



Evaluation Study of the Application of Simplified Costs

Executive Summary

May 27th, 2021

Co-financed by:



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Evaluation o the Application of Simplified Costs

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Objectives and Scope of the Evaluation

Given the strategic nature that the **Simplified Cost Options (SCOs)** assume in the 2014-2020 programming period, the objective of the evaluation is **to analyse the contribution of the application of SCOs to the simplification of the implementation of the European Structural and Investment Funds (ESIF) and to identify the critical points, needs and potential for extending their application**, based on the analysis of the configuration of available SCOs and their implementation under both the QREN and the PT2020. In this way, it was expected that recommendations would be produced to support future programmatic and management decisions mainly regarding the potential to extend the SCOs in the PT2020. This evaluation contemplates the experience of implementation of the SCOs in Portugal in the European Social Fund (ESF), European Regional Development Fund (ERDF) and European Agricultural Fund for Rural Development (EAFRD) covering the following Operational Programmes (Ops):

- QREN: POPH, PO Madeira and PO Açores.
- PT2020: POCI, POCH, POISE, POSEUR, PO Norte, PO Centro, PO Alentejo, PO Lisboa, PO Algarve, PO Açores, PO Madeira, RDP Continente (RDP - Rural Development Programmes), RDP Açores and RDP Madeira.

Framework and Context of the Evaluation Study

The issue of de-bureaucratisation and simplification in accessing European Funds and financing operations (application, approval, implementation, monitoring, closure of the operation) is not new and in the programming process for the 2007-2013 period important steps were taken to simplify the rules for financing. In Regulation (EC) No 1081/2006 on the European Social Fund, a new regime that allowed the eligible indirect costs to be declared on a fixed basis, without the need for the beneficiary entity to provide any justification or documentary evidence - as was the case in the previous model - up to a maximum of 20% of the direct costs of each operation. This simplification, which involved using flat rates for indirect costs, was welcomed by all stakeholders, including the European Court of Auditors which, in its 2007 Annual Report¹, found that most errors in structural actions expenditure resulted in part from the complexity of the legislation and its implementation, recommending the need to "simplify the basis of calculation of eligible costs and make greater use of lump sums or flat rate payments instead of reimbursement of 'real costs'".

The advantages of these new forms of financing eligible costs have been recognised by all the European bodies and, in this sense, for the 2014-2020 programming period, the Commission has extended the possibilities in terms of SCOs, giving a greater focus on outputs and results (rather than on the verification of evidence of expenditure). Regulation (EU) 1303/2013 of the European Parliament and of the Council of December 17th, 2013, allowed the eligible expenditure of grants and repayable assistance to be financed not only on an actual cost basis, but also based on flat rates financing, standard scales of unit costs and lump sums of up to EUR 100 000 in the various ESIF. In addition, for the ESF, Regulation (EU) 1304/2013 of December 17th, 2013, established that grants and repayable assistance whose public funding does not exceed EUR 50 000 should always correspond, subject to the exceptions provided for, to standard scales of unit costs, lump sums or flat rates, the use of simplified costs being mandatory in such cases.

In Portugal, in addition to the obligation arising from European legislation, in the case of the ESF, to provide exclusive support under a simplified costs regime for applications relating to small-value operations whose public financing does not exceed EUR 50 000, the legal regime of the ESIF enshrines the application of SCOs², contemplating the following possible simplified costs modalities:

- Standard scales of unit costs.
- Lump sums of up to EUR 100 000 of public contribution.
- Flat rates financing, determined by applying a percentage to one or more cost categories.

¹ JO C 286, 10.11.2008, Volume 51, «Annual Report of the Court of Auditors on the implementation of the budget concerning the financial year 2007 together with the institutions' replies», Chapter 2, paragraph 42.

² ESIF governance model (defined by decree-law no. 137/2014, September 12th); General rules for the implementation of the operational programmes (OPs) and rural development programmes (RDPs) financed by the ESIF, for the 2014-2020 period (Decree-law no. 159/2014, October 27th); and specific regulations for each Fund (e.g., Ordinance 60-A/2015, March 2nd, in the case of the ESF).

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The option in Portugal was to condition the financing of small-value operations, when there is no other defined SCOs methodology, to the use of the lump sum modality.

Regulation (EU) 1304/2013, December 17th, 2013, on the ESF also defined the possibility for the Commission to reimburse expenditure paid by Member States based on standard scales of unit costs and lump sums through the adoption of a delegated act. Portugal has made use of this possibility in 2019, with the inclusion of standard scales of unit costs for operations concerning non-formal training for persons working in the public sector in Commission Delegated Regulation (EU) 2019/2170, September 27th, 2019.

