



Financial management: comparing 2007-2013 and 2014-2020

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This training has been organised by EIPA-Ecorys-PwC under the Framework Contract Nr 2013.CE.16 B.AT 044. The opinions expressed are those of the contractor only and do not represent the EC's official position

Financial Management

- Europe 2020 and programming rules
- budget and allocations
- Programme finance, financial tables
- co-financing arrangements
- financial flows: commitments, advances, interim payment claims and payments
- n+3
- the new accounting year
- forecasts
- programme closure
- transfer of financial information
- categorisation of interventions



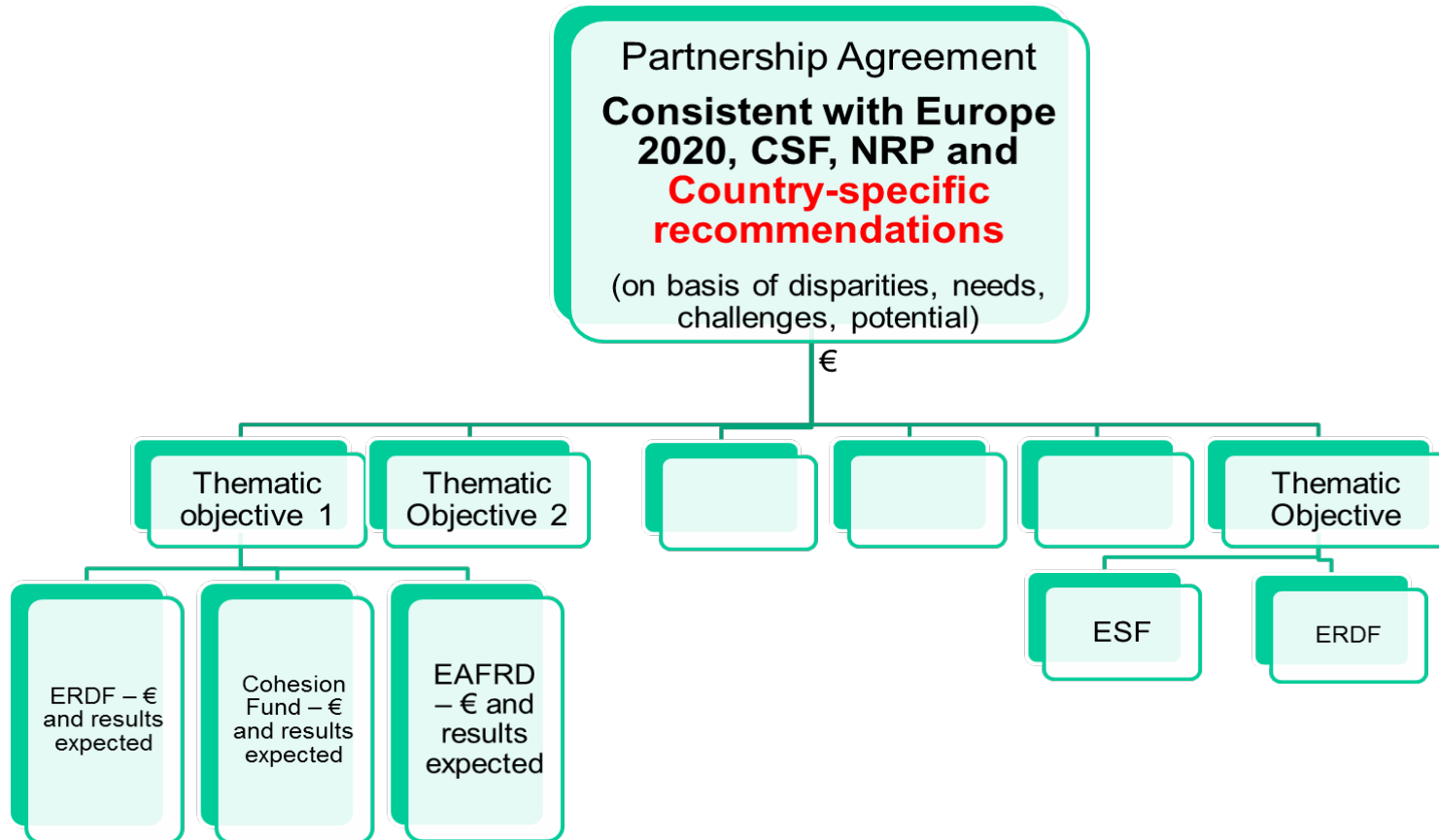
Financial Management

Europe 2020 strategy and programming rules



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Partnership agreement



Thematic objectives and ESI funds, 2014-2020

Thematic Objective	Fund
1. Strengthening RTD and innovation	ERDF
2. Enhancing ICT access, use quality	ERDF, EAFRD
3. Enhancing competitiveness of SMEs	ERDF
4. Shift to low-carbon economy	ERDF, CF, EAFRD
5. Promote climate change adaptation and risk prevention	ERDF, CF, EAFRD
6. Protecting the environment and sustainable use of resources	ERDF, CF, EAFRD
7. Promoting sustainable transport and removing bottlenecks in network infrastructures	ERDF, CF
8. Promoting employment and labour mobility	ESF, ERDF
9. Promote social inclusion and combat poverty	ESF, ERDF, EAFRD
10. Investing in education, skills, lifelong learning	ESF, ERDF
11. Enhancing institutional capacity and efficient public administration	ESF, ERDF, CF
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European
Commission

