

2nd Q&A document on Simplified Cost Options (SCOs) in the 2021-2027 programming period

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N.B.: Questions relating to compliance with public procurement and state aid in SCO operations implemented in line with Art.94/53 CPR as well as management verifications and audit in this respect have been taken out of this Q&A document, as they will be the subject of a separate document to be prepared by the COM.

	Question	Answer
ARTICLE 94 CPR		
1	Is it correct that no delegated act referred to in Article 88(4) exists right now? And consequently the managing authority currently fills Annex V concerning every simplified cost option it would like to use to reimburse expenditure by Commission as it seems to be adequate?	Yes, it is correct. No delegated act exists. Appendix 1 is to be filled out when the Member State wishes to be reimbursed by the COM based on SCOs. The assessment by the audit authority (AA) of the proposals submitted by Member States is a pre-condition for including SCOs in Appendix 1. Submission of Appendix 1 is not needed if SCOs are applied exclusively at beneficiary level in line with Article 53 CPR and Member States declare these amounts to the Commission (see Articles 63(5) and 91(4)(c) CPR). It is also not needed when the Union level SCOs, their amounts and adjustment methods are defined by a delegated act in accordance with Article 94(4) CPR.
2	Could you please clarify the degree of “binding nature” of the SCO methodology once approved for the purpose of the OP (either Annex V or Art. 48) in relation to the entire OP / priority axis / call? Once the SCO is approved (e.g. unit costs for project management), is it possible that it does not apply to the same type/nature of operation/expenditure within several priority axes of a given OP (so for one priority axis unit cost would be applicable, and for another priority axis real costs based approach?	As regards SCOs approved in a programme, once they are approved, they become mandatory and there is no possibility that the concerned types of operations are reimbursed to the MS by the COM based on actually incurred costs. The modes of reimbursement by the COM based on SCOs concern the specific types of operations, SCOs and amounts approved in the COM decision. For SCOs applied exclusively at the beneficiary level in line with Article 53 CPR: a) Appendix 1 should not be filled in and b) the SCO methodology is not approved by the Commission. If the MS decides to reimburse the beneficiary based on SCOs in line with Article 53 CPR, as SCOs have to be defined in advance, their use should be mentioned in the calls for proposals addressed to the potential beneficiaries in order to ensure respect of the principle of transparency and equal treatment.

3	Is it possible to start using SCO methodology nationally, if the SCO methodology has not yet been included/accepted in the Annex V of OP?	It is always possible to implement SCOs at the beneficiary level under Article 53 CPR, which does not require any approval by the COM. Concerning SCOs under Article 94 CPR, the COM will start reimbursing the MS based on SCOs once they are approved in a programme through a decision approving the programme or its amendment. Therefore, the managing authority (MA) can only include the agreed amounts in payment applications after their determination and approval in the decision approving the amendment of the programme introducing such form of Union contribution. The Commission will also start reimbursing the Union contribution to a programme on the basis of unit costs, lump sums and flat rates after their approval in the decision approving the amendment of the programme.
4	What is the minimum amount of EUR to be covered by the specific SCO methodology in order to be included in the Annex V of OP?	CPR does not provide for a minimum amount, therefore, the MS can include SCO in Appendix 1 to the programme regardless of the amount to be covered. However, taking into account the requirements and related work by MA to design the SCO (including any adjustment methods, data collection, etc.) and for the AA to assess it, it is recommended that SCO schemes covering a considerable amount of programme contribution and a considerable number of operations/beneficiaries are submitted for approval in Annex V.
5	To make it easier for the MSs, would it be possible to create EU level SCOs implemented under art 88?	Article 94(4) CPR foresees for the COM the possibility to establish Union level SCOs through a delegated act. The COM is looking into this possibility and has launched a study in this respect.
6	How will be dealt with programme amendments which may affect SCOs in practice and lead to a time-consuming process?	As already replied in the previous Q&A document, if SCOs are introduced in a programme with a programme amendment request, the normal procedure for amendment of a programme applies. In order to allow the COM to adopt swiftly the programme amendment, all required documents should be duly completed and include a positive AA assessment. Informal exchanges with the COM prior to submission of a programme or an amendment request could accelerate the process of formal amendment procedure.
7	Which MS plan to use SCOs under Art. 88 on the upper level (EC-MS) and a different reimbursement method on the lower level (MA-beneficiary)?	We do not dispose of this information.
8	What would the approval of the Annex 1 look like? Is it a separate approval letter? Or simply a decision on the programme's approval? In terms of audit trail.	Appendix 1 to a programme will be approved as part of the programme approval or amendment procedure: the decision approving or amending the programme will encompass also SCOs described in Appendix 1.

SET UP/ADJUSTMENT OF METHODOLOGIES		
9	Is the draft budget methodology only suitable to create lump sums that cover the whole project? Taking into account the risk that this may entail for community organisations participating in small projects and SPFs, could the draft budget methodology be used to create other SCOs (e.g. unit costs, flat rates, lump sums applied to specific element of the projects, etc.)?	A draft budget is not a type of SCO but a method to establish lump sums, unit costs and flat rates. Please refer to the revised Guidance Note on SCOs (EGESIF 14-0017) (section 4.3.). Flat rates, lump sums and unit costs may be based on a draft budget in relation to the whole or part of the budget of the operation/project. As an example, for an operation composed of 5 different activities: - Activity 1 and 2 of the operation is reimbursed on the basis of real costs or on the basis of another SCO (for example lump sums coming from another EU policy) - Activity 3, 4 and 5 of the operation is reimbursed as unit costs established on the basis of a draft budget
10	Using the calculation method of the Draft budget, is it necessary to insert each lump sum in the Annex V of OP, or should the overall Draft budget approach be harmonised with the EC? There can be a situation where 100 different lump sums will have to be added to the Annex V.	It is not clear what is meant by “overall draft budget approach harmonised with EC”. Based on Article) 94(2) CPR, and Appendix 1 to CPR, the Member State should submit the appropriate information/data per type of operation. This means that it is possible to submit a proposal for one single lump sum based on a single draft budget to reimburse all operations of the same type.
11	In the CPR it is stated that the periodic adjustments are a good practice in the context of multi-annual programme implementation to take into account factors affecting rates and amounts. In our view the best solution is to include the method for the automatic adjustment of the amounts of units or the input costs forming part of the lump sum in the methodology and to avoid periodical change of the SCO methodology. We wonder how to deal with it especially in case of amount or rates that reflect the market prices or are based on the non-statistical data such as the analysis of the historic data. We mean the other adjustment method than the periodical change reflecting the indexation published by the Statistical Office or set by law. Can we set it in the methodology in a general way that e.g. the re-evaluation of the amount will be realized based on the actual market survey done on a yearly basis? Could you please provide us some examples of good practice how such automatic adjustment of amounts or rates can be set in the methodology?	Under part B, section 9 in Appendix 1, the MS may include a description of an adjustment method. If the adjustment method is included in the methodology, applying the adjustment is not considered as a modification of the SCO methodology. The revised Guidance Note on SCOs (EGESIF 14-0017) mentions, as example, linking the adjustment with the inflation, but the MS are free to establish other adjustment methods, as long as they are documented and justified. Annex V should include sufficient details about the adjustment method foreseen to allow to the audit authority and the Commission services to assess the SCO scheme. The MS may decide not to include the adjustment method in the methodology if they consider that the SCO will not need adjustment for the period of its application. A market-survey may be considered as other objective information and thus be used to establish SCOs on the basis of Article 53(3)(a)(i) CPR. It may also be used to periodically re-evaluate the amounts; in that case, the methodology of this market survey should be clearly defined and would be subject to audit. For examples from the ESF (2014-2020 period) please refer to Commission Delegated Regulation (EU) 2015/2195 of 9 July 2015.