With the publication of the **OMNIBUS Regulation** (Regulation (EU) 2018/1046, July 18th, 2018), it is recognised by the European bodies that conditions should be created for Member States to make more frequent use of SCOs, as another way to promote results orientation, giving priority to funding based on outputs and results. In this sense, the above-mentioned Regulation foresees **a greater standardisation of rules between funds and the relaxation of the procedures/rules necessary for the introduction of SCOs**, for example by increasing the possibilities of using Flat Rates without the need to perform a calculation to determine the applicable rate, eliminating the upper limit applicable for the use of Lump Sums. It also extends the obligation to apply SCOs to subsidies and repayable assistance for which the public support does not exceed EUR 100 000 apart from operations receiving support within the scope of state aid which does not constitute de minimis aid. There is thus an extension of the obligation in two ways: extension to the ERDF and extension of the upper limit for the obligation to apply the SCOs.

In Portugal, there are currently **36 types of operations in force with the application of SCOs**. According to the information provided by the Certification Unit (AD&C), by the end of 2020 in the ERDF, operations with fixed rates (the only SCOs modality implemented in this fund) corresponded to almost 12% of the total operations with certified expenditure, and in financial terms the certified expenditure of operations with simplified costs represents 12.9% of the total certified public expenditure. In the ESF, despite covering a reduced number of types of operations financed in PT2020 (although with a slightly higher weight than in the ERDF), representing 14.3% of the number of operations with certified expenditure, the simplified costs had some importance in the total amount of certified public expenditure, representing more than 1/3 of this expenditure. This fact derives from the financial proportion that the intervention typologies with SCOs have in the certified ESF financial volume. In turn, in RDP 2020 the simplified costs covered all three methodologies, with the standardised scales of unit costs being the methodology with the highest number of operations (78.7% of the operations with SCOs), public expenditure contracted (80.5%) and executed (83.6%). Overall, SCOs operations had a residual weight in the total number of operations financed by this fund (3.3%), though they accounted for 14.6% of the expenditure contracted and 12.8% of payments.

Methodology

At the methodological level, the Theory of Change (ToC) was chosen as the pivotal approach of this Theory based Evaluation (TbE), complemented with Contribution Analysis and Process Analysis in order to generate a combined approach for the definition of causal relations and mechanisms of effect production. A multi-method perspective was adopted, using different sources and methods to collect and analyse information, from which we highlight the carrying out of two rounds of interviews to the various OPs, the application of surveys to the OPs, to MAs and IBs technicians and to beneficiary entities, and the carrying out of five case studies, the benchmarking analysis in three countries considered to be good practices in the application of SCOs with potential transferable elements to the Portuguese context (Italy, Poland and the Czech Republic) and the three focus groups with technical staff from the Managing Authorities (MA) and Intermediate Bodies (IB), representatives of beneficiary entities and audit and control entities.

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Logic for the Evaluation study's methodological approach

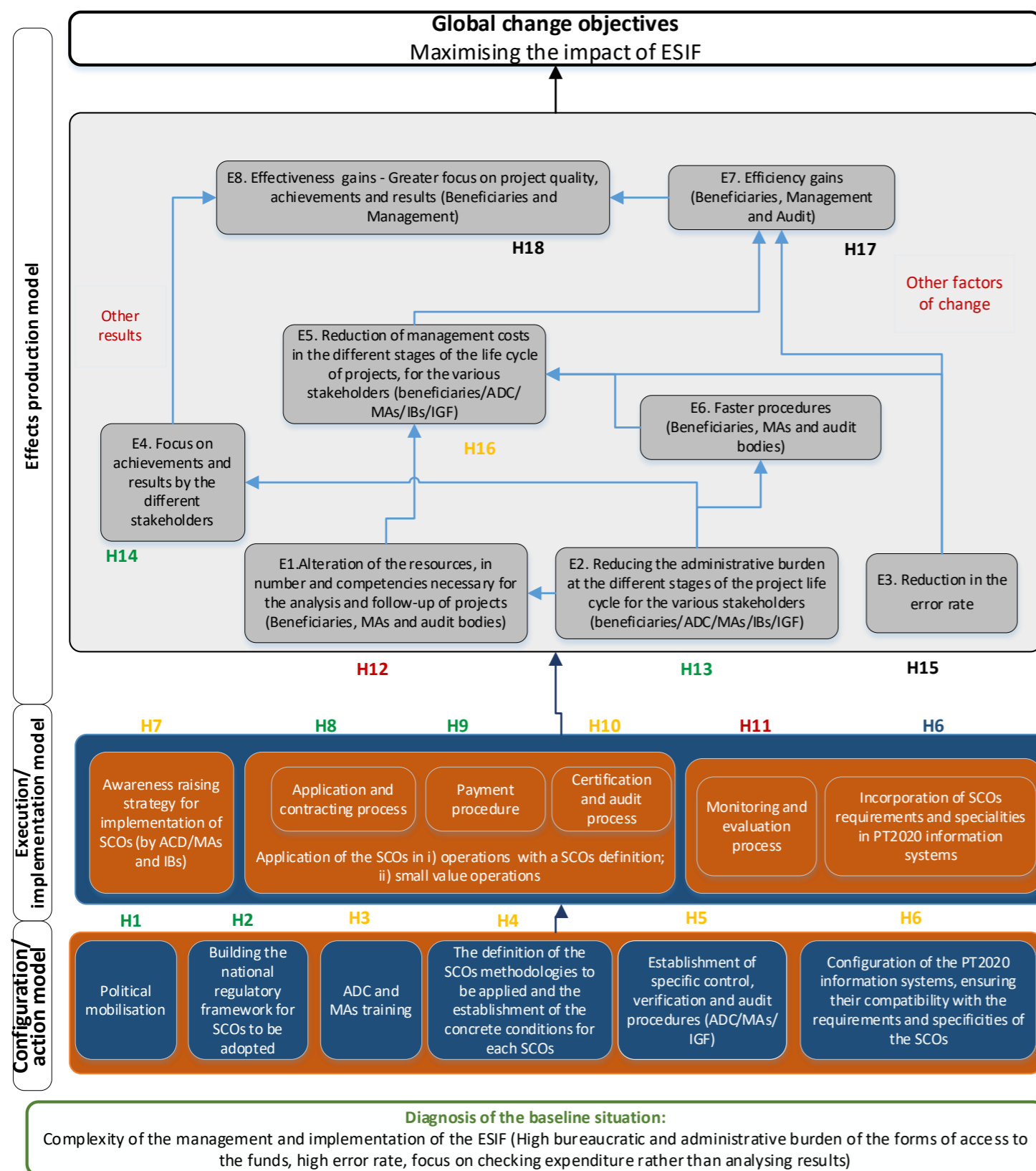
This Evaluation study should provide answers to the following Evaluation Questions:

Criteria	Evaluation questions
Relevancy	Q1. To what extent do the existing SCOs respond to the priority of simplification and results-orientation? To respond to this priority is there a need and potential for extending the SCOs to other typologies?
Coherency	Q2. To what extent do the SCOs articulate/compatible with other systems of rules deriving from national legislation concerning the same matters (e.g., rules of the state aid regime/public procurement)?
Operational Efficiency	Q3. Did the process adopted for the constitution of the SCOs and their implementation (namely the involvement/participation/adherence of the stakeholders, the calculation methodologies used, the procedures adopted, the application of Community rules...) ensure greater effectiveness and efficiency in the implementation of the SCOs? What are the main critical points? What can be done to make the SCOs more effective, namely, what good practices in Portugal or in other Member States can be replicated?
Effectiveness	Q4. Have the SCOs achieved their objectives (namely, the simplification of ESIF implementation and the focus on results)? What changes can be observed arising from the SCOs applied in QREN and can be expected from the SCOs applied in Portugal 2020?

The answers to these questions were based on a set of elements of analysis aimed at testing the hypotheses of the ToC and their respective causal links which constituted the configuration model of the contribution and process analysis. Considering the evidence collected, the final configuration of the ToC is presented, which allows one to distinguish different degrees of confirmation of the starting hypotheses.

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Theory of Change of CSO application



Other influencing factors

- Creation of a single regulation for ESIF
- Single audit
- Other de-bureaucratisation and simplification measures, namely:
 - Dematerialisation of processes;
 - Harmonisation and standardisation of application and payment forms;
 - Changing audit sampling methods.

Hypothesis:

H1: The investment of the responsible political departments of PT2020 in the SCOs adoption process created favourable motivational conditions for the creation of SCOs application methodologies

H2: The configuration of the national regulatory framework of the SCOs is facilitative of the adoption of SCOs by the OPs of PT2020.

H3: The AD&C and the management teams of the MAs of the OPs were successful in creating an organisational environment favourable to innovation and ambition in the implementation of the SCOs

H4: The approval circuits for specific SCOs methodologies for each operation typology are compatible with the objective requirements of simplification and result orientation underlying the SCOs

H5: The specific control, verification and audit procedures are adjusted to the requirements and objectives of the SCOs

H6: The information systems (IS) can integrate the specificities of the SCOs and respond to the management and monitoring needs

H7: The awareness-raising strategies for the implementation of the SCOs promoted the adherence of the beneficiaries to the typologies of operations with SCOs and provided them with knowledge on the specific rules and procedures of the SCOs

H8: The result indicators assumed a central place in the application and contracting processes of the types with SCOs, which require a significantly lower administrative burden than in the real cost operation types

H9: The processing of payments in the types of operation with SCOs implemented has as a fundamental consideration the results obtained by the financed operations, with less associated documents

H10: The audit and certification processes for the types of operations with SCOs implemented focus on verifying the outputs and results achieved by the operations

H11: The system built to monitor the results of operation typologies with SCOs can produce systematic and useful information and the monitoring documents reflect the specificities of the SCOs

H12: Contracting, payment, audit and monitoring processes with reduced administrative burden and greater focus on outputs and results have generated a change in the profile of resources associated with the management of community funds

H13: Contracting, payment and audit processes with fewer associated documents led to a reduction in the administrative burden and faster procedures at the different stages of the life cycle of operations for the various stakeholders.

H14: Contracting, payment, audit and monitoring processes focused on outputs and results contributed to a results-orientation on the part of the various stakeholders

H15: Payments based on quantities or achievement of results without the need to present expenditure led to a reduction in the error rate.