Structure of programmes and result orientation

OP	CSF Fund	Thematic objective (ex ante conditionality shown)	Priority axis	Investment priorities	Specific objectives for investment priorities	Operations (Activities) Interventions	indicators
OP1: Competitiveness through innovation and company growth	ERDF	RTD and Innovation	priority axis 1	Investment priority 1	Specific objective 1	Actions, contributing to objective	Common and Programme-specific RESULTS for SPECIFIC OBJECTIVES with BASELINE and TARGETS OUTPUTS OF OPERATIONS with TARGETS
					Specific objective 2	Actions	
				Investment priority 2	Specific objective 1	Actions	
		ICT	Priority axis 2				
		SME support	Priority axis 3				
Priority axis 4							
OP2: infrastructure	ERDF	Sustainable transport	Roads				
			Rail				
			Ports and waterways				
	CF	Low carbon economy	Energy				
OP3: Human Resources	ESF	Promoting employment	Priority axis 1				
			Priority axis 2				
		Social inclusion	Priority axis 3				
	Promoting employment						
	ERDF	Promoting employment	Priority axis 4				

Thematic concentration

- EARMARKING of expenditure for Lisbon themes (Art.9, General Reg.): higher % earmarked in the wealthier Member States and regions (RCE)
- 2014-2020: higher % of ERDF into “softer” themes in more developed regions :
 - ü at least 80% on 2 or more of 4 thematic objectives (1-4) in more developed regions (and higher % for low carbon economy)
 - ü at least 50% in less developed regions
- ESF must be at least 23.1% of MS Funds for Cohesion policy and ESF share of total Funds not lower than 2007-13 share (Art. 92.4, CPR)
 - ü at least 20% of ESF on social inclusion/poverty in each MS
 - ü higher % of ESF in to 5 or fewer investment priorities in more developed regions (at least 80%); (at least 60% in less dev. regions)
- ie. more flexibility for poorer regions



Thematic Objective	Ex ante conditionality
1. Strengthening RTD and innovation	National or regional "smart specialisation strategy" / (RIS), consistent with NRP. Measures to stimulate private RTDI.
2. Enhancing ICT access, use quality	Policy framework for digital growth / next generation network (NGN) plans
3. Enhancing competitiveness of SMEs	Laws covering late payments, business set-up time and burdens on SMEs (see Small Business Act)
4. Shift to low-carbon economy	Transposition into law of Directives on emissions, energy performance and efficiency and renewable energies
5. Promote climate change adaptation and risk prevention	National or regional risk assessments for disaster management
6. Protecting the environment and sustainable use of resources	Water pricing policy for efficiency; river basin plans; waste management plans, recycling measures
7. Promoting sustainable transport and removing bottlenecks in network infrastructures	Plans for transport investment, linking to TEN-T; and with secondary connectivity; smart energy infrastructure plans
8. Promoting employment and labour mobility	Employment services to help job seekers; information on vacancies; business start-up time and support; worker adaptation measures; youth employment measures etc.
9. Promote social inclusion and combat poverty	Policy frameworks and measures for active social inclusion, including the Roma community; access to health services; shift from institutional to community-based care
10. Investing in education, skills, lifelong learning	Plans to reduce early school leaving; increase tertiary

Cohesion policy and budgets

2014-2020

- €325 billion (2011 prices)
- indexation 2% each year = current prices
- €352 current prices

- national allocations / eligible regions
(Commission Implementing Decision, 2014/190/EU of 3.4.14 & Decision 2014/99/EU)
- allocations limited to 110% of 2007-2013 in real terms
- obligatory performance reserve (6% of each Fund) (Art. 20,CPR) ... and 5-7% of each priority axis.

Partnership Agreement

OP1	<ul style="list-style-type: none">• € ERDF, € by year• € Cohesion Fund, € by year
OP2	
OP3	<ul style="list-style-type: none">• € ESF, € per year• € ERDF, € per year
OP4	
OP...	

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Programme Finance, co-financing rates, commitments

Financing Plans for Operational programmes, 2007-2013 and 2014-2020

OP Decision includes 2 tables

(Art.96, CPR and Comm. Impl. Reg, 288/2014))

- per year
 - support from each Fund, for each financial year
 - used for **commitments**
 - initial commitment with Decision
 - subsequent instalments before 1 May each year
 - **performance reserve (2019), if milestones achieved**
- per priority
 - support from Funds and national co-financing
 - used for **payments** (co-finance rate)
 - specifies whether based on **total** or **public** eligible exp

Co-financing rates and ceilings (Art. 120, CPR)

- co-financing rate ceiling – by eligible region - is now set at the level of the priority axis (85%-80%) (60%) (50%), rather than programme
- priority axis **co-finance minimum is 20%**. These rates are effectively averages for the priority (the rate can vary inside the priority)
- some exceptions to regional ceilings (+10%) where priority axis delivered through financial instruments or CLLD (community-led local development) (Art. 120, CPR)....
- ...or where MS dedicates priority axis to social innovation or transnational cooperation or combination (Art. 11, ESF reg)
- **and crisis exceptions: extra 10% until 30.6.2016 (Art. 24, CPR)**
- state aids rules are co-finance limits for company support

