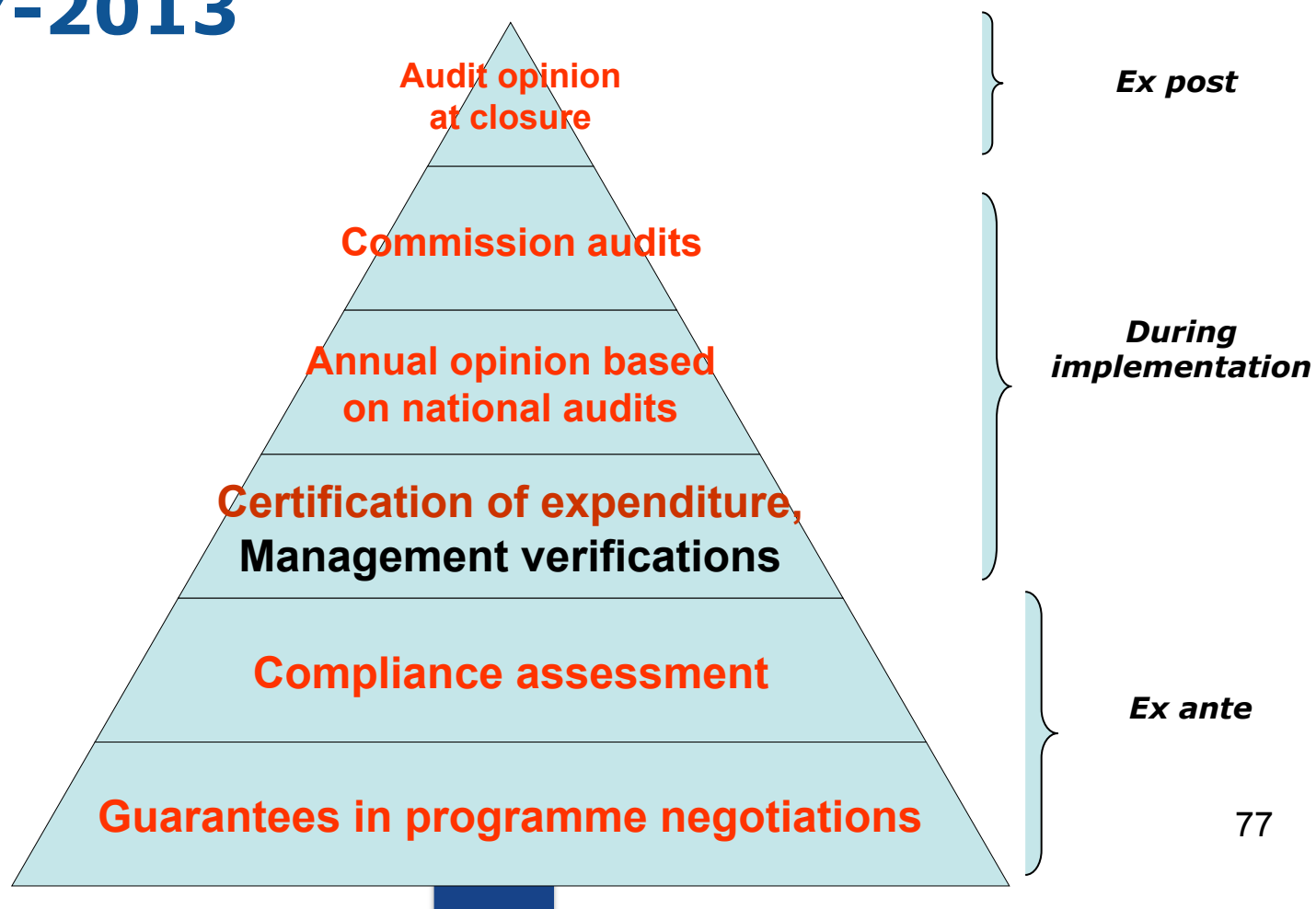


2014 – 2020 Programming Period

Audit and assurance

Paulo Loureiro

How assurance was built up 2007-2013



How assurance will be built up 2014-2020





General objectives

- **Stronger accountability at MS level:**
 - timely and improved verifications (MA) reflected in management decl. and strict supervision over IBs
 - certified accounts after deduction of all irregular expenditure or at risk (CA)
- **Emphasis on ESIF effectiveness & performance**