H16: The change in resources, in number and competencies, together with the greater speed of procedures and the reduction in the error rate generated a reduction in management costs in the different stages of the life cycle of the operations, for the various stakeholders

H17: The reduction in the error rate associated with the reduction in management costs in the different phases of the life cycle of operations has led to efficiency gains.

H18: The improved efficiency associated with a greater results orientation of stakeholders has led to an improvement in the quality, outputs and results of operations financed by the ESIF

Hypothesis test legend:
 H - Validated hypothesis
 H - Partially validated hypothesis
 H - Non-validated hypothesis
 H - Hypothesis without evidence

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Conclusions of the evaluation study

Coherence of the implementation of the SCOs: reconciliation of the SCOs with national legislation

There were no inconsistencies between the SCOs measures and other systems of rules deriving from national legislation. Given the scope of the SCOs and their implementing rules, the focus of analysis was on state aid and public procurement as the main areas of possible incompatibility.

Regarding State aid, **the articulation with the SCOs is clear since it is explicit that State aid rules must be complied with when calculating and administering the SCOs**, so that they must be based on methodologies that make it possible to clearly identify eligible costs used and exclude expenses that are not eligible under State aid rules. It was found that this is a matter of restricted application, as the vast majority of SCOs methodologies encompass entities or projects that are not eligible under the State Aid Regime. When this happens, the methodological documents frame the entities and projects in relation to this regime, and the interlocutors heard during the assessment did not identify any doubts in its application.

In turn, **while no formal incompatibilities were identified in public procurement in its articulation with the SCOs, it raised more doubts among the interlocutors consulted**. These doubts are related to the inherent complexity of the public procurement procedures themselves and to the uncertainty that still exists in the application of the SCOs. If an operation is carried out exclusively with public procurement, the SCOs do not apply, but in operations where a significant part of the operation's costs is covered by public procurement, it is necessary to mobilise the concept of "total management control of the operation", which creates great uncertainty in relation to the procedures. When the beneficiary has full management control, SCOs can be applied, even with cost categories under public procurement. This is a concept that, according to the MAs, is not objectively defined and there are no clear guidelines on the procedures to be adopted in these cases. In order to clarify these doubts, it is essential to clarify procedures and issue guidelines so that all interlocutors have a common understanding of the concepts and procedures to be carried out, which is vital for safety in the application of SCOs methodologies and the elimination of the legal uncertainty that still surrounds the application of SCOs in Portugal.

Operational efficiency: creation of favourable conditions for the application of SCOs, adequacy of procedures, raising the awareness of beneficiaries, alteration of auditing procedures and adequacy of information and monitoring systems

In the initial phase of setting up the SCOs, **the political authorities tried to create motivational conditions** for the preparation of the methodologies, and there was a reinforced effort to make the MAs aware of the use of the SCOs. Simultaneously, **the national normative framework did not place any limitations on the adoption of SCOs**, with the various methodologies foreseen in Community legislation - flat rates, standard scales of unit costs and lump sums - being contemplated in Portuguese legislation.

Even so, the adoption of SCOs in the first years of PT2020 covered a limited number of intervention typologies, being the thematic OPs (POCH, POISE and POCL), POR Norte and RDP those that from the beginning had a more proactive and dynamic attitude in defining SCOs methodologies. The efforts made by these MAs, the joint work with the Simplification Nucleus, and the necessary articulation with the IGF and the European Commission, together with the expected entry into force of the Omnibus Regulation and the existing guidelines for the new programming period, have led to a **growing interest by the MAs in extending the use of SCOs, particularly on the part of the regional OPs**. In this context, the use of SCOs in the ESIF in Portugal has been growing markedly, with a significant increase in the number of intervention typologies with SCOs throughout this Evaluation study (from 15 to 36 currently in force), existing a greater predisposition and interest among MAs to move forward with the definition of new methodologies, with the development of delegated acts or methodologies to integrate the text of the OPs in the next programming period - considered more "secure".

It became evident throughout the evaluation that **the knowledge held by the various national stakeholders has been strengthened**, resulting either from the participation of AD&C and some MAs in the networks created by the EC for sharing knowledge and practices on SCOs, or from the work developed by the Simplification Nucleus with the MAs, IGF and the EC, as well as aspects to be improved, namely in terms of defining procedures and training and team composition. In fact, and despite having developed initiatives for capacity building of stakeholders developed by the Simplification Nucleus and some MAs, the MAs and the Intermediate Body technicians consider that it is necessary **to continue to strengthen the knowledge and skills of managers and technical teams**. Despite the effort that the Simplification Nucleus has developed in order to have a transversal nature to the various funds, the MAs in the various

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forums where they were consulted mentioned that they feel that the information and the work developed is more intense for the ESF than for the ERDF, mentioning **a particular need to deepen their knowledge regarding the SCOs in the ERDF**. On the other hand, **in the case of beneficiaries, the practice of capacity building, through training and awareness-raising activities, is not yet ingrained** (only 39% of respondents attended training or information sessions dedicated to the implementation of the SCOs), which are essential for the proper application of the methodologies. The technical capacity building of all stakeholders, and especially the beneficiary entities, creates favourable conditions for the discussion spaces (including the Simplification Working Group) to address the SCOs in depth, as well as enhance their positive effects, and this training is essential for the involvement of beneficiary entities in the process of adopting and implementing the methodologies.