State aid ceilings, 2014-2020

	Large Enterprises	Medium Enterprises	Small Enterprises
107(3)(a) ≤ 45% GDP	50%	+ 10%	+ 20%
107(3)(a) 45-60% GDP	35%	+ 10%	+ 20%
107(3)(a) 60-75% GDP	25%	+ 10%	+ 20%
Outermost, GDP > 75% GDP < 75%	+ 10% + 20%	+ 10%	+ 20%
107(3)(a) => (c) transition & 107(3)(c) bordering (a)	Below +	+ 10%	+ 20%
107(3)(c) sparsely populated	15%	+ 10%	+ 20%
107(3)(c) external borders	15%	+ 10%	+ 20%
107(3)(c) other econ. dev.	10%	+ 10%	+ 20%

Information : Guidelines on regional State aid for 2014-2020 (2013/C 209/01)

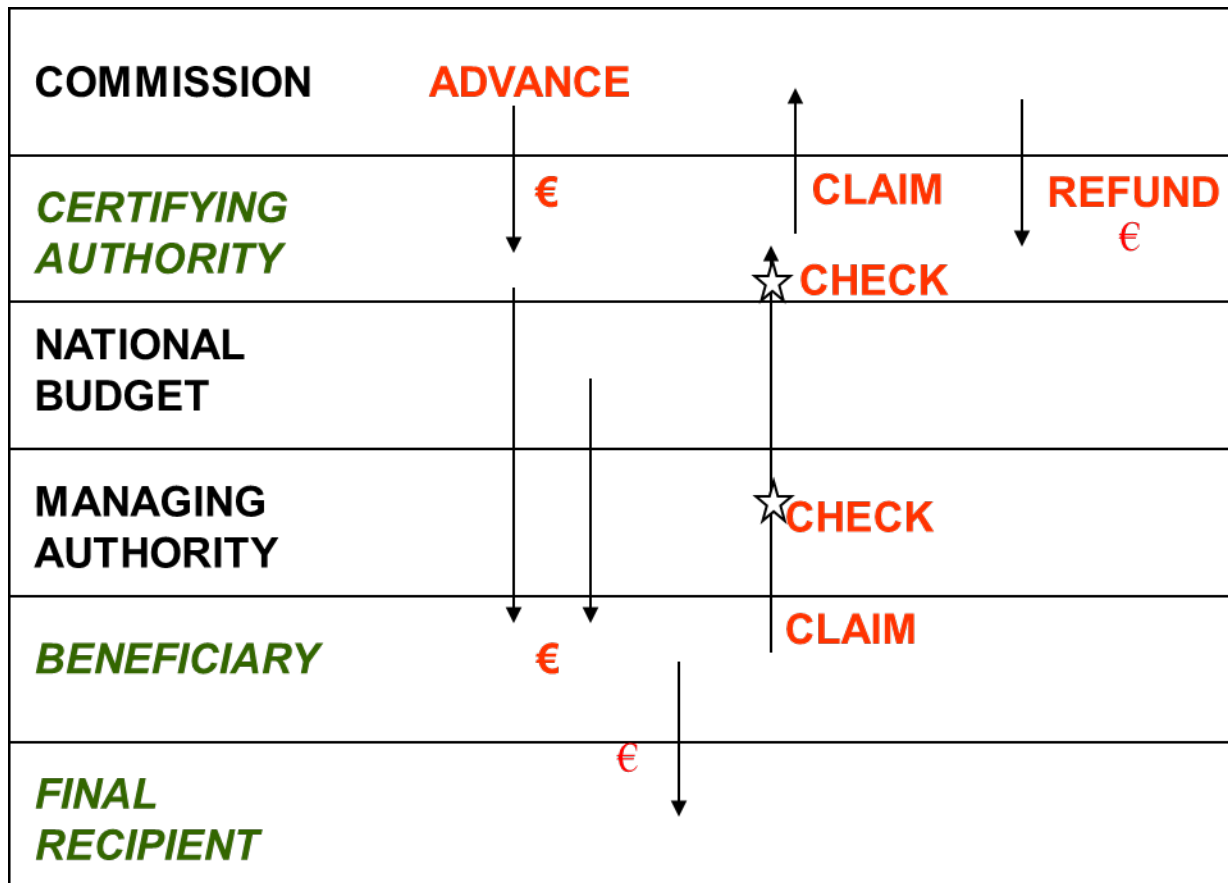


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Pre-financing / Advances



Payments and expenditure flows, 2007-2013 and 2014-2020



2007-2013: advances available for whole period

- initial advance is paid after the first commitment (2007)
- 2nd and 3rd part of 2007-2013 advance in subsequent years (2008, 2009). (total = 5% or 7%)
- advances were increased, due to the financial crisis (2009, 2010 for some)
- advance available during the whole life of the programme (counts as interim payments, against $n+3$ / $n+2$)
- has to be spent by end 2015
- $n+3$ has now been specially extended to Romania and Slovakia, for 2011, 2012 commitments, but not the 2013 commitment