12	When setting up the SCO methodology, cooperation with official "suppliers" of data is advised or it is requested to use statistical, historical or other relevant data (sources). We would like to ask, whether it is presumed to oblige the MA to collect such data and evaluate them in respect to the possibility of submitting updated or new SCOs or for the need of future possibilities for updating Annex V? According to our previous experience, if projects/operations are result-based or output-oriented, it is necessary to define by MA a solid framework for the collection, recording, storage or evaluation of data. Can the AA also assess this process and set up during ex-ante assessment?	When submitting Appendix 1, the MS will need to state in Part C the source of data used to calculate the SCOs providing detailed information on where produced, collected and recorded data come from, where they are stored, any cut-off dates as well as how they are validated. In addition, if the MS wish to adjust methodologies included in Appendix 1, they will need to include a description of the adjustment method. This means that the MA will need to dispose of data in order to be able to adjust methodologies. The AA will assess if the data used are reliable and relevant, as foreseen in part C, section 4 of Appendix 1 to the programme as part of its audit assessment prior to the submission of Annex V to the Commission.
13	Does the EC envisage any recommendation for the Member State to create space/platform for the electronisation of the official SCO methodologies, including supporting documentation or its assessment at Member State level, after the adoption by the Regulation? Is it possible to apply such a procedure at national level without recommending it from EC? How to ensure and maintain follow up methodologies? For example, adjustments of the adopted methodologies for the needs of future verification?	There is no such requirement in the existing EU legal framework on SCOs. The COM does not have a general recommendation on this. The Member State may do so, if they deem appropriate. It is reminded, however, that proper audit trail on the setting up of SCO methodologies and their implementation needs to be ensured (see Article 69(6) CPR and Annex XIII, section III to CPR). The MA also has the obligation to record and store electronically the data on each operation (see Article 72(1)(e) CPR and Annex XVII to CPR).
14	Is it possible to create more universal SCO methodologies, which the MA can update without official "adjustments" of the SCO methodology (e.g. just updating of basic amounts)? Could such an update be without the need for ex-ante assessment? What is the approach towards tailor-made SCO methodologies developed e.g. just for one call? Is it advised to create methodology valid for certain period of time or to create methodology for longer period/even the whole programming period - if so, how to manage their actualisation?	For SCOs under Article 94 CPR, to avoid the need for modifications, Appendix 1 to the programme foresees the possibility to include a description of an adjustment method in part B, section 9. If the MS includes therein such a method, it will be covered by the decision approving the programme and the methodology will not need to be assessed again. As far as SCOs applied exclusively at beneficiary level are concerned, the possibility to use tailor made SCO just for one call is always possible under Article 53 CPR, which does not require COM approval. It is recommended that the MA adapts the SCOs when launching a new call for proposals in order to take account of an indexation or economic changes, e.g. in energy costs, levels of salaries, etc. In addition, it is suggested to enshrine in the methodology some automatic adaptations (based on inflation, or evolution of salaries for instance). It is recommended that SCOs submitted to the Commission for approval under Article 94 CPR cover a considerable amount of programme contribution and a considerable number of operations. See also reply to question 18.

15	Can there be an overlap of some SCO methodologies within the same program/priority axis or call? How to approach the combination of SCO in case of SCO adopted by delegated act within the meaning of Article 88 and the SCO methodology established and approved by the MA and assessed by AA within the meaning of Article 48?	Methodologies approved in a programme in line with Article 94 CPR can also be used for SCOs applied at the beneficiary level. In such a case, there is no discrepancy between the SCOs used at both levels (COM-MS and MS-beneficiary). It is possible to apply a different SCO under Article 53 CPR to the relation MS-beneficiary than the one applied under Article 94 CPR between COM - MS although not recommended.
16	We would like to get more detailed explanation (preferable by giving examples of EC approach) how to set the amount of SCO (e.g. unit price) while adhering to the "real proxy" principle (reflecting the real costs of the activity/operation) and at the same time ensuring compliance with the principles of simplification (i.e. how to set the "acceptable amount" of standard deviation when calculating e.g. unit cost, with ensuring the sufficient treatment of the extreme values).	When setting up the SCO, the MA may use one of the methods listed in Articles 53(2) and 94(2) CPR. The calculation of the SCO should be reasonable and prudent, i.e. based on reality, not excessive or extreme, reflecting the market situation. When assessing the data in order to set the SCO, extreme values should be excluded from the calculation to respect the principle of sound financial management. The MA must be able to explain and to justify its choices. The amounts should be adapted to specific conditions or needs. For example, the execution of a project may cost more in a remote region than in a central region because of higher transport costs; this element should be taken into account when deciding on a lump sum or amount to be paid for similar projects in the two regions.
17	In the programming period 2014-2020 many operations were financed in the form of SCO defined at the national level (in accordance with article 67 1303/2013) that were based on verified historical data from perspective 2007-2013. MS therefore doesn't have any more recent data of verified expenditures. Is it possible that in these cases for defining SCO under article 88 CPR data from operations in 2007-2013 is used and adopted by official inflation rates? The same inflation rate will then be used for adoption of SCO under article 88.	The use of "verified historical data from perspective 2007-2013" may be accepted if it is demonstrated that the amounts are still relevant. This means that the programme authorities should satisfy themselves that this data is still a reliable proxy for the real costs, and adjust it where needed.
18	In case MS is planning to use the methodology from current (14-20) period, and there are no more historical data stored, what could be used as justification to "prove" that the unit cost/lump sum is still appropriate?	The methodologies from the programming period 2014-2020 can be reused. In this case, the AA should check if the methodology is adapted to the new legislation applicable to the programming period 2021-2027 and if there are changes, which require an adaptation/update of the methodology. See also reply to question 17 above.
19	We understand that if AA and EC confirms the methodology for SCO under article 88, it can be directly used also under article 48 (for payments to beneficiaries). Or separate methodology should be prepared? Please confirm.	It is possible to apply the same SCO under Article 94 CPR (COM-MS level) to the relation MS-beneficiary (Article 53 CPR). In such a case, no separate methodology needs to be prepared.