General principles (Art 72 CPR)

- Provides for a description of the functions of each body involved in management and control and allocation of functions within each body
- Separation of functions between and within bodies
- Procedures for correctness and regularity of expenditure
- Computerised systems for financial data and data on indicators
- Monitoring and reporting where MA/CA tasks are entrusted to other body
- Audit on functioning of systems, adequate audit trail
- Prevention, detection and correction of irregularities and fraud

Designation of authorities

Purpose

- To provide **assurance ex-ante on the set up and design** of the management and control system (MCS);
- Confirming that MCS for MA/CA give reasonable assurance that they are in a **position to fulfil** their responsibilities for the OP;
- Building on audit and control work carried out under previous period: **encourage Member States to retain the current systems** (e.g. MAs and/or CA and IBs where relevant) **where these are working well** (e.g. low error rates reported, systems assessed in categories 1 and 2, & Art. 73(3) of Regulation 1083/2006 granted to operational programme).



Designation of authorities

- **Designation of MA, CA and possibly their IBs and AA for each OP**, but same MA/CA/AA can be designated for several OPs
- MA can also carry out CA functions
- AA can be in the **same public authority/body** as MA **for OPs > €250m, only if:**
 - **Art. 73 granted** (reliance on AA 2007-2013), or
 - On the basis of 2007-2013 period, EC is satisfied institutional organisation and accountability of the AA **guarantee its functional independence and reliability**
- **Coordinating body** may be designated by MS to liaise with the EC, co-ordinate designated bodies and promote harmonised application of Union rules (MS initiative)



Procedure for designation of MA/CA

Notification of the Designation Decision (Art.124 CPR)

- MS to notify the date and form of designations, carried out at appropriate level of the MS
- Prior to the submission of the first application of interim payments
 - based on a report and opinion by the Independent Audit Body (IAB, possibly AA) assessing fulfilment of designation criteria

Commission might request these documents based on a risk assessment: whether MCS is similar to 2007-2013, current MCS effectively functioning, if the MA and CA functions have been newly combined ...



Designation Criteria (Annex XIII of CPR)

(i) Internal Control environment

(ii) Risk management: proportionality, when necessary (initially and if major modification of the activities)

(iii) Management and control activities of MA and CA

(iv) Monitoring : MA and CA



Functions of Managing Authority

New requirements

- Effective and proportionate **anti-fraud measures**
- Drawing up a **management declaration** on the functioning of the systems, legality and regularity of transactions and sound financial management
- Drawing up an **annual summary** of final audit reports and verifications and controls carried out, analysis of nature of errors and **corrective actions taken or to be taken**
- **Report to EC by 15th February each year**

(Art.59(5)(b)Financial Regulation)



Certifying authority

- Submitting interim payment applications certifying that these are based on **reliable accounting systems, verifiable supporting documents and subject of management verifications**
- **Drawing up the accounts (New)**
Certifying the completeness, accuracy and veracity of the accounts and **compliance of expenditure** with applicable law defined as EU and **national** rules
- Ensuring existence of **computerized accounting records for each operation** which included amounts withdrawn, recovered, recoverable and irrecoverable



Audit authority

- Prepare an **audit strategy**
 - Carry out audits on **systems**
 - **Select sample** in reference to the accounting year (July n-1 to June n)
 - Carry out audits on **operations**
 - Carry out audits of the **accounts certified by CA**
- ➔ Report to EC **by 15th February** each year, providing a control report and an audit opinion on accounts / legality and regularity of expenditure / effective functioning of systems + statement on whether the audit work carried out puts in doubt the assertions made in the management declaration