2014-2020: initial advances available for whole period

- initial pre-financing (advances) of 1% for 2014, 2015, 2016, (Art. 134,CPR) (higher for crisis countries)
 - % of total funds, less performance reserve
 - ...should be used ONLY for helping beneficiaries (Art.81, CPR)
- **n+3 rule for all** – initial pre-financing counts as payments (Art. 136,CPR) - but no derogation for major projects and state aid schemes
- available for whole programme - must be spent (accounted for) by end 2023 and thus cleared at final closure (Art.82, CPR)

Annual advances available only for accounting year

- plus annual pre-financing (or advances) 2016 to 2023
 - ü % of total funds (less performance reserve)
 - ü 2% for 2016, rising each year to 3% (2020); 3% for 2021 to 2023
 - ü paid before 1 July each year
- designed to assist with annual accounting and the change to interim payments (just 90% of payment claims)
- they do count as expenditure against the n+3 automatic decommitment rule...
- ...but they must be accounted for (cleared) each year - in effect by end of accounting year - so they are not available for the whole programming period (Art.139.7, CPR)

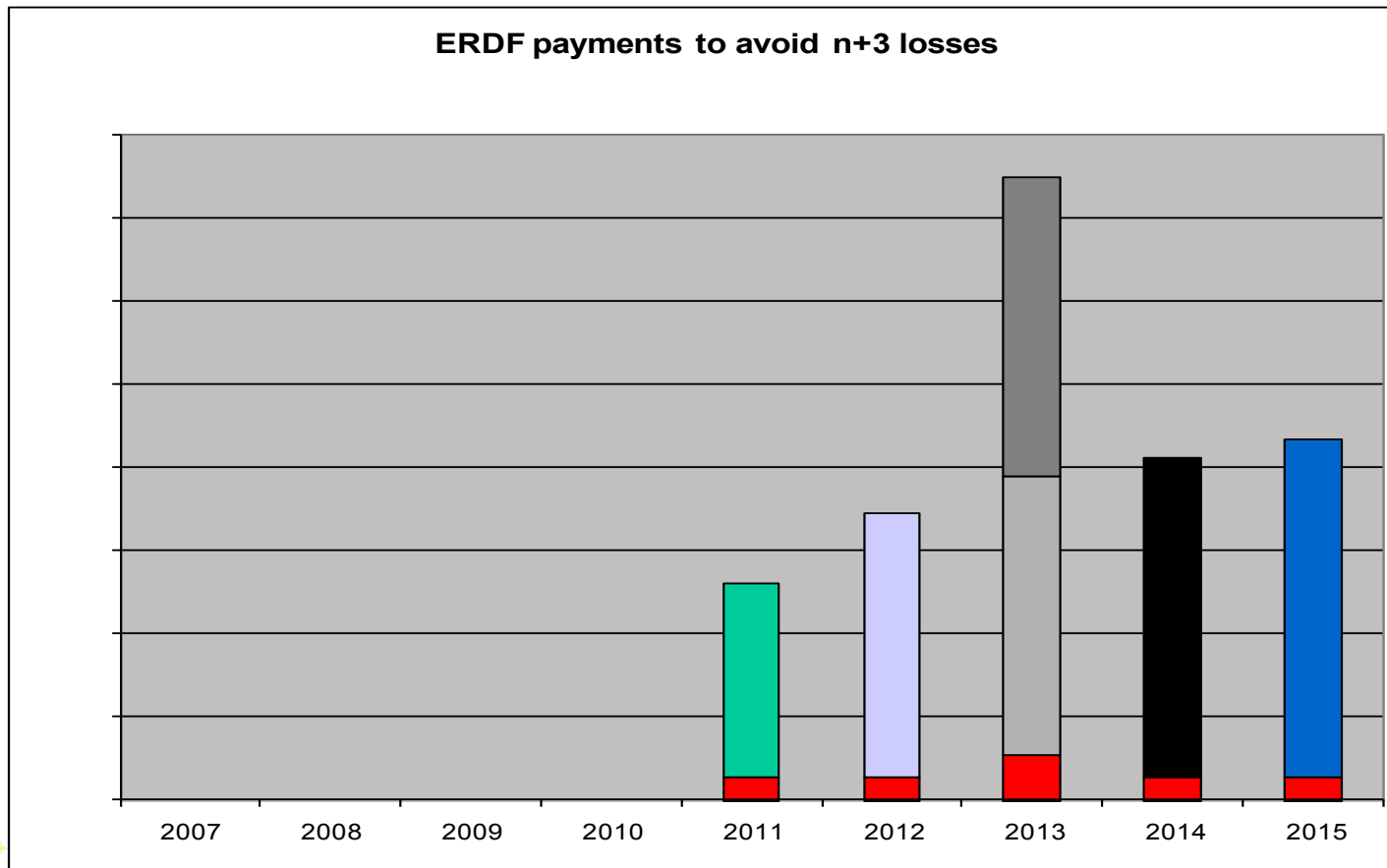


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Automatic de-commitment



n+2/n+3 amendment – add one-sixth of 2007 commitment to each year of 2008-2013



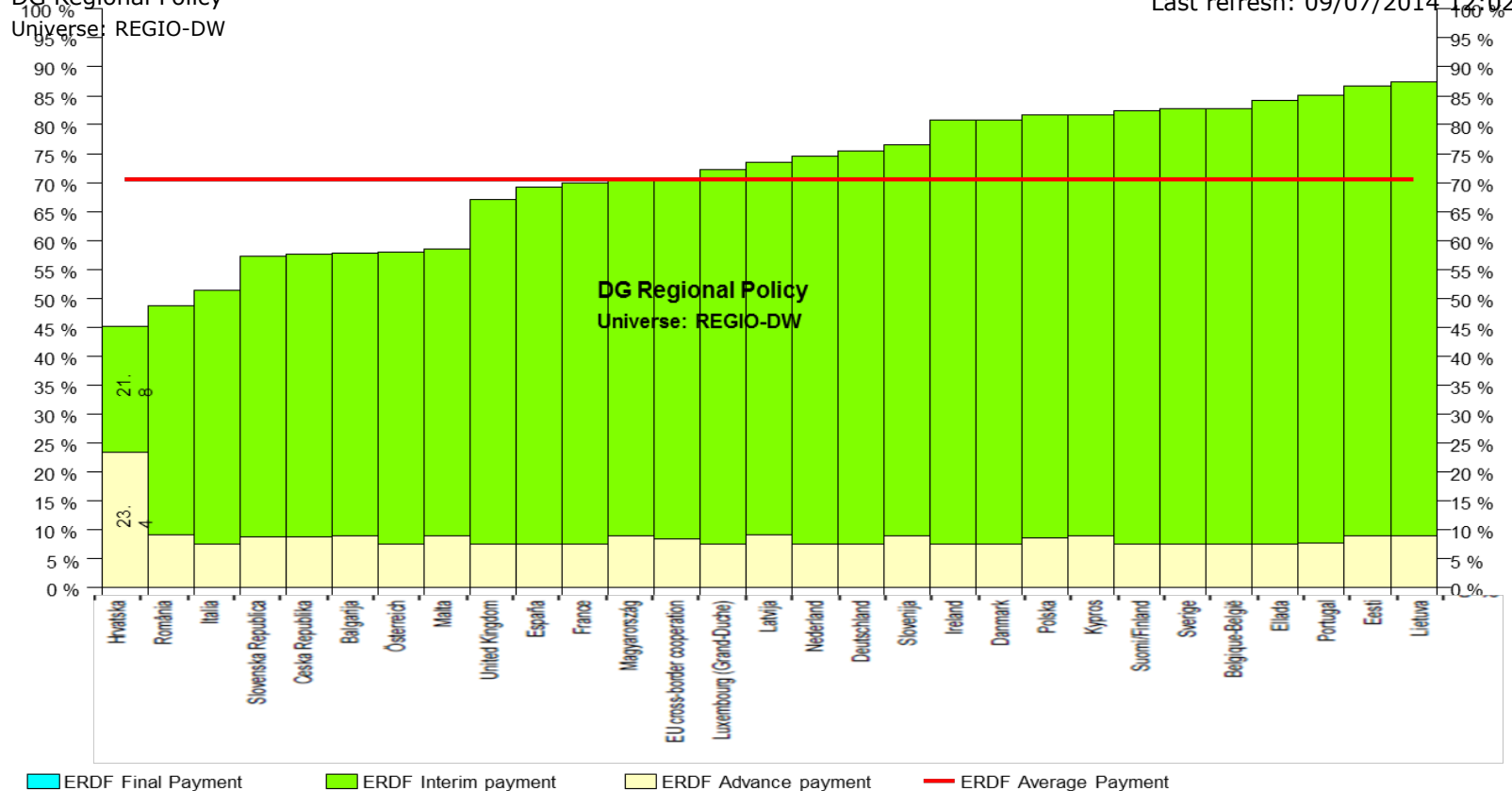
NB: colours represent the annual commitments (2007, 8, 12, 13), and their positioning is when they must be used by.