20	We understand that "verified historical data of individual beneficiaries" in article 48.2(a)(ii) refers to historical data from single beneficiary when we want to define SCO for this particular beneficiary from its historical data. If we prepare the methodology for SCO on the basis of historical data from several beneficiaries (e.g. from past calls of proposals) this method can be understood as statistical data or other objective information (article 48.2(a)(i)). Please confirm our understanding.	Article 53(3)(a)(ii) CPR indeed refers to historical data from an individual beneficiary when the MS wants to define SCO for this particular beneficiary from its historical data. If historical data from different beneficiaries are used to establish a SCO amount for future calls, such method of establishing SCO is covered by Article 53(3)(a)(i) CPR. As clarified in section 4.2.2.2 of the revised Guidance Note on SCOs (EGESIF 14-0017), the methods based on verified historical data of individual beneficiaries are in particular simplifications for beneficiaries who will implement many projects over the programming period.
21	1) Data processing: what is the Commission's view of the minimum number of data needed to calculate a flat-rate average cost? 2) Use of national statistics: can an average statistical unit cost based on a population covering all social categories of employees be used on this smaller part of this population whose average cost is different?	1) There is no minimum data requirement. The sources of the data used for the analysis and the calculations, including an assessment of the relevance of the data to the envisaged operations, and an assessment of the quality of the data need to be documented when setting up SCOs. Please see also reply to question 28. 2) The question is unclear. More information is required in order to consider all parameters at stake.
22	In Luxembourg during the general lockdown but also later when school were kept closed, the state largely financed (via the social security) the staff costs. Special parental leave were granted (one of the two parents was allow to stay home to take care of the kids with cost fully covered by the state, no limitation on the time, until the school were closed, even partially). Taking into account that the SCOs will be applied as from 2022 and not earlier and that we all hope that we will be back to something more similar to normal life by then, we would like just to skip the data of 2020 and rather use the data of 2016-2019 to establish the flat rate. I am sure we are not the only ones having this problem and we are wondering if: 1) The proposed approached would be acceptable from the EC point of view (the auditors in particular) 2) How other are solving this issue.	Data needs to be relevant for the SCO considered. The sources of the data used for the analysis and the calculations, including an assessment of the relevance of the data to the envisaged operations, and an assessment of the quality of the data should be provided. Therefore, when setting up the SCO the MS has the possibility to explain why the data from these years is not relevant and exclude it from the calculation basis. In the concrete example, the relevance of data from COVID years (2020-2021) for expenditure starting in 2022 depends on how the social and economic reality will be at that moment in time in particular, it could be justified to exclude data from 2020-2021 as not representative for establishing the SCO in question.
23	In the event that an SCO is established on the basis of an expert judgement in the absence of historical or statistical data, the AA must verify the competence and independence of the experts but does not verify the amounts. Do you confirm this position?	The AA shall verify not only the competence and independence of the expert but also if the expert judgement is well documented, coherent and specific to the particular circumstances of each case.
24	Can the methodology for unit cost calculation be based on data from planned budget from application form rather than approved payment claims?	No, the methodology may not be based on data from planned budget, as such data is not certified, their reliability is not ensured.

25	How should we ensure similarity of projects in order to use the method copy paste?	There is no indication in the CPR of what is understood by similarity of operations. It is for the MA to assess whether in a particular case the condition of similarity is fulfilled. Please note that all elements of the method that could have an impact on the unit cost / lump sum / flat rate should be taken into consideration. A case-by-case examination is necessary. Please also refer to section 4.4 of the revised Guidance Note on SCOs (EGESIF 14-0017).
26	Are mean hourly rates based on historical data for f.e. R&D projects be an art 88 SCO with amount of spent hours as indicator/trigger? Are there examples of this	Averages, or median values or other statistically sound methods may be used to calculate SCOs. The indicator triggering reimbursement will be the hours. It is reminded that when setting the SCO the MA may use one of the methods listed in the CPR (Articles 53(2) and/or 94(2) CPR). Sources of the data used for the analysis and the calculations, the relevance of the data to the envisaged operations, and the quality of the data should be assessed.
27	Examples of good practices of methodologies which are not based on statistics published by the national statistics office but on market research data.	Such examples could be the objective of discussions and exchange of experience between the members of the TN ERDF SCO practitioners.
28	How can MA/AA be sure that the used data for the methodology is reliable? What is the minimum of data which supports calculated SSCU or lump sums?	There is no minimum data required to calculate SCOs. Data can be taken from many sources. Reliability of data used will depend on the source of data used. For example, data coming from national statistical offices or EUROSTAT can be considered reliable. For some sources of data, more detailed checks could be needed to confirm the reliability of data. In some cases, the professional judgement of the AA could be used to decide whether additional checks on a sample basis should be carried out or not (taking into account any information available to AA on the type of data, the way of compilation, internal procedures of bodies for approving the provided information etc.)
29	Is it possible to use two different flat rates for different categories of costs applied to the same base cost (e.g. staff costs)?	Yes, it is possible. For example, a flat rate of x % of staff costs can be used to calculate the indirect costs and the same basis i.e. the staff costs can be used to calculate the other direct costs of the operation at a flat rate % as well. Attention is drawn to the need for the basis not to include costs that will be covered by the flat rate to avoid double financing.
30	We would need some more clarification on using historical data in preparing methodologies. Is this applicable only when defining SCOs for a single beneficiary? We understand "historical" data from more than one beneficiary as other objective information or statistical data.	The historical data (both, on projects or operations funded from CPR Fund or from different sources) can be considered as statistical data.

31	How to make use of already available knowledge on the market prices for (specific) goods/ services? Is such a thing (market maps) available somewhere?	The COM does not have this information.
32	Can you take a national scheme (not in total, just a part of it), if this part itself will be used in its totality (but not the methodology itself)? For example, the national scheme covers different types of costs (salaries, material costs, etc.) but only the part of the national methodology covering the salaries will be used in the SCO methodology?	In the specific example used it seems you wish to set up a SCO in accordance with the rules for application of corresponding SCOs applied under a scheme funded entirely by the Member State for a similar type of operation). If the national scheme sets up SCOs for several categories of costs but you only wish to use the SCO set up for one of those categories of costs included in the scheme, it is possible to do so. However, when re-using the existing national method you need to ensure that: • the method is re-used in its entirety for this specific SCO established under the national scheme (for instance and where applicable, eligible expenditure, scope) and not only its result (lump sum of EUR X); • it normally applies to the same geographical area or a smaller one (if a methodology is applied in only one region, it can be re-used by the region concerned but not by another region of this Member State where the national methodology is not applicable); • the method is applied to a similar type of operation; • reference is made to the method and justification that it is in use for operations supported from national sources.
33	When setting up the methodology for unit costs, is it correct to include a flat rate within the unit costs calculation, or is it necessary to develop other methodology?	The question is not clear.
34	What documentation should we have on file of the proposal when we use draft budget?	All supporting documents that relate to the calculation or justification of the costs of all categories of the draft budget. In addition, the document containing the budget itself (i.e. the draft budget) is to be archived by the managing authority as a supporting document to justify the SCO used.