At a more operational level, **the process of defining the SCOs methodologies was guided by the concern for their adjustment to the specificity of each type of operation and counted on the involvement and articulation between the most relevant stakeholders**, namely the MAs, the Simplification Nucleus, the IBs, the IGF and the EC and, in occasional cases, representatives from beneficiary entities. In fact, the participation of the beneficiary entities in the definition of the methodologies is not an ingrained practice in our country. However, this participation can be crucial, as it was explicit in one of the good practices presented in this report, where the participation of the representative of the beneficiary entities in the elaboration of the methodology (in this case, ANESPO in the definition of the standard unit cost tables for vocational education) was decisive for the positive results of its implementation.

There was no systematic survey of needs to adapt the information systems to integrate the specificities of the SCOs, having only been adjusted to meet the needs that arose, being evaluated as moderately adequate by the stakeholders. The *Balcão 2020* itself has many limitations since it still works according to the logic of real costs. In monitoring, **it was not verified the construction of a monitoring system of the results of the typologies of operation with SCOs** with the production of systematic and useful information and with monitoring documents to reflect the specificities of the SCOs, being still the monitoring system and follow-up of the implementation of funds oriented, above all, to financing in real costs.

Finally, **the control and audit guiding documents were amended to incorporate specific guidelines and procedures for SCOs**. Elements relating to SCOs have been introduced in the main documents associated with the implementation of the ESIF, such as the Management and Control System and the Procedures Manuals of the MAs, the Audit and Certification Authority, the application notices and forms for payment requests and final balance, and the guides for beneficiaries, among others. The technical and management Guidelines and checklists for verifying the forms of funding for SCOs have also been prepared/adapted. However, **this process has been gradual, and has not occurred simultaneously or in the same way in all OPs**, with some gaps still existing at the level of, for example, indicative tables of corrections to be applied in the event of non-conformities being detected. On the other hand, **the certification and audit procedures have also been altered** and tend to shift the focus from expenditure to the verification of results, even so, the audit experience in SCOs methodologies is still limited, and some constraints are identified by the auditors (e.g. how to audit operations with low execution, doubts in relation to the documents of evidence to be analysed), and some fear and uncertainty persist in the MAs in relation to what will be requested during the audit and the effective recentring of the focus from the authorship of the expenditure to the results.

Effectiveness: reduction in the administrative burden, speeding up of procedures and results orientation

The application of the SCOs methodologies has brought about a reduction in the number of documents associated to the procedures in the different phases of the life cycle of the operations and, consequently, a lower administrative burden and faster procedures, perceived both by the technical teams and technicians of the MAs and IBs, and by the beneficiary entities. In fact, in terms of procedures and tasks performed by the MAs' technical staff, the information gathered indicates the existence of changes with a simplification of processes at the level of the analysis of applications, administrative and accounting procedures to monitor the operations, analysis of requests for reimbursement and balance, and on-site verifications, even so, the technical staff refer the need for greater stabilization of procedures to be adopted. According to the data, the adoption of the SCOs brought about a 23.1% reduction in the time spent on bureaucratic and financial procedures at the application analysis stage, with an average reduction of 8.9 documents requested. In turn, the working time dedicated to bureaucratic and accounting procedures in the phase of monitoring and analysis of requests for reimbursement and balance was reduced on average by 27.6%, with an average of 22.8 fewer documents requested. The beneficiary entities, in general, also consider that the procedures associated with the preparation of applications and submission of payment requests are simpler, however, they revealed difficulties in objectifying this reduction.

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On the other hand, **the contracting and payment processes focused on the achievements and results contributed to a results-orientation on the part of the various stakeholders.** In the beneficiary entities, 70% (14 cases out of 20) indicated that there is a greater focus by the technical staff on the achievement of the proposed indicators and 60% (12 cases out of 20) referred to a greater concern with the monitoring of the achievements and results throughout the operation. The opinion of MAs and IBs experts is similar to that of beneficiary entities, as they consider there has been an increased focus on the achievements and results in the preparation of applications (with values varying between 50% in small-amount operations and 100% in flat rates), in the checks/administrative analysis profile of payment requests (with values between 63.6% in standard scales of unit costs and 100% in flat rates) and in the audit profile (varying between 50% in flat rates and small-amount operations and 100% in flat rates). It is noted, however, that this focus is mainly on compliance with the indicators defined for the intervention typologies, and the interviewed interlocutors did not perceive that the adoption of SCOs is contributing to an improvement in the quality of operations.

At the same time, the changes brought about by the adoption of the SCOs **did not result in significant changes either in the number or composition of the work teams**, either in the MAs and IBs or in the beneficiary entities. In the MAs and IOs, 91.8% of the technical staff reported the maintenance of the number of human resources, while the same scenario was observed in the beneficiary entities, with 76.9% reporting the maintenance of the composition of the teams and work organization. It is, however, important to note that there have been changes in the skills required of MAs technicians, with the need to strengthen or diversify skills in teams in specific areas related to CSOs.