Programming period 2007-2013 Paid Vs Decided

ERDF

DG Regional Policy
Universe: REGIO-DW

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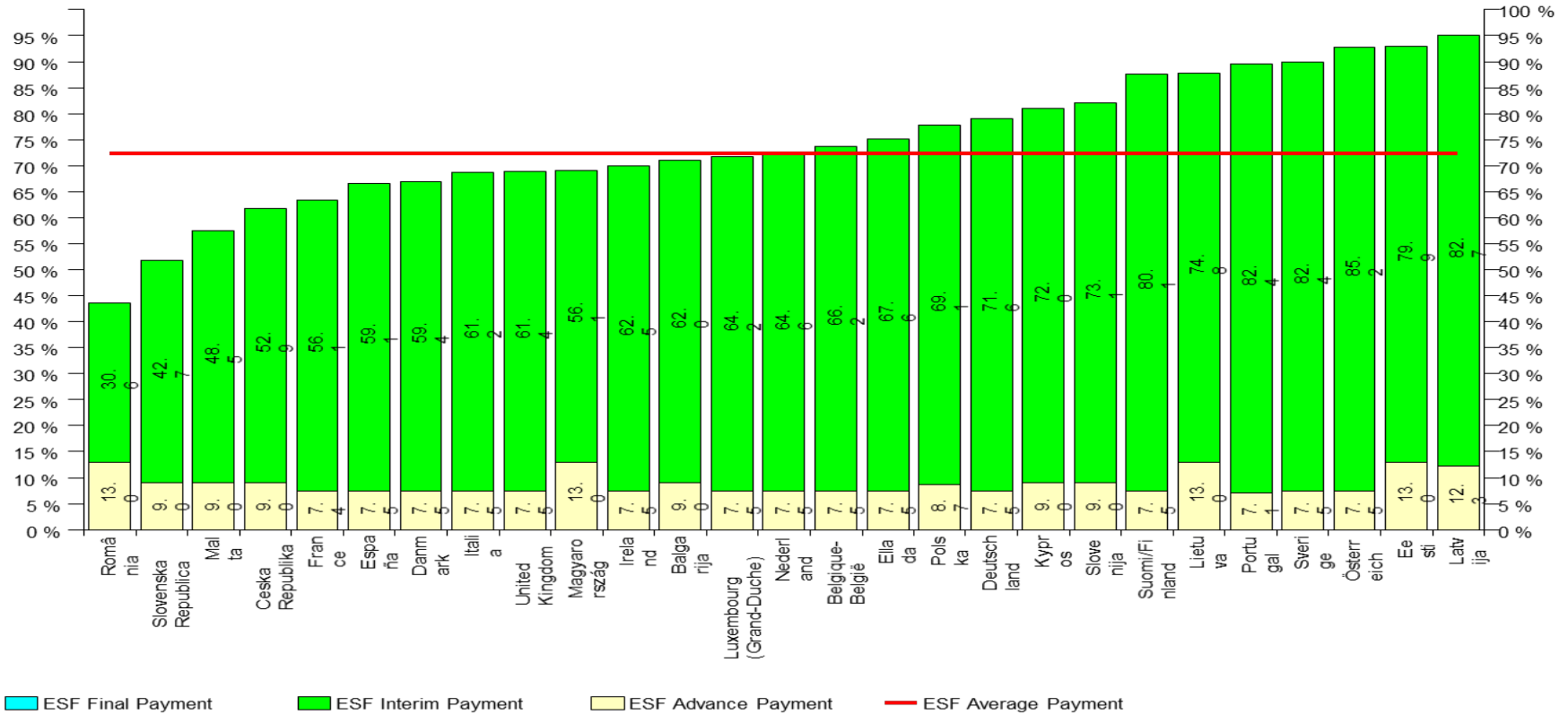


Programming period 2007-2013 Paid Vs Decided

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DG Regional Policy
Universe: REGIO-DW

