## European Social Fund (ESF): new types of costs eligible for a contribution from the ESF

2008/0232(COD) - 06/05/2009 - Final act

PURPOSE: to amend the ESF Regulation to facilitate access to grants co-financed by the European Social Fund (ESF).

LEGISLATIVE ACT: Regulation (EC) No 396/2009 of the European Parliament and of the Council amending Regulation (EC) No 1081/2006 on the European Social Fund to extend the types of costs eligible for a contribution from the ESF.

CONTENT: following a first reading agreement with the European Parliament, the Council adopted a regulation facilitating access to grants co-financed by the European Social Fund (ESF) in order to mitigate the social impact of the financial crisis. The main objective of the Regulation is to simplify the management, administration and control of ESF operations by simplifying the justification of indirect costs (i.e. costs which are not directly linked to the project, but which are necessary for its implementation, such as phone or electricity costs) and by reducing the workload and number of supporting documents required to justify expenditure.

The European Court of Auditors recommended in its 2007 annual report that the legislative authorities and the Commission should be prepared to reconsider the design of future expenditure programmes by giving due consideration to simplifying the basis of calculation of eligible cost and making greater use of lumpsum or flat-rate payments instead of reimbursement of 'real costs'. In accordance with these recommendations, the Regulation extends the scope of Regulation (EC) No 1081/2006 (the ESF Regulation) to 3 additional forms of eligible costs:

- indirect costs, declared on a flat-rate basis, of up to 20% of the direct costs of an operation;
- flat-rate costs calculated by the application of standard scales of unit cost as defined by Member States:
- lump sums to cover all or part of the costs of an operation, within a limit of EUR 50 000.

These options may be combined only where each of them covers a different category of eligible costs or where they are used for different projects within the same operation.

Costs must be established in advance on the basis of a fair, equitable and verifiable calculation.

Previously, the reimbursement of ESF expenditure was based on the "real cost" principle. This meant that EUR 1 of grant must correspond to at least EUR 1 of justified paid expenditure. The justification of expenditure was based on invoices and other accounting documents showing what had actually been done, which could amount to hundreds of documents. Furthermore, all supporting documents had to be kept available for 3 years after the closure of the programme.

APPLICATION: the new rules, which form a part of the <u>European Economic Recovery Plan</u>, will apply retroactively from 01/08/2006.

ENTRY INTO FORCE: 22/05/2009