Regarding error rates, the evaluation could not find evidence that the adoption of simplified costs effectively allowed their reduction, since for most of the intervention typologies this use is still relatively recent and there is no available data on its effects. Even so, it should be noted that the various stakeholders involved in the evaluation consider that there will be a reduction in the error rate resulting from the adoption of SCOs, which is in line with existing literature based on the experience of implementing SCOs in other programmes.

The analysis also **did not allow validating an effective and substantial reduction in project management costs**, so there is no objective evidence of efficiency gains from the introduction of SCOs. Even so, considering the expected effects, it is considered that there is potential for the adoption of SCOs to contribute to efficiency gains in community funding in the future.

Regarding the QREN, as noted, in the opinion of the technical teams and technicians from the MAs and IBs, the changes observed with the inclusion of the Standard Scales of Unit Costs in the QREN were maintained in PT2020 with the standard scales of unit costs, with a slight tendency towards their strengthening in the current programming period, mainly in the implementation phase of the operations. The MAs have an incredibly positive perception of the results and experience of the implementation of simplified costs in the QREN and the experience gained by technicians during this programming period is reflected in PT 2020, with a greater investment in scaling up the methodologies in the OPs that worked with SCOs in the previous programming period.

Relevance: response of the SCO to the priority of results-orientation and potential for extension to other typologies

The application of SCOs in Portugal **responded to the priorities of simplification and results orientation** since it brought changes at the level of focus on outputs and results in the processes of application and implementation of operations, less administrative burden in their various stages of design and implementation and, consequently, faster procedures. However, other simplification mechanisms contribute to the simplification of the management and implementation of the ESI Funds, which were subject to analysis, namely the creation of a single regulation for the ESI Funds, the harmonization and standardization of application and payment forms, the dematerialization of processes, the single audit and the change of audit sampling methods. It was concluded that external factors considered, apart from the change in the sampling methods for auditing, are also factors with influence on the effects production elements of the ToC tested throughout the evaluation. Thus, and **since the current community framework and the European Commission guidelines go in the direction of simplification and de-bureaucratisation in the access to European Funds, the SCOs are an important mechanism in this context, however, there are other measures adopted that, in parallel, contribute to these same effects.** This does not mean that these measures influence the effect of the implementation of the simplified cost methodologies, since the effects of the SCOs are unequivocal, but rather that they complement them in the sense of simplifying and cutting red tape in the ESIF.

In this assessment it became clear that **all interlocutors recognise the advantages of using SCOs and suggest their more extensive use by the ESIF**, with the indications of the possibility of extending SCOs mentioned by the various interlocutors in the various forums being quite coincident, with most of the typologies identified being among those

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referred to as priorities by the MAs. It was thus made clear that there is potential and interest in extending the use of SCOs, and the MAs are in coordination with the Simplification Nucleus in order to improve and extend the use of simplified costs in the next programming period.

From the information gathered throughout the evaluation it is suggested to extend the use of flat rates to operations where personnel costs have a high weight and to operations where indirect costs can be objectively calculated as a function of direct costs; and to extend the use of standard scales of unit costs to operations where this type of cost is likely to be calculated, such as training offers (where the analysis of the experience of the use of this methodology in vocational schools can be a good starting point).

Evaluation study recommendations, grounds, operationalisation methods and prime beneficiaries

Recommendation 1. Reinforce the use of delegated acts and/or include SCOs methodologies in the programming texts of OPs for the next programming period

Grounds

The use of delegated acts was considered by the interviewed interlocutors to be an instrument that provides greater security in the application of the SCOs, and their increased use was pertinent.

The regulation for the next programming period indicates, however, that this instrument will not be continued, foreseeing as a "replacement" that Member States contemplate SCOs methodologies in the Programme texts themselves, which will be approved with the approval of the OP.

In this sense and considering that in PT2020 the margin for approval of Delegated Acts is reduced, it is considered that the introduction of the methodologies in the OP texts may contribute to provide the MAs with the security and added value recognised in the Delegated Acts.

Operationalisation

- Analysis of the methodologies adopted and to be adopted and consideration of the advantages and disadvantages of using delegated acts and/or including them in the OP texts
- Initiation of the process of adopting a delegated act

Beneficiaries

- ✓ AD&C - Simplification Nucleus
- ✓ MAs and IBs
- ✓ IGF

Recommendation 2. Strengthen the development of guidelines and recommendations on specific topics that raise doubts among MAs, such as public procurement

Grounds

The application of the SCOs in the national context brings specific doubts that result from their adaptation to national rules and legislation. To clear up these doubts it is essential to clarify procedures and issue guidelines so that all parties involved have a common understanding of the concepts and procedures to be carried out, which is vital for safety in applying the SCOs methodologies. The issuing of this type of clarification has already happened in the past (with the issue of the need for verification, or not, of public procurement) and proved to be an effective means of clarifying the correct way to proceed, providing assurance to MAs, IOs and, ultimately, to beneficiary entities.