ESF

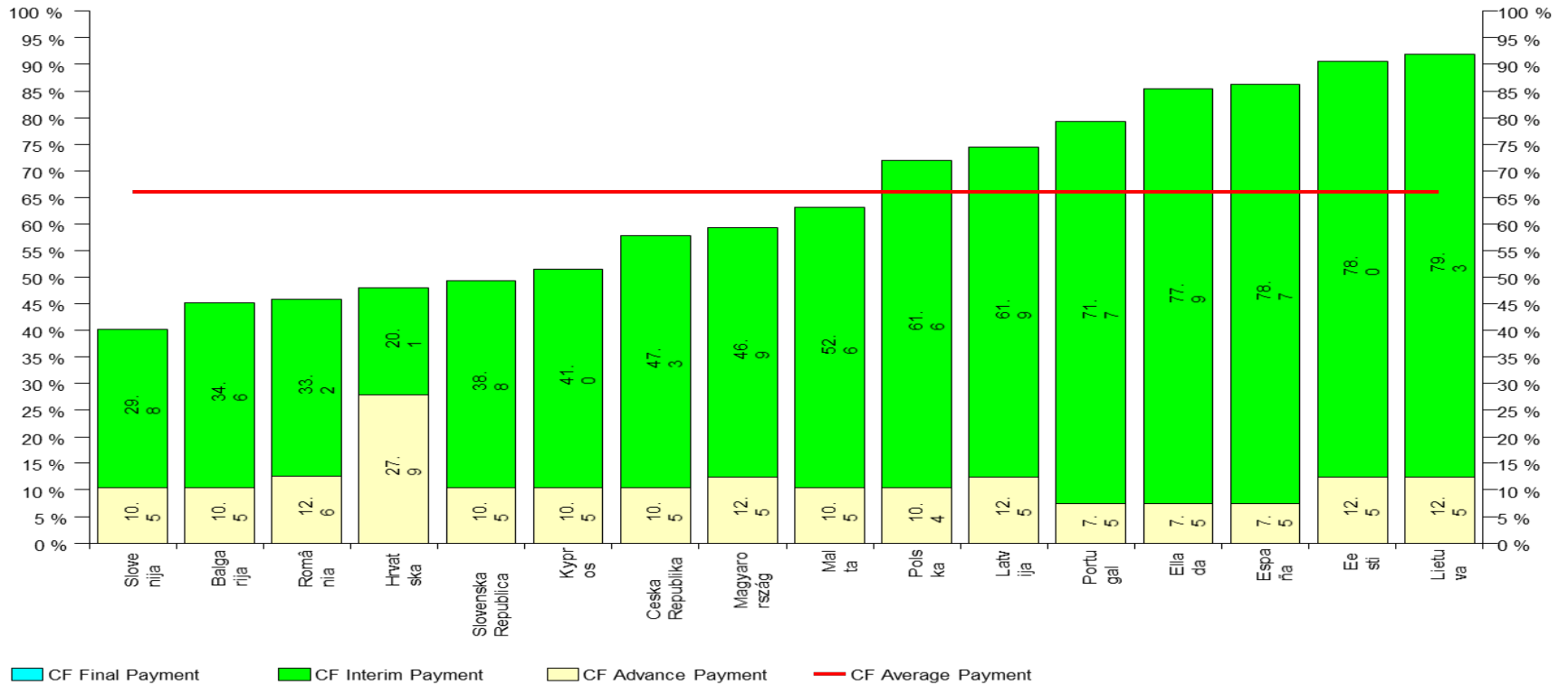


DG Regional Policy
Universe: REGIO-DW

Programming period 2007-2013
Paid Vs Decided

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CF





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Interim payments



Interim payment claims, 2007-2013

- most recent **Annual Implementation Report** must have been sent and considered admissible (by 30 June each year)
- reimbursement of **actually paid and certified** eligible expenditure
- payments are attributed to the **oldest valid annual commitment**: you start to consume a commitment only when the previous valid commitments are entirely consumed (used for n+2/3 rule)
- maximum amount : initial instalment + interim payments < **95%** of the total contribution (the 5% being retained until the closure)

Interim payment claims, 2014-2020

- most recent **Annual Implementation Report** must have been sent and considered admissible: **by 31 May 2016 – 31 May 2023**
- **total eligible expenditure incurred by beneficiaries, paid for implementing operations, and entered into the CA accounting system (Art.131, CPR)**