35	When designing SCOs if we should check all the documents as the primary data sources or it is enough to use the data that will be provided for us by institution that is responsible for such data collection and the correctness of provided data?	In case the AA considers the source of data as reliable (for example, data coming from the national statistical offices), the check will focus on the verification that the data actually inputted in the calculation correspond to the source data and that they are eligible and relevant for the SCO scheme. For some sources of data, more detailed checks could be needed to confirm the reliability/correctness of data. A specific case merits special attention: it is when data coming from reliable sources (for example, published reports and official internet databases) are not used directly as such (automatically generated from the source's database) but are compiled to a unified form by hand. In such cases, it would be a good practice to compare (on a sample basis) whether the compiled numbers are in line with official reports. As, however, this will not always be practically easy to do, the AAs may use their professional judgement to decide whether additional check on the sample basis should be carried out or not taking into account any information available to AA on the type of data, the way of compilation, internal procedures of such body for approving the provided information, etc.
36	FEV method: is it ok for the MA to combine different sources of information in order to establish its methodology? For example "expert judgement" and "other objective information".	The objective of the methodology is to set up a SCO. Articles 53(3)(a)(i)] and 94(2)(a)(i) CPR refer to "other objective information" and "expert judgment" next to the use of statistical data. In relation to the example given, if there is data available from a source, which qualifies as objective, and the methodology can be set up using this source, it is not clear why an expert judgment would also be needed to set up the SCO, as an expert judgment can be used when there is no objective information available. Likewise, the same applies for the other methods. However, a combination is not legally excluded.
37	Considering the data used to create / calculate the SCOs, what is the influence of the ongoing pandemic? For example, costs for traveling differ a lot between the year 2020 and the previous years. The is quite a big deviation. It should be considered to leave out the data of the years after 2019 because they are not representative for an assessment. The scope should be adjusted.	In case the MA considers (and the AA agrees) that certain data is not representative (outlier), they can remove that data from the basis but a sound justification needs to be provided. Please see also reply to question 22.
38	Can article 50.2 be used even if such historical data under article 50.4 is available (dated 12 months and older)?	The question is not clear. Please be aware that the CPR refers to the calculation of the hourly rate using the 'latest' documented annual gross employment cost. The term "latest" in Article 55(2) CPR means that the data used must be recent enough, i.e. indicative of real staff costs. This means that a calculation method based on historical data of the beneficiary is not relevant.
39	How will the SCO update need to be performed and with whom we should consider this, if indexation is planned, and we change it according to the provided adjustment conditions?	Updates (adjustments, such as indexation) maybe foreseen when establishing the methodology and, for SCOs under Article 94 CPR, described in Appendix 1. The adjustments will then follow the pattern approved with the programme. Any deviation from it will be considered irregular, as long as it is not agreed with COM in a programme amendment, amending the approved SCO scheme.

APPENDIX 1

40	Appendix 2 is less taxing than Appendix 1 given that Section C of Appendix 1 is not included in Appendix 2. That being so, will auditors and the Commission be verifying the sources used and the calculation method adopted before approving an SCO based on FNLTCT?)	Based on Article 95 CPR the COM will approve the scheme and the overall amount for the implementation of the scheme. In addition, as specified in recital 34 CPR: “the respect of the principle of sound financial management should be ensured. In particular, as regards the appropriateness of the amounts linked to the fulfilment of the respective conditions or the achievement of results, the Commission and the Member State should ensure that resources employed are adequate for the investments undertaken”. This means that the COM should agree with the MS that the overall amount linked to the fulfilment of conditions/results is appropriate. This entails a dialogue with the MS as they both bear responsibility on ensuring the respect of sound financial management. The dialogue will involve presentation and discussion of the calculation method leading to an overall agreement on the resources employed for the implementation of the scheme.
41	Is it possible to fill in Annex V. Appendix 1 with SCO methods that are planned to be applied between MA and beneficiary? It would help us with legal certainty and of course would be preceded by AA assessment.	Appendix 1 is to be used for SCOs under Article 94 CPR (COM-MS level). However, in case the MA plans to apply the same SCO at the level MS-beneficiary (Article 53 CPR) as well, it surely can. Please see also replies to questions 15 & 19.
42	1) Is it acceptable to indicate in appendix 1 Annex V CPR SCOs implemented in accordance with Article 48 CPR, incl. off-the-shelf options or the EU level SCOs from the EC delegated act ? 2. Is it required to indicate in appendix 1 Annex V CPR 7% flat rate in accordance with art. 49(1)(a) CPR, which is considered as a fulfilment of the obligation of the mandatory use of SCOs (Article 48(1) CPR)?	1) No, SCOs that will be exclusively implemented in line with Article 53 CPR shall not be included in Appendix 1. However, it is possible that the same SCO applied as a mode of reimbursement between COM-MS also applies at the level MS-beneficiary (Article 53 CPR). Moreover, Union level SCOs that will be established by delegated act pursuant to Article 94(4) CPR will not need to be included in Appendix 1, either. 2) No, off the shelf options mentioned in Articles 54-56 CPR are absolutely not to be included in Appendix 1. Their legal certainty is ensured by the CPR provisions (the MS is not required to confirm that these rates are reliable proxy of costs for their operations).
43	Can the same template as used for SCO according to Art. 88 be used also for the SCO methodology according to Article 48?	No, Appendix 1 is only used for SCO under Article 94 CPR as a mode of reimbursement between COM-MS and is not applicable in the case of SCOs under Article 53 CPR (MS-beneficiary), as such SCOs will not be approved within the programme. See also clarification under question 42 above.
44	Question related to article 88 and articles 49 - 51? Is there any document similar to Annex V- Appendix 1 which the MS has to fill up and send to EC or nothing like that is necessary?	No, SCOs that will be implemented in line with Article 53 CPR are not approved by the COM and consequently there is no template to submit.

45	LV: regarding projects below 200 k- what COM would expect from MS regarding methodologies in these projects and whether these methodologies should be included in Annex 5, given that there might be a large number of methodologies	See replies to questions 41 to 44 above.
46	A practical step by step guide/example how Appendix I is completed by a MS.	This exercise has been carried out at several meetings and especially at meetings of TN ERDF SCO practitioners (Simplified Cost Options - Regional Policy - European Commission (europa.eu)) as well at meetings of the TN on Simplification for ESF authorities.
47	Should part B of Appendix I be filled in multiple times if the selected methodology applies different rates according to the pertinent project size.	For operations encompassing several SCOs covering different categories of costs, different projects or successive phases of an operation, the fields 3 to 11 of part B of Appendix 1 should be filled in for each indicator triggering reimbursement.
48	How to fill in the first part of Appendix I with regards to operations that are using different SCOs to meet individual Actions.	In Appendix 1 only the SCOs used for reimbursement by the COM to MS should be included which should be calculated based on the methodology indicated in Article 94(2) CPR. The way beneficiaries will be reimbursed (SCOs or costs actually incurred and paid) is irrelevant for Appendix 1 purposes. For simplification purposes, the Commission recommends the use of the same SCOs as a mode of reimbursement between COM-MS and at the level MS-beneficiary.

EX ANTE ASSESSMENT OF SCOs

49	Are all SCO foreseen for the funding period 2021-2027 to be approved and certified by the audit authority (or only those to be submitted with the operational programme)?	SCOs included in the programme (Article 94 CPR) must be assessed by the AA before the submission of the programme to the COM. The AA is not approving the SCO. The approval is done by the COM, within the adoption of the programme. SCOs under Article 53 CPR are subject to the regular risk assessment of the AA (covering both system audits and audits of operations). Depending on this risk assessment, the AA may envisage an early (ex-ante) assessment, a system audit or include a check of the methodology when auditing its sample for the audits of operations.
50	Given the voluntary nature of the SCO and the non-binding nature of the ex-ante assessment of the SCO methodology based on the Art. 48 by the AA, is it possible to set up an obligation on the MA to use this tool?	Ex-ante AA assessment of SCOs methodologies developed under Article 53 CPR is not mandatory (it was not mandatory in the programming period 2014-2020, either). With regard to the need for an ex-ante audit assessment of Article 53 CPR, please see the reply to question 49 above. The need of an early audit will be decided with the overall audit risk assessment and audit plan of the AA, which will take into account the characteristics of all measures funded under the programme.
51	Is it possible to jointly execute the ex-ante assessment of the SCO methodology (outside Annex V) based on Article 48, with the EC representatives/auditors? In such a case, which body carries out the ex-ante assessment “officially”? Is it AA or EC?	Whereas in the programming period 2014-2020 the COM provided this possibility, for the moment no such joint audits focused on SCOs are foreseen for the programming period 2021-2027. For SCOs under Article 94 CPR, COM will approve the programme, including the developed SCOs methodologies. As part of the approval process, SCOs are reviewed, including the ex-ante assessment provided by the AA. COM services are available in case of questions and requests for interpretations, for both MA and AAs.
52	Where is the border line between the SCO methodology and other supporting documents? Should the AA ex ante assessment be focused only at the methodology or should it also concern the broader context of the operation, for example the content of the operation, target group, beneficiaries, activities, publicity, state aid, data collection, public procurement, personal data protection, etc.?	For SCOs developed under Article 94 CPR, Appendix 1 requires the information necessary to assess the methodology (details on operation, possible perverse incentives or problems etc.). The AA should assess all relevant documentation for the proposed SCO.

