



Brussels, 24.10.2012
COM(2012) 617 final

2012/0295 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the Fund for European Aid to the Most Deprived

{SWD(2012) 350 final}

{SWD(2012) 351 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

1.1. Poverty and material deprivation in the Union

Within the framework of its Europe 2020 strategy, the European Union has set itself the objective of reducing by at least 20 million the number of people in or at risk of poverty or social exclusion by 2020. Yet the economic crisis has exacerbated poverty and social exclusion, raising concerns over the social consequences for individuals and society at large.

In 2010, nearly one quarter of Europeans (116 million) were at risk of poverty or social exclusion. This is about 2 million more than in the previous year and the first figures available for 2011 confirm this trend.

While the needs of those who are at the margins of the society keep growing, the ability of Member States to support them has in many cases diminished. Social cohesion is threatened by fiscal constraints more than ever before. In many Member States it is felt that policies decided at European level are in some ways responsible for these developments.

The increasing levels of poverty impact negatively on the living conditions of European citizens, about 40 million of whom suffer from severe material deprivation. While this figure dropped markedly between 2005 and 2008, it began to rise again between 2009 and 2010, with 342 000 additional people encountering severe material deprivation in just one year.

One of the main features of material deprivation is the inability to access appropriate quantities and quality of food. The share of the Union population unable to afford a meal with meat, chicken or fish (or vegetarian equivalent) every second day – something which is defined as a basic need by the World Health Organisation – was 8.7% in 2010, i.e. more than 43 million persons and the first figures available for 2011 indicate a worsening trend.

A particularly severe form of material deprivation going well beyond food deprivation is homelessness. The extent of homelessness is difficult to quantify, but, estimations indicate that there were 4.1 million homeless people in Europe in 2009/2010. A recent increase in homelessness is due to the social impact of low and uneven growth and rising unemployment. Even more worryingly, a new profile of homeless people is emerging which consists of families with children, young people and people with a migrant background.

There are 25.4 million children at risk of poverty or social exclusion in the Union. Overall, children are at greater risk of poverty or social exclusion than the rest of the population (27 % against 23 %). This exposes them to material deprivation going beyond (poor) nutrition. For example, 5.7 million children have to go without new (not-second hand) clothes and 4.7 million do not have two pairs of properly fitting shoes (including a pair of all-weather shoes). Children suffering from these forms of material deprivation are less likely than their better-off peers to do well at school, enjoy good health and realise their full potential as adults.

1.2. The Union's response to poverty and material deprivation

The main Union's instrument for supporting employability, fighting poverty and promoting social inclusion is and will remain the European Social Fund (ESF). This structural instrument invests directly in people and their skills and aims at improving their labour market

opportunities. Yet some of the most vulnerable citizens who suffer from extreme forms of poverty are too far removed from the labour market to benefit from the social inclusion measures of the ESF.

The EU's Food Distribution programme for the Most Deprived People (MDP) has for more than two decades provided food aid for those persons. It was created in 1987 to make meaningful use of agricultural surpluses, which might otherwise have been destroyed, by making them available to Member States wishing to use them. Over the years, the scheme became an important source of provisions for organisations working in direct contact with the least fortunate members of society, providing them with food. The expected depletion and high unpredictability of intervention stocks over the period 2011-2020, as a consequence of successive reforms of the Common Agricultural Policy, has deprived the MDP of the original rationale underpinning it and it will be discontinued at the end of 2013.

However, material deprivation still causes serious problems and there continues to be a need for EU assistance to the society's most deprived persons. In its proposal for the next multiannual financial framework the Commission has reflected this and reserved a budget of € 2.5 billion for a new instrument designed to fight extreme forms of poverty and exclusion.

Against this background, the proposed Regulation establishes for the period 2014-2020 a new instrument that will complement the existing cohesion instruments and notably the European Social Fund, by addressing the worst and most socially corrosive forms of poverty, food deprivation as well as homelessness and material deprivation of children while supporting accompanying measures aiming at the social reintegration of the most deprived persons of the Union.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

2.1. Position of interested parties

Discussions in the Council and the European Parliament and with civil society and local authorities on the current forms of aid for the most deprived under the MDP programme have provided meaningful insights and ideas for the future. Moreover, the Commission has been open to stakeholders' views and consulted EU-level umbrella organisations representing both deliverers of food aid and the end recipients.

The potential significant cut in the support provided under the MDP scheme in 2012 was heavily criticized by civil society organisations, with regional and local authorities' representatives stressing the importance of this support and pleading for its continuation at a time when needs are increasing.

Large charities and civil society organisations representing food banks, as well as organisations working with children and homeless people have expressed repeatedly the need for public and specifically EU support.

Two meetings with umbrella associations of organisations representing not only the beneficiaries but also the actual end recipients were held. In general the organisations welcomed the possible broadening of the scope of the instrument beyond food aid and the idea of a people-centred approach.

Member States views about such an instrument are divided: seven Member States have expressed their opposition to continuation of the MDP beyond 2013. Other Member States have argued strongly in support of the scheme. Thirteen Member States issued a statement in December 2011, in which they requested continuation of the MDP post-2013.

The European Parliament has repeatedly expressed strong support for the continuation of the food aid programme in the interest of better social cohesion in Europe.

In December 2011, eleven umbrella organisations wrote to Commissioner Andor and the Director General for Employment, Social Affairs and Inclusion asking for progress to be made towards an EU Homelessness Strategy. In addition, the European Parliament called for such a strategy - first in a Written Declaration (2010) and then in a Resolution (2011).

The Compact for Growth and Jobs adopted by the European Council on 29 June 2012 notes that "in the implementation of the country-specific recommendations, Member States will put particular emphasis on tackling unemployment and addressing the social consequences of the crisis effectively [...and] developing and implementing effective policies to combat poverty and support vulnerable groups".

2.2. Impact assessment

The core issue examined by the impact assessment concerned the scope of the new instrument. The options considered were (0) no funding, (1) a successor instrument to the current MDP limited to dispensing food aid, (2) an instrument which would complement the distribution of food aid with support for accompanying measures aiming at the social inclusion of the food aid recipients, and (3) a comprehensive instrument supporting material relief in terms of food, goods for homeless people and goods for materially deprived children, combined with accompanying measures aiming at the social reintegration of the most deprived persons.

The net impact of option zero depends on how the funds made available are reallocated. But it would certainly be seen as attesting to an erosion of solidarity in Europe at a time when poverty is increasing. Compared to option one, option two and even more so option three entail a reduction of the food aid distributed as some resources are allocated to other types of actions. However, the accompanying measures should also ensure greater sustainability of the results achieved. Option three is preferred because it best allows tailoring the supported interventions to local needs.

3. LEGAL ELEMENTS OF THE PROPOSAL

EU action is justified on the grounds of Article 174 (TFEU) which provides for the Union to "promote its overall harmonious development" by "developing and pursuing its actions leading to the strengthening of its economic, social and territorial cohesion", and on Article 175 (TFEU) which specifies the role of the EU structural funds in achieving this objective and makes provisions for the adoption of specific actions outside the Structural Funds.

EU-level action is necessary given the level of poverty and