- attributed to oldest open commitment
- the 95% cumulative limit of advances plus interim payments is scrapped
- **Art 126 (a) certification of expenditure of every payment claim (and not just annual accounts)**

Interim payment claims, 2014-2020

- payment = eligible expenditure x priority co-finance rate
- but not higher than eligible public expenditure in claim (Art. 130(2))
- (and can not exceed eligible expenditure less in-kind contributions)(Art.69.1(a))
- beneficiaries are to be paid no more than 90 days after payment claim (Art.132, CPR)
- Note: performance review: allocation of performance reserve, if milestones (2018) are achieved for the priority axis (see AIR, 2019); or allocated to other priorities

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The new accounting year

Accounts, 2014-2020

2014-2020: only 90% paid over for each interim payment claim (Art.130,CPR)

new accounting year 1 July to 30 June

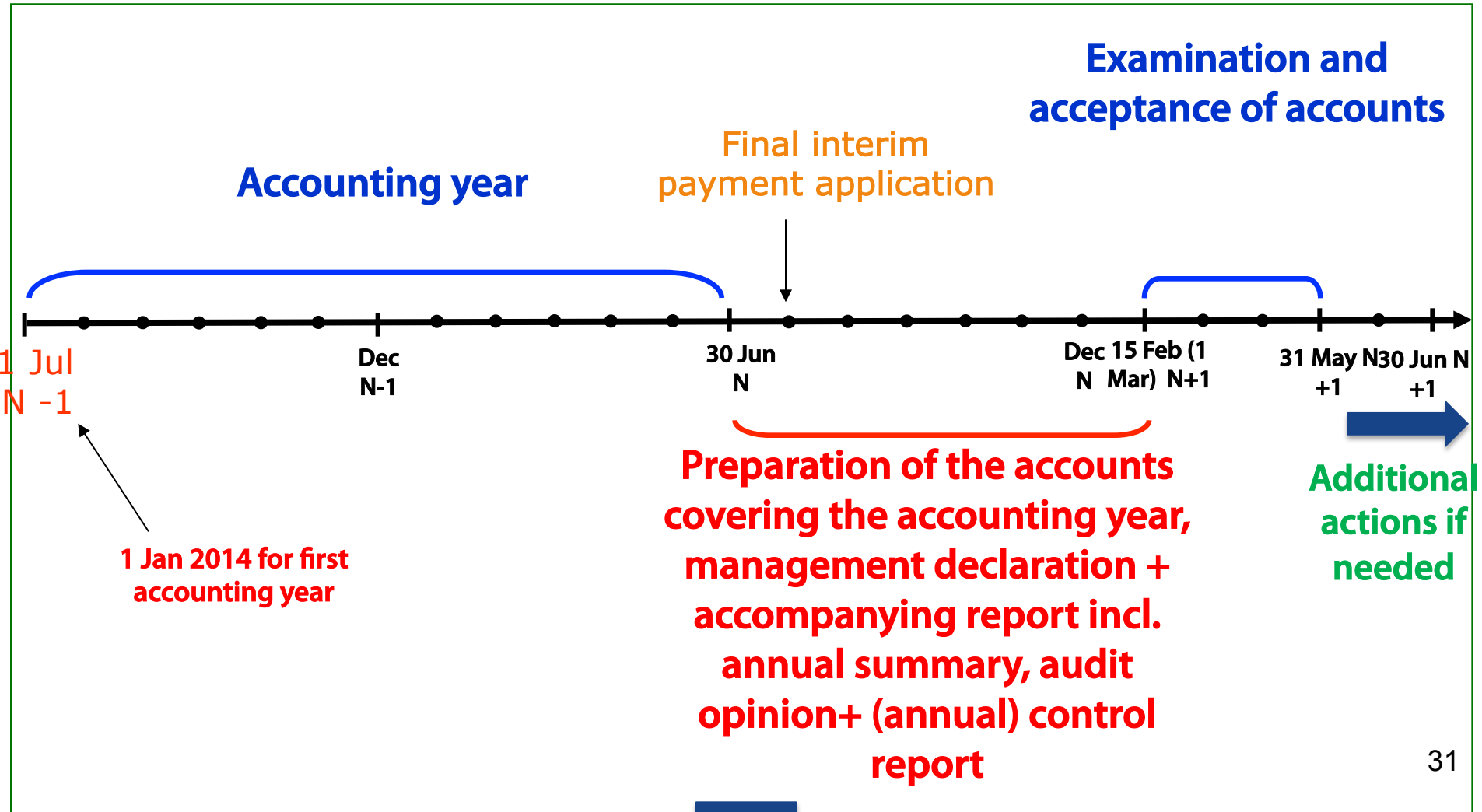
all claims relating to accounting year (n) to be made by 31 July; annual clearance of accounts (the end of multi-annual accounts)