53	To what extent methodologies already in use should be reassessed?	As required by the CPR, methodologies for the SCOs under Article 94 CPR should be assessed by the AA. Even if methodologies are in use, they should be reconfirmed, as there may be elements that need update so that SCOs still constitute a reliable proxy of real costs. The AA assessment should be submitted together with Appendix 1. As clarified in the COM SCO checklist : “Please note that in line with Article 49 CPR, where a Member State has calculated a flat rate for indirect costs based on eligible direct costs in accordance with Article 67(5)(a) of Regulation (EU) No 1303/2013 (fair, equitable and verifiable calculation method), that flat rate may be used for a similar operation for the programming period 2021-2027. In case the MA considers that any other SCO methodology developed for 2014-2020 is also of relevance for 2021-2027 (there are no major developments/legal changes which would require change of the methodology), then the AA can rely on the assurance obtained on that methodology in its previous audits. In such a case, the additional analysis of the AA for the 2021-2027 SCO could be limited (in particular to ensure that the old methodology is in line with the new legal framework and to confirm that there are no major developments which would require change of the methodology).” For the ESF, this applies most notably to unit costs and lump sums adopted by a delegated act (see Commission Delegated Regulation (EU) 2015/2195 of 9 July 2015, amended 9 times - https://ec.europa.eu/esf/main.jsp?catId=1490&langId=en)
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AUDIT OF SCOs

54	What is the scope of AA's role in the preparation and approval of bespoke SCOs (unit costs, flat rates etc.) and in giving security and reassurance to project partners before incurring costs. In the current programmes the AA's role has focused on auditing the SCOs, however this has created several problems	The decision and responsibility of the development of an SCO scheme lies with the MA, not the AA. As regards SCOs under Article 94 CPR, before programme submission to COM, the AA will perform an assessment of the calculation methodology and amounts and the arrangements to ensure the verification, quality, collection and storage of data. The COM will review this assessment together with the SCO methodology submitted and will approve SCOs as part of the programme. With regard to SCOs under Article 53 CPR, please see the reply to question 49.
55	Can the Commission present an updated checklist of how audits will be carried out?	COM shared its draft SCO checklist for the programming period 2021-2027 with the AAs on 15/12/2020. The final version was distributed in the meeting with AAs of 12/03/2021. It was also shared with the MAs at the 8 th meeting of the Transnational Network of ERDF/CF practitioners (Simplified Cost Options - Regional Policy - European Commission (europa.eu)).
56	If in the COM's checklist there are minimum requirements of questions for AA to address, what could be the maximum, for example: in case the statistical data are used, AA could - actually should, rely on?	See reply to questions 58 & 59 below.
57	What are the lessons learned from the technical meeting of the EC Audit Unit and the AAs?	In the technical meetings of 15/12/2020 and 12/03/2021 the AA and COM agreed on the minimum audit work to be performed for SCOs under Article 94 CPR. These technical meetings focused on the methodology-checklist to be applied during the assessment of SCOs under Article 94 CPR (and other audit work for SCOs) and on the assessment template to be included in the programmes for part C, section 5 of Appendix 1. Although the checklist and template are not legally binding/mandatory, the AAs are strongly recommended to use them (or to treat them as a minimum requirements) in order to speed up the SCO assessment and approval by COM. In particular, using the assessment template will result in reduced or no need to request additional confirmations from the AAs related to the scope of the audit work and the conclusions reached.
58	Are the checklist and template for the audit assessment mandatory for AA to follow? Is it minimum requirements to be followed? Could/ should other questions be added?	The checklist and template for audit assessment were agreed between COM and AAs during the technical meeting of 12/03/2021. They are not legally binding, however, if not followed, COM may require additional information to ensure that all legal requirements have been verified and to be able to approve the SCO scheme under Article 94 CPR. For the remaining two questions, see reply to question 59.
59	Can the checklist prepared by the COM be supplemented by the MS's AA during an SCO's assessment as currently its format is too general	The checklist is agreed between the AAs and the COM as a minimum basis for the assessment. The AAs can further develop it to their needs.

60	Checklist – section 1.2, (vii) – TA – for Interreg programmes it is mandatory to use flat rate for TA – should the AA still check this (part 1 of the checklist, which is about SCO methodology and not application)	No, it should not.
61	Does the AA need to prepare a separate assessment report for each SCO method assessed? In case multiple SCOs have been assessed by the AA simultaneously can a single assessment report be submitted	The question does not clarify if the SCOs concerned here are foreseen to be submitted to the Commission for approval under Article 94 CPR or under Article 53 CPR without submission to COM for approval). • For SCOs under Article 94 CPR: AA can prepare one assessment (but include details for each methodology). Checklist questions need to be duplicated per methodology. • For SCOs under Article 53 CPR: The AA will perform its system audit or audit of operations at a certain moment and can equally issue one report per system/audit of operation covering all SCOs concerned. Here again, if several SCO methods are under assessment, checklist questions need to be duplicated per methodology.
62	Who will be the recipient of the AA's assessment reports and will the AA be required to submit its assessment reports separately in the SFC?	We expect that the filled template for audit assessment is submitted with the programme document. Therefore, the Managing Authorities will submit the ex-ante assessment of the SCO schemes via SFC at the stage of programme submission.
63	Is it mandatory to audit all SCO methodologies developed under Art. 48 and/or during the development?	No, it will depend on the risk-assessment of the AA and the resulting audit plan.
64	What will be the impact if, for example, we use flat rate and the activity will not be implemented, how to calculate the error rate for financial corrections?	It is not clear from the question whether the whole operation or an activity within the operation is not implemented. If the whole operation is not implemented, this will result in a financial correction of the full amount affected. If it is one activity not implemented, the amount corresponding to the activity non implemented will be ineligible. The error rate will be calculated as usual.
65	How the EC will identify or control that the State declare expenditure as agreed under Article 88? Because in the form of declaration it is not excluded that expenditure is declared under Article 88.	MS and COM will verify the implementation based on the conditions approved within the programme. The control cycle contains first level controls before declaration of expenditure to the COM, second level controls (audits) providing assurance that the expenditure in the accounts is legal and regular, and audits by COM and ECA on the submitted accounts. SCOs under Article 94 CPR will be verified at each of these stages against the above-mentioned conditions.
66	If we will have positive feedback on SCOs from AA. What is the probability of COM later to question it. What would be the consequences for the Programme?	Regarding SCOs submitted to the COM in line with Art.94 CPR the COM will assess Appendix 1 based on the information included in it and the AA assessment. The COM will rely on the assessment provided by the AA if it is positive without any reservations and based on the COM review of the documents submitted there are no issues detected with regard to the reliability of the assessment.