Proportional control arrangements

- Operations **<€150k (ESF) or <200k (ERDF)**, only 1 audit by AA or EC prior to submission of the accounts for year when operation is completed
- Operations **>€ 150k (ESF) or >200k (ERDF)**, 1 audit per accounting year by AA or EC prior to submission of accounts for year when operation is completed
- **No audit by EC or AA in any year if audit in that year by ECA**, provided that the results of the audit work by ECA can be used by AA/EC
- Exceptions in case of specific risk of irregularity/fraud or for assessment by EC of AA
- ... and rules on availability of documents (2 to 3 years of inclusion of expenditure in accounts depending on size of operation)



Audit work by Member States (1)

The audit process is a continuation of current period but regulatory timing imposes the need for a water-proof planning and definition of deadlines by the MS for its internal validation process.

New reference period, accounting year 1 July – 30 June, report to be done by **15 February**, first ACR in 2016

System audits and audits of operations should cover the same aspects as in current period, plus contribute to the assurance on accounts.



Audit work by Member States (2)

Audit strategy

- **Prepared** within 8 months of approval of programmes
- **Plan** audits for the current accounting year and for the two subsequent accounting years
- Audit strategy to be submitted to EC **upon request**:
 - no ex ante approval by Commission
 - MS audit strategy and updated planning will be discussed in annual co-ordination meetings
 - Audit strategies will be reviewed in EC audits on audit authorities.
- **Annual update** of audit strategy from 2016 to 2024



Audit work by Member States (3)

Audit authorities are required to:

- **Select** sampling for reference period (1 July, n-1-30th June n) and **carry out audits on** operations : Audit work should start immediately for audit operations to be able to provide documents within the deadlines
- **Carry out** system audits
- **Carry out audits of accounts certified by CA**
- Combine results **of audits on systems and on operations to determine the level of assurance and** report annually **to the EC**



Audit work by Member States (4)

On the accounts:

- **Completeness, accuracy and veracity of the accounts**
 - AA analyses the results from systems audits, related to accounts and debtor's ledger;
 - AA examines the audit trail when auditing the sample of operations to verify reliability of the accounting systems;
 - AA performs desk review of an appropriate sample of underlying registered data.
- **CA can further adjust the accounts**, if necessary, before submission to the Commission



Annual control report

The Annual Control Report is basically the same as today with more information requested on:

detailed results from audits of operations, and
financial corrections resulting from audit work



Audit opinion

The Audit Opinion will :

- provide reasonable assurance that:
 - the accounts give a true and fair view
 - the expenditure for which reimbursement has been requested from the Commission is legal and regular
 - the management and control systems put in place function properly
- state whether the audit work carried out puts in doubt the assertions made in the management declaration



Audit work by the Commission

- **Annual cycle** – EC intervenes on a risk-based approach;
- **Stronger internal co-ordination** because of multi-fund programmes; common enquires, audits and reports, shared resources;
- 2014: year of **guidance notes/checklists to MS.**



Audit work by the Commission

- Examination of assurance documents to be received on 15th of February as from 2016 (incl. review of accounts);
- Desk work (100%) leading to conclusions for acceptance of accounts;



Audit work by the Commission

- Audits on the spot of a risk based selection of programme authorities to assess reliability of the assurance provided;
- Thematic audit enquiries covering (inter alia) compliance with public procurement, State aid, financial instruments, performance framework (indicators, milestones), IT-systems.