Operationalisation

- Periodic survey of concrete doubts/needs for information with technicians (in the scope of the Simplification Working Group) and production of guidelines to address doubts from MAs. (See recommendation 3)

Beneficiaries

- ✓ AD&C - Simplification Nucleus
- ✓ MAs and IBs
- ✓ Beneficiary entities (indirectly)

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Recommendation 3. Deepen the work developed by AD&C to promote the development of simplified cost methodologies, articulation between stakeholders and information sharing, particularly in the area of ERDF**Grounds**

The AD&C, through the Simplification Nucleus, has developed a work of coordination and articulation between the various stakeholders, information sharing and dissemination of good practices, which is evaluated very positively by the MAs and recognised as being of extreme importance. In this context, it is worth mentioning the creation of the Simplification Working Group, which is a privileged space for sharing information, knowledge and capacity building.

In a context of growth of the importance of SCOs, namely in the programming of the next programming period and in which the production of information and knowledge is growing and abundant, it becomes important to facilitate the access of MAs to relevant knowledge that is being produced on the adoption of SCOs.

In this sense, it is essential to continue and strengthen the work that has been developed by the Simplification Nucleus, namely through the production of technical notes, dissemination of information, promotion of working meetings, and national and international events involving the IGF and the European Commission. It is also important to continue to stimulate the active participation of the MAs in the Simplification Working Group, as this is a privileged space to exchange experiences and knowledge and to debate doubts and fears.

It should be noted that despite the effort that the Simplification Nucleus has developed in order to have a cross-cutting nature to the various funds, the MAs in the various forums where they were consulted, mentioned that they feel that the information and the work developed is more thorough for the ESF than for the ERDF, referring a particular need to deepen their knowledge regarding the SCOs in the ERDF.

Operationalisation

- Continuous updating of the AD&C website in relation to the SCOs, as well as the Alfresco platform
- Periodic survey of information needs/doubts felt by MAs, particularly regarding the ERDF
- Creation of working groups/workshops targeted at specific needs of MAs, e.g., creation of a working group for the ESF and another for the ERDF
- Holding sessions with the participation of the IGF and the European Commission

Beneficiaries

- ✓ MAs and IBs
- ✓ AD&C - Simplification Nucleus and Monitoring and Evaluation Unit
- ✓ IGF

Recommendation 4. Reinforce the development of training actions for MA and IO technicians and beneficiary entities**Grounds**

The use of SCOs is still relatively recent, and the need for more in-depth knowledge about the specificities of SCOs and the practical implications that their adoption may have on the management and implementation of operations has been signalled to the technical teams of MAs and IBs and beneficiary entities. In this sense, the need to implement two types of training actions arises.

On the one hand, to provide the main stakeholders with consolidated knowledge about the logic behind the SCOs, about the methodologies that they will have to apply and how they operate. This is an important mechanism for them to change paradigm and focus on results and the physical component of the operations to the detriment of the financial component. These training sessions are relevant both when new SCOs methodologies are created to be applied to operations with real costs, and to train the technical staff of MAs and IOs and beneficiary entities working with methodologies already in place. Creating training sessions focused on specific methodologies applied to similar types of operations also allows the sharing of experiences and doubts among stakeholders, contributing to the consolidation of knowledge

On the other hand, implement training actions with a more comprehensive/transversal nature for a wider spectrum of beneficiary entities so that they, even if they do not have to implement SCOs methodologies soon, become familiar with these methodologies and their main characteristics/components in order to reduce possible resistance to change when they are required to implement projects with this type of methodologies.

In both cases, the training actions firstly train the MAs and IBs technicians so that, in a second phase, they can train the technicians of the beneficiary entities.

Operationalisation

- Survey of the main training needs of MAs and IBs technicians on the methodologies they apply/will apply (in the case of the new typologies).
- Promoting training actions for MAs and IBs technicians (provided by AD&C/IGF).
- Survey of the main information needs of the beneficiary entities regarding the methodologies they apply/will apply (in the case of the new typologies).
- Definition of the contents to be addressed in the training sessions for all the beneficiary entities.
- Promotion of training actions for beneficiary entities provided by MAs/IBs technicians already trained.

Evaluation of the Application of Simplified Costs

Beneficiaries

- ✓ AD&C - Simplification Nucleus
- ✓ MAs and IBs
- ✓ Technicians from MAs and IBs
- ✓ Beneficiary Entities
- ✓ IGF

Recommendation 5. Involve the beneficiary entities and their representatives in the process of elaborating the methodologies**Grounds**

The involvement of beneficiary entities is important to ensure the design of SCOs methodologies appropriate to the reality on the ground and to overcome resistance and fears of beneficiaries, since understanding the logic behind the development of methodologies facilitates their implementation process. On the other hand, since the definition of the amounts or rates to be applied is a critical factor for the success of SCOs methodologies, the experience and practical knowledge of the implementation of operations by beneficiary entities may be decisive for the definition of the most appropriate values.