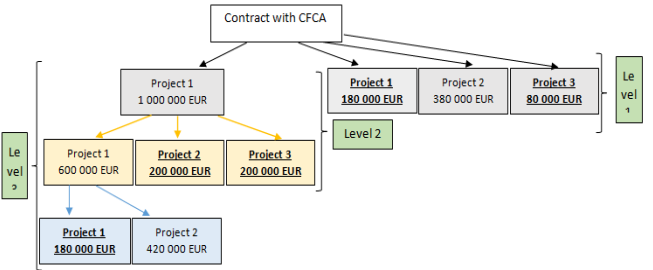
SCOs & PUBLIC PROCUREMENT

67	As provided in Article 68a CPR, the calculation of direct staff costs of an operation at a flat rate of up to 20% of the direct costs other than staff costs will not require a calculation to determine the methodology unless the operation includes public works contracts which exceed the threshold set out in point (a) of Article 4 of Directive 2014/24/EU. This means, that if the direct costs of the operation are even partially covered by such a public works contract which exceeds the threshold set out in point (a) of Article 4 of Directive 2014/24/EU, the use of the 20% flat rate defined in the Regulation is possible but will require the establishment of a methodology to determine the applicable rate. Could Commission please clarify if, should staff costs calculated on the basis of direct costs covered by such a public works contract were proven NOT to be externalized, does the 20% flat rate still require to establish of a methodology? In the case <u>for example</u> of an operation that has two types of costs: acquisition of research equipment (some of them exceeding the threshold) and staff costs (people, on the beneficiary's payroll, in charge of operating and of the maintenance of this equipment).	The provision mentioned concerns CPR for the programming period 2014-2020. However, the rule is the same in CPR for the programming period 2021-2027 (Article 55(1) CPR). Yes, staff costs in the example given should be calculated based on methodology in line with Article 53(3) CPR, as the provision does not differentiate between direct staff costs externalised or not, but the criterion is rather to ensure that the direct costs of the operation (staff costs excluded) do not include public works contracts which exceed the threshold set out in point (a) of Article 4 of Directive 2014/24/EU 4 of the European Parliament and of the Council (or in Article 15 of Directive 2014/25/EU of the European Parliament and of the Council).
68	Based on revised Guidance on SCO (14-20), When operations are implemented through public procurement procedures, the price in the contract notice is by definition a unit cost or lump sum constituting the basis of the payments by the beneficiary to the contractor. However, for the purposes of Article 67 CPR, costs determined and paid by the beneficiary based on amounts established through public procurement procedures constitute real costs actually incurred and paid under Article 67(1)(a) CPR. Question: In case an SCO methodology is applied for works contract, it is assumed that the conditions for payment by the MA to the Beneficiary may not be the same as the conditions for payment by the Beneficiary to the Contractor (this specifically applies to unit cost contracts) .	This relates to the programming period 2014-2020 period and not to the programming period 2021-2027. This approach in the revised Guidance Note on SCOs (EGESIF 14-0017) is based on the Joint Statement by the COM and the Council in the CPR for the programming period 2014-2020 on Article 67 and is linked to the prohibition of implementing SCOs in fully procured projects. In the CPR for the programming period 2021-2027, there is no such prohibition, i.e. it is not excluded that the unit cost or lump sum paid to a contractor constitutes a SCO. However, it is not clear what is meant by "conditions for payment". If it is meant a different form of reimbursement (i.e. reimbursement from the MS to beneficiary based on a lump sum (and from the beneficiary to a contractor based on a unit cost (for example)), this is not excluded but the concept seems against simplification.

69	Is it reasonable to use contracts, contract addenda (not the whole procurement procedure documents) and BoQ from the Contractor as the basis for assessment of progress of operation (milestones) which serve as basis for reimbursement based on SCO, and not as basis for taking into consideration the real costs (which will be clearly stated in the documents, but should not be relevant for SCO).	It is for the MA to set out the conditions for reimbursement of the operations, the indicators and the milestones/steps. The way mentioned in the question seems reasonable and acceptable.
70	Article 50, CPR 2021-2027 – is the value of specific contracts or the value of the procurement procedure relevant with receipt to above threshold rule since procurements may be divided into lots, and each lot contracted with different contractor, and those separate contracts may be of value below threshold	Article 55(1) CPR mentions public works contracts or supply or service contracts “which exceed in value the thresholds set out in Article 4 of Directive 2014/24/EU of the European Parliament and of the Council or in Article 15 of Directive 2014/25/EU of the European Parliament and of the Council”. Article 4 of Directive 2014/24/EU refers to “procurements with a value net of value-added tax (VAT)” being equal to or greater than the specific thresholds stated therein”. The same provision is enshrined in Article 15 of Directive 2014/25/EU. This means that it is the procurement value that will be taken into account irrespective of the lots that a procurement maybe divided in.
71	For fully procured operations, how to set up the price (e.g., for the unit costs)? What would the process look like? What is acceptable/proportionate in this case (especially in the context of small markets, limited number of offers, inflated prices knowing that the public funds will be financing specific types of operations, very specialised goods for procurement). How can we ensure that the work put into setting up a unit cost for fully procured operations is not for the sake of simply avoiding the public procurement?	This question is under assessment. The COM will reply at a later stage when all elements have been clarified.

MANDATORY USE OF SCOS

72	We suppose the only moment when the mandatory use of SCOs must be checked is at the time of issuing the decision on the support of the project from EU funds. E.g. if initial planned costs of the project are over 200 000 EUR and the support is thus based on the real costs but finally the really incurred total costs decrease below 200 000 EUR, does this situation have any implications toward the assessment of the mode of the financing? We assume that it is in any case possible to change the mode of the financing after the decision is issued but we would like to get the assurance from your side as well. How to deal with the operation whose part of costs is supported by the state aid (e.g. the regional investment aid according to GBER) and the other part of costs is supported by de minimis aid (e.g. in the total amount of 100 000 EUR) and the total cost of the operation does not exceed 200 000 EUR? We suppose that as the operation is provided with the state aid regardless the volume of costs covered by GBER and de minimis aid is provided as well, there is no obligation to use SCOs on this operation	The moment of signature of the document setting out the conditions for support is the moment where the application of Article 53(2), first subparagraph CPR enters into play. The costs actually incurred by a beneficiary are irrelevant as regards the application of this Article. The CPR (2014-2020 and 2021-2027) has not established primacy among the types of aid, when, notably, in the same operation, ERDF comes under the de minimis and the national support comes under a State aid regime (GBER). Where combination of State aid and de minimis in the same operation is possible, subject to conditions under the State aid rules, the most adequate solution is not to impose the use of the SCOs. This solution offers the maximum simplicity and flexibility for the managing authority.
73	1 Is the use of SCOs mandatory, if de minimis and state aid (GBER) are combined in 1 operation the total cost of which does not exceed EUR 200.000? 2. Is the use of SCOs mandatory, if operation, the total cost of which does not exceed EUR 200.000, is fully procured? How to fulfill the obligation of Article 48(1) CPR, if none of the SCOs in outsourced operation is reasonable and effective?	1) No. See reply to question 72 above. 2) a) Yes, it is. b) The purpose of Article 53(2), first subparagraph CPR is that controls of low value (small) operations are not efficient and the application of SCOs would bring simplification. The CPR foresees several possibilities to establish SCOs for small operations to fulfil this requirement; one suitable option is the use of a draft budget.
74	If the contract of project is above 200 000 EUR, but savings have occurred during implementation and the total amount of the request for final payment is below EUR 200 000, what action the EC is expecting from member state in this case regarding to mandatory use of SCOs?	No action. The obligation to use SCOs is at the moment of signature of the document setting the conditions for support where all costs are taken into account for the application of the threshold. There is no change of this during or after the implementation of the operation irrespective of whether the real costs are lower due to savings made.