annual balance paid on acceptance of accounts (the 10%, less the annual advance)(Art. 139,CPR) – so could be recovery of funds

annual accounts to be submitted by 15 February (in year n+1), with management declaration, annual summary, (A)CR and OPINION

Commission acceptance by 31 May; balance paid within 30 days

Accounts Cycle



Annual accounts – level of priority axis (Art. 137, CPR)

By priority (and Fund and region if applicable):

- total eligible expenditure by beneficiaries (until 30 June) AND which has been included in payment applications up to 31 July;
 - with corresponding public expenditure incurred;
 - and corresponding payments made to beneficiaries;
 - amounts withdrawn/recovered/to be recovered, and irrecoverable amounts;
 - pre-financing paid to FEI and advances under State aid schemes;

Accounts – time lags?

- some claims may be delayed: Article 135.1: the CA may – where it considers it necessary – include amounts entered into the accounting system in payment applications in subsequent accounting years
- some claims already made may be excluded from the accounts (Art.137.1(d)) – explain difference between sum declared in accounts and that already claimed
- some sums need to be reclaimed: (Art. 137.2) where CA has excluded expenditure from accounts –previously included in an interim payment claim – due to an on-going assessment on legality and regularity, it may include all/part in a future payment application if found to be regular (due to annual balance taking back payments)

Examination and acceptance of accounts (Art. 139, CPR)

- an accounting process NOT covering legality and regularity of underlying transactions
- based on the Commission assessment of the accounts and the related audit opinion
- (legality and regularity of expenditures is assessed on the basis of the remaining documents: MD, AS, CR and audit opinion)
- accounts procedure will NOT interrupt the treatment of interim payment applications nor lead to payment suspensions
- Note: in worst cases of problems with accounts – Commission adjusts payments– this does not constitute a financial correction

Examination and acceptance of annual accounts (Art. 139, CPR)

- acceptance based on an unqualified audit opinion on the accounts
- by 31 May, Commission informs MS whether or not it is able to accept the accounts. In case of acceptance (accounts are complete, accurate and true) - calculation of amounts chargeable to the Fund for the accounting year
- balance to be paid in 30 days or deducted through recovery order offset in next interim payment (no net correction)
- ...without prejudice to possible subsequent financial correction decisions

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Forecasts

Forecasts

Annual Forecast (Art.76.3 General Reg):

- Member States (Managing Authorities) have to transmit every year to Commission, before 30 April, their forecasts of requests for payment for the current year and for the following year

Annual Forecast (Art.112.3,CPR):

- Member States (Management Authorities) have to transmit a forecast for the current financial year and the subsequent financial year by 31 January and 31 July.
- forecasts should use a “bottom-up” approach...



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Closure



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Key closure dates

Current period: closure documents submitted by 31.3.17 (15 months after last day of eligible expenditure)

Last day of eligible expenditure: 31 December 2023

Final payment claim: 31 July 2024

Final accounts/CR etc. submitted: 15 February 2025

FIR: 15 February 2025

Acceptance of accounts: 31 May 2025

Final payment: +1 month after acceptance of FIR, or +3 months after acceptance of accounts, whichever later



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Information and Data



Electronic transmission of information: SFC 2007 to SFC 2014

- **PA**
- Allocation by Fund
- Financing plans
- Statements of expenditure
- Payment claims
- Annual reports
- ESF participant data
- Annual forecasts
- Additionality data
- Programmes
- Decisions
- **Communication Strategy**
- **Accounts**
- **Management declarations**
- **Annual Summary**
- Major project **notifications and applications**
- Audit strategy
- Control reports
- Audit Opinions
- Annual statement on recoveries (included in Accounts)

Categorisation of interventions

Data collection & maintenance

- ü **CATEGORIES of INTERVENTION** – codes in tables relating to field, financing, territory, theme etc. (Implementing Reg. 215/2014, Annex I)
- ü **Monitoring system project data on all OPERATIONS** (Art.125.2(d), CPR and Annex III of Delegated Reg. 480/2014, 3.3.2014), including the categories of intervention as above
- ü **data on ESF PARTICIPANTS** (as above, and Annexes of ESF Reg.)