Operationalisation

Meetings with beneficiary entities when defining new SCOs methodologies, with the twofold aim of:

- Collect practical information on the context of implementation of the operations in the field, their target groups and main associated costs in order to define a methodology that is as appropriate as possible to reality.
- Enabling beneficiary entities to accompany the process of developing the methodology so that they can provide their opinion/inputs for its improvement/adequacy.

Beneficiaries

- ✓ AD&C - Simplification Nucleus
- ✓ MAs and IBs
- ✓ IGF
- ✓ Beneficiary Entities

Recommendation 6. Adapt the monitoring and follow-up mechanisms of PT2020 in order to incorporate information on CSOs**Grounds**

The adoption of Simplified Cost methodologies has been increasing and the number of intervention typologies partially or totally financed through SCOs is growing, assuming a growing importance in ESIF financing.

In this context, it is considered that the monitoring and follow-up systems, which according to the information analysed throughout the Evaluation have not undergone significant changes, should be adapted in order to provide specific information on SCOs operations and their weight in community funding, namely by SCOs methodology.

Operationalisation

- Survey among MAs/IBs and AD&Cs of the main needs in terms of follow-up and monitoring of operations with SCOs
- Definition of key indicators for tracking and monitoring operations with SCOs
- Incorporation of information concerning operations with SCOs in the existing monitoring/follow-up documents and/or creation of new documents.

Beneficiaries

- ✓ MAs and IBs.
- ✓ AD&C - Simplification Nucleus and Evaluation and Strategic Monitoring Unit.

Evaluation of the Application of Simplified Costs

Recommendation 7. Contribute towards facilitating the verification and auditing procedures of operations and SCOs methodologies and encourage greater focus on results.

Grounds

The introduction of SCOs methodologies implies a change in the focus of audits, which are no longer focused on measuring mainly expenditure documents, but on outputs and results.

This change raises fears for the MAs due to uncertainty about how audits will be carried out, and poses challenges for the auditors, who must change procedures and support documents for audits.

In this sense, and once the audits start to focus on outputs and results, the auditors and MAs refer that the methodologies should be changed:

- ✓ Define output/result indicators associated to funding, related to the funding objectives and easily quantifiable and verifiable;
- ✓ Define intermediate results, that allow the assessment of the fulfilment of the objectives throughout the execution of the project, not leaving for the end the verification of the fulfilment or not of the defined results.
- ✓ Indicate the existing penalties in case of non-compliance with the results or other obligations (such as information or publicity)
- ✓ Clearly identify which evidence (documents) are necessary to verify the compliance with the rules defined for the financing, that is, delimiting what is auditable in each methodology, making it clear which documents the beneficiary should gather in order to prove that the financing results were achieved and that there is the necessary evidence to justify the financing. This evidence should be simplified/optimized (both in quantity and quality) for each of the methodologies, otherwise the logic of real costs will remain in the simplification process.
- ✓ Review the sampling methods in each CSOs methodology, so as not to maintain a management verification logic based on real costs.
- ✓ To issue technical notes of a generic and transversal nature, as well as specific ones, regarding the verification of results in administrative verification, which allowed the analysis teams to focus on the verification of compliance with results.

The implementation of these procedures not only facilitates the verification and auditing processes but also provides all information in a transparent and clear way to the beneficiary during the preparation and presentation of the applications, leading to a greater focus on results.

Operationalisation

- Verification in each methodology that the indicators are clear and adequate to the nature and objectives of the operations
- Verifying in each methodology if there is a need to define intermediate indicators
- Introduce in the methodologies rules concerning penalties in case of non-compliance with the results
- Checking in each methodology if all the evidence (documents) necessary to verify the compliance with the rules defined for the financing are identified
- Analyse the type of evidence requested, seeking its simplification and optimisation

Beneficiaries

- ✓ MAs and IBs
- ✓ AD&C - Simplification Nucleus and Monitoring and Evaluation Unit
- ✓ AD&C - Control and Audit Unit
- ✓ Auditors
- ✓ IGF

Recommendation 8. Strengthen synergies between the various MAs/IBs to achieve greater uniformity of documents and procedures in relation to CSOs

Grounds

During the evaluation, the diversity of procedures and rules between the various typologies and the various OPs became blatant, leading to beneficiary entities that have contact with more than one OP/Fund having to carry out different procedures to perform similar tasks, which undermines the desired simplification for the application of the SCOs, and in a broader sense, the simplification of the ESIF itself.

An analysis of the procedures required by the various MAs in order to find a common basis would be an important step towards standardising and simplifying the application of the SCOs. This could be done, in a first phase, by identifying the typologies of different OPs that may be implemented by the same beneficiary entities and start the analysis of the procedures in these cases.

Operationalisation

- Survey of the procedures adopted in each of the MAs, namely by OT
- Survey of SCOs implementation support documents (guidelines, checklists,...)
- Systematization of the technicians' needs in each OP
- Creation of working groups between MAs to analyse the required procedures and identify ways to standardise them.
- Disseminating these changes among MAs and IBs technicians and beneficiary entities.

Beneficiaries

- ✓ MAs and IBs
- ✓ Technicians from MAs
- ✓ AD&C - Simplification Nucleus