75	At what level the mandatory use of SCOs apply? 	Mandatory use of SCOs applies at the level of the operation to be co-financed. Therefore, depending on what the operation is in this scheme, mandatory use will apply at that level. To be able to reply clearer, more details need to be provided on the implementation scheme and what the different levels refer to. As regards ETC, SCOs are mandatory for small projects with total costs below 100 000 EUR implemented under small project funds, Article 25(6) ETC Regulation.
76	HU: In case of mandatory use under 200 000 EUR total cost, do we understand correctly that cost can be covered by a combination of SCOs? Of course avoiding double financing.	The mandatory use of SCOs (Article 53(2), first subparagraph CPR) requires that all categories of costs are covered by SCOs except where specific exceptions are provided in this Article. In line with Article 53(1)(e) CPR, the different forms may be combined provided that the combination covers different categories of costs or where they are used for different projects forming a part of an operation or for successive phases of an operation. The above means that a combination of different forms of support (i.e. different SCOs or a combination between real costs and SCOs) is possible. However, it needs to be ensured that no double financing occurs.
77	Germany and RO: mandatory use of SCOs for projects of less than 200.000 EUR also for De-minimis aid projects?	Yes, in line with Article 53(2) CPR, first subparagraph CPR operations subject to de minimis aid must be implemented by SCOs.
78	Please, could you confirm that the mandatory use of SCOs to de minimis projects was approved with the legal services of COM?	It is not clear what is meant by “approved by legal services”. This provision has been interpreted by COM services and in line with this interpretation, mandatory use of SCOs covers operations subject to de minimis aid.
79	For the projects where the total cost of an operation does not exceed 200kEUR and according to the requirements of Regulation it is mandatory to use a SCO, is it possible allowances and salaries paid to participants may be reimbursed in real costs as an exemption?	Yes, this is clearly stated in Article 53(2), second subparagraph CPR.
80	What kind of criteria/arguments can a MA use to exempt some operations in the area of research and innovation; and if the same intervention in the area of research and innovation is supported by different MAs, can one exempt and the other not?	The CPR does not specify criteria for such exemption. It is to the Managing authority to decide on such exemptions based on professional judgement and to ensure they have been approved by the monitoring committee.

81	In a call for proposal, can we let the choice to the candidate to use or not the SCO proposed by the managing authority and can the MA propose different SCO for a same category of costs?	No, the use of SCOs and what categories of costs they will include should be clearly set out in the call for proposals and applicable for all operations selected for example under the call in order to avoid discrimination. See also reply to question 89.
82	What is the consequence if there are projects not implemented as SCOs if they should?	The provisions of the CPR must be respected. If this is not the case, depending on the specifics of the issue, the non-use of SCOs may be considered as a systemic weakness of the management and control system in which case a financial correction may be applied.
83	Is it sufficient to use the 7% flat rate, in cases where the SCO use is mandatory and when the operation is fully procured? What will happen if the MS does not use the mandatory SCO, when it should have done so?	1) Yes. 2) For the second part of the question please see reply to question 82 above.

STATE AID		
84	Is correct the conclusion that MAs or AAs are not obliged to do the control or audit of compliance with the state aid rules if the state aid rules are taken into consideration in the methodology on SCOs setting? Is necessary to have the SCOs methodology verified by the AA in such a case?	The verification of State aid/de minimis rules is required at the stage of the methodology preparation as well as at the stage of selection of operations/implementation, depending on individual cases. See also reply to question 86.
85	In case the state aid rules are not taken into consideration in the process of setting the SCOs methodology, my understanding is that the MAs should control the compliance with state aid rules before the decision on the EU funds provision is issued and the amount set based on the SCOs methodology (e.g. amount per unit multiplied by the number of units, the lump sum or the amount of costs, which should be reimbursed based on FR) is considered to be the amount of eligible costs, to which the relevant state aid intensity is applied. Is my understanding correct?	The moment in time when you establish eligible categories of costs to set up the methodology for the application of SCOs and the calculation of the aid intensity is the moment where you should check compliance with State aid rules. In any case, the grant agreement would clearly state the categories of costs (eligible for both State aid and CPR rules) as well as the funding of the project, i.e. the amount to be supported by public co financing to which State aid intensity will be applied. See also reply to question 86.
86	How the State aid issues can be addressed - assessed, when flat rates and/or off-the shelf methodologies are used?	1. At the stage of the SCO methodology: Assess whether the support to be granted is subject to considered State aid/de minimis rules (more clarification in this regard could be found in the Commission Notice on the notion of State aid (OJ C 262, 19.07.2016, p. 1.). a. In case of de minimis aid check that the thresholds are not exceeded at the stage of selection of operations. b. In case of state aid verify which rules are applied (GBER, SGEI, notified scheme, etc.). Then check if the categories of costs covered by the flat rate/off the shelf amount are eligible under the State aid rules applied. 2. At the stage of selection and implementation of operations Check if the aid does not exceed de minimis thresholds, or that it complies with any aid intensity rules. If relevant, check whether the beneficiary complies with SME status (if required by State aid applicable rules).

GENERAL QUESTIONS ON SCOs

87	How to deal with the case when the VAT is part of eligible costs used for the calculation of the SCOs (e.g. lump sum or unit costs) and in the course of the project implementation or during the sustainability period the beneficiary changes its status from the VAT point of view and becomes the VAT payer with the right of the VAT deduction (i.e. the VAT becomes ineligible). How to process possible corrective measures especially in case of the lump sum in a case the output of the project was delivered in time and in a quality requested?	• For operations the total cost of which is below EUR 5 mio (including VAT) VAT is eligible. • For operations the total cost of which is at least EUR 5 mio (including VAT): ○ In case of reimbursement of costs based on a flat rate, VAT eligibility is assessed for the basis costs, i.e. the costs to which the flat rate is applied. As regards the “real” costs covered by the flat rate (i.e. costs underlying categories of expenditure reimbursed based on the flat rate) VAT eligibility will not be assessed, ○ In case of reimbursement of operations based on unit costs and/or lump sums, if the MA applies the same SCO rate for all operations (regardless whether they are above or below EUR 5 mio), in practice no adjustment is needed.
88	Are SCOs applicable for RRF support as well?	Please refer to RRF website: RRF - Frequently asked questions - RECOVER FAQs for Member States - EC Extranet Wiki (europa.eu)
89	How to make sure that the costs are equal between different SCOs (different calculation on same things etc)?	The question is unclear. There is no requirement or need for equality when a SCO method is set up to calculate the costs of an operation. There can be different calculation of the same costs. Different methods do not need to have the same calculations; however, they need to be fair, equitable and verifiable. It is also reminded that if within the same programme/call for proposals the MA applies different amounts/rates to the same types of beneficiaries or operations, it needs to ensure that it does not favour some beneficiaries or operations over others, i.e. equal treatment principle is followed (if different amounts/rates are applied to the same types of beneficiaries or operations, it must be based on objective elements).
90	Regarding flat rate, what sort of good practices had been identified relating to reckoning basic cost and calculated costs, in order to fulfil the requirement that calculated costs shall always be paid together with basic costs?	There should be <u>due proportionality</u> between basis costs and calculated costs: 1. For example in the case of flat rate of direct costs for the calculation of indirect costs: ○ No ‘indirect costs’ should be declared to the COM without underlying direct costs having been incurred. ○ if for example X % of the direct costs are paid by the beneficiary, around the same percentage of the indirect costs (not exceeding the regulatory % for the direct costs) may be considered as paid. 2. Another example: • 20 % flat rate for staff cost is used. • The reimbursement claim by the beneficiary is EUR 50.000 for equipment. • The MA will reimburse EUR 50.000 for equipment + EUR 10.000 for staff costs (20 %, automatically calculated when basis - real costs are included in the reimbursement claim). Total amount of eligible expenditure subject to reimbursement: EUR 60.000.