Fraud risk assessment and anti-fraud measures - new obligations 2014-2020

Managing authorities must:

- put in place a minimum set of effective and proportionate anti-fraud measures
- carry out a fraud risk assessment

Audit authority must:

- verify that the MA's fraud risk assessment is credible and provides a true and fair assessment of the risks and
- verify that adequate anti-fraud measures are in place to mitigate against the risks





Risk scoring tool: ARACHNE

- ARACHNE **aims** at providing the MS authorities involved in management of the ESI Funds with an operational **tool to identify their most risky projects**.
- **Objectives :**
 - **Support the management and control system, to lower the error rate and strengthen fraud prevention and detection**
 - **Facilitate the continuous monitoring of the internal and external data regarding projects, beneficiaries and contracts/contractors**
- **How?**
 - Based on a set of risk indicators and alerts**
 - > Customized to the nature of OP expenditures**
 - > Using some key (internal) data of the projects enriched with publicly available information (external data)**





Financial corrections

1. Common Provisions Regulation (EC) No 1303/2013

- **Art.143:** Financial corrections by the **Member State**
- **Art.144-147:** Financial corrections by the **Commission**

2. Delegated Act (DA)

- Criteria for financial corrections linked to the **Performance Framework**
- Criteria for determining whether there are **serious deficiencies** in the functioning of management and control systems
- Criteria for applying flat rates or extrapolated financial corrections and criteria for determining the **level of financial correction**