91	Art. 53 para.1 subparagraph 2 allows that the managing authority exempts operations from the obligatory implementation of sco in the case of research and innovation. The monitoring committee has to give its prior approval. As regards the future funding period, when does the monitoring committee has to approve and which monitoring committee (of funding period 2014-2020 or 2021-2027)?	Monitoring committee of the 2021-2027 programme, at the moment assessed as suitable by the MA, e.g. for a whole call of proposals given the specificity of the operations sought or upon closure of submission of proposals to a call and assessment of (some specific) projects (to become operations).
92	Which categories of sco have to be submitted with the operational programme? How to distinct these sco from other sco?	Appendix 1 should include all categories of costs that will be covered by unit cost, lump sum or flat rate of a specific type of operation. There is no restriction with regard to which SCOs can be submitted under Article 94 CPR. However, it is strongly recommended to use it for SCO schemes, and not for SCOs targeting a specific operation, e.g. a draft budget for a specific operation. The second question is not clear. For SCOs under Article 53 CPR (MS-beneficiary level), such costs should not be included in Appendix 1. However, as already replied, SCOs in Appendix 1 may be the same as SCOs applied at the level of the beneficiary.
93	How to ensure that expenses to be covered by simplified cost options and other expenses can be clearly distinguished (especially indirect costs/administrative personnel costs to be distinguished from other personnel costs). Which criteria are appropriate for such a distinction?	The MA needs to define specifically the categories of costs of an operation to be covered by SCOs. This means that the MA should define and clearly separate direct costs from indirect costs by their link to the operation. By clearly separating the categories of costs and the application of different SCOs for each category, the MA will ensure that no double financing occurs.
94	If I use SCOs between MA-beneficiaries, how the EC will reimburse me at programme level, on which basis. What about legal certainty? This in the case I do not submit any SCOs under article 88, for instance.	The COM will reimburse the MS based on Article 51(b) CPR.

SCOs IN PAYMENT APPLICATIONS

95	1. Could you please indicate and correct if wrong the following understanding of "template for payment applications - Article 85(3)": a. Column B, corresponding to level Member State - beneficiaries, is the column in which the "real costs" under article 48 (a) and simplified costs options under article 48 (b), (c) and (d) should be declared. b. Column B bis, corresponding to level Commission - Member State, is the column in which simplified costs options and financing not linked to costs under article 46, 88 and 89 should be declared. Could Commission indicate to what type of costs article 85 (3) (a) and article 46 (b) refer exactly and in which column the costs under 46 (b) should be declared? 2. Article 88 states that "Member States shall reimburse beneficiaries for the purposes of this article. This reimbursement may take any form of support". So we can have different modes of reimbursement between the two levels. But do both amounts have to appear in the application for payment: the amount Member state has reimbursed to the beneficiary has to appear in column B and the amount the Commission reimburses Member States in column B bis? Or should only the amount that the Commission reimburses Member State appear in column B bis?	1) a) When no use of Articles 94/95 CPR is made: ○ If the MA reimbursed the beneficiary based on costs actually incurred by beneficiary and paid, these amounts should be put in column B of the template set out in Annex XXIII, in line with Article 91(3)(a) CPR. ○ If the MA reimbursed the beneficiary based on SCOs, the SCO amounts calculated according to Article 53(b),(c) and (d) CPR should be put in column B in line with Article 91(4)(c) CPR. Both options as above concern reimbursement by the COM in line with Article 51(b) CPR. b) Correct: In line with Article 91(4)(a) and (b) CPR, where use is made of Articles 94/95 CPR (Article 51(a), (c), (d) and (e) CPR), the corresponding amounts (as approved by the COM decision) should be put in column C of the template set out in Annex XXIII. 2) Where use is made of Article 94 CPR, the SCO amounts as approved by the COM decision covering the relating categories of costs should be put in column C of the template set out in Annex XXIII, and not the corresponding amounts between the MS and beneficiaries.
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96	Following the answer to question 12 of the Commission's FAQ, we have two questions about the methods of storing data on payment to beneficiaries: 1-a) should the data relating to payments to beneficiaries be recorded and stored in the program' single information system in order to satisfying the requirements of article 87-5-b? 1-b) is it confirmed that these data will not be auditable by EC or MS audits (in accordance with article 88-3 paragraph 3) even though they are in the same IS of the program? Or conversely: 2) Is it not necessary to record these data relating to payments to beneficiaries in the program's single information system because these data cannot be audited in accordance with article 88-3 paragraph 3? Can the MA satisfying the requirements of article 87-5-b at the closing (of the program) by sending a simple report held outside IS?	1-a) Yes, they should. The audit trail for SCOs under Article 94 CPR (Annex XIII, section III) and for FNLTC under Article 95 CPR (Annex XIII, section IV) requires proof of payment of the public contribution to the beneficiary and its date.
97	Presentation of private means in payment requests – If co financing comprises only private means how to deal with the payment request (Draft CPR, Annex XIX, p. 162). Should column « B » record the amount paid via sco plus the amount of private means? How should the private means be calculated? The amount for sco can be calculated by means of submission of offers. Can the amount of private means cofinancing the operation be calculated on the basis of the offers and the difference to the amount of sco actually paid ?	In column A of the template set out in Annex XXIII, the MS has to indicate whether the calculation basis is total or public and then all information provided follows this scheme. • If the MA reimbursed the beneficiary based on costs actually incurred by beneficiary and paid (public and/or private), these amounts should be put in column B of the template set out in Annex XXIII, in line with Article 91(3)(a) CPR. • If the MA reimburse the beneficiary based on SCOs, the SCO amounts calculated according to Article 53(b),(c) and (d) CPR should be put in column B, in line with Article 91(4)(c) CPR. The SCO amounts are calculated in line with the methods provided in Article 53(2) CPR. • In line with Article 91(4)(a) and (b) CPR, where use is made of Articles 94/95 CPR (Article 51(a), (c), (d) and (e) CPR), the corresponding amounts (as approved by the COM decision) should be put in column C of the template set out in Annex XXIII.

N.B.: The questions included in this Q&A document have been sent by Member States when the regulatory framework for the 2021-2027 programmes was still under negotiations. Therefore, the numbering of articles to which they refer differs from the one adopted in the Regulation (EU) 2021/1060 (hereafter CPR). The correspondence of articles between the draft and final versions of CPR is the following:

Draft CPR	Final CPR
Article 46	Article 51
Article 48	Article 53
Article 49	Article 54
Article 50	Article 55
Article 51	Article 56
Article 85	Article 91
Article 87	Article 93
Article 88	Article 94
Article 89	Article 95