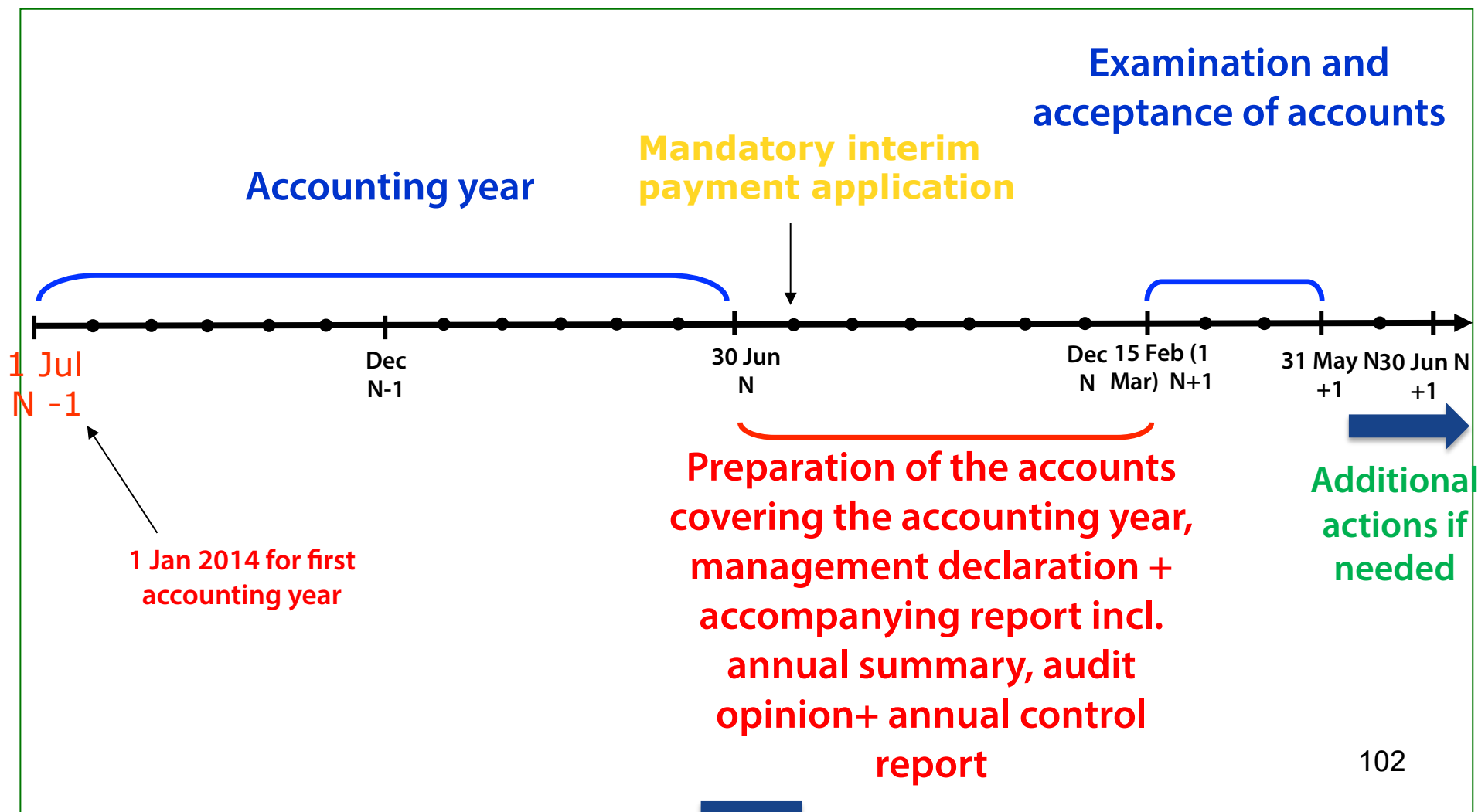
2014 – 2020 Programming Period

The accounting cycle

Lynsey Moore



Accounts Cycle





Accounts: tasks and deadlines

CA responsible for:

Accounts for the preceding accounting year (1 July N-1 to 30 June N at the exception of the first accounting year : 1 January 2014 to 30 June 2015)

MA responsible for:

The management declaration accompanying the accounts

An accompanying report including the annual summary of final audits and controls

AA responsible for:

The audit opinion accompanying the documents set out above

An annual control report supporting the audit opinion

Designated body will submit these documents annually by 15 February (exceptionally 1 March) following the end of the accounting year.





Preparation of accounts (MS) (1)

Accounts are submitted for each OP for the accounting year at the level of each priority axis (and, where applicable , fund and category of regions) including:

- Total eligible expenditure by beneficiaries till 30 June (submitted in final payment claim by 31 July);
- Corresponding public expenditure incurred;
- Corresponding payments made to beneficiaries;
- Amounts withdrawn /recovered/to be recovered, recoveries under Art.71 CPR and irrecoverable amounts;
- Pre-financing paid to FEI and advances under State aid schemes;
- Explanation of any difference between amounts in the final payment claim for the accounting year and accounts.

If CA excludes expenditure that is subject to an on-going assessment on legality and regularity it may include it in a future payment application if found to be regular.



Preparation of accounts (MS) (2)

Differences between accounts and final payment application for the accounting year may result from:

- Further management checks / corrections by MA;
- Further checks by CA and precautionary withdrawals to cross check the eligibility of expenditure (Art.137(2)CPR);
- Corrections linked to audits by the AA (system audits, audits on operations, audits on the draft accounts);
- Corrections linked to EU audits.

= Any correction applied since the final payment application till the submission of the accounts (31 July - 15 Feb. N+1) – to be reconciled in the accounts.



Examination and acceptance of accounts (1)

Acceptance based on an unqualified audit opinion on the accounts unless EC has evidence of the unreliability of the AA opinion (Art.139 (2)CPR)

By 31 May N+1 Commission informs MS whether or not it is able to accept the accounts.

In case of acceptance (accounts are complete, accurate and true):

- Calculation of amounts chargeable to the Fund for the accounting year
- Balance to be paid in 30 days or deducted through recovery order offset in next interim payment (no net correction)
- Without prejudice to possible subsequent financial correction decisions **under Art.144-145 CPR.**



Examination and acceptance of accounts (3)

In case of non-acceptance of the accounts:

- Commission determines the amount chargeable to the Fund and informs MS;
- If MS within 2 months agrees, the accounts are accepted and balance is paid/recovered;
- If absence of agreement, Commission adopts a decision setting out the amount chargeable (not a financial correction decision reducing contribution from the Fund) and balance is paid/recovered;



Thank you for your attention!

Any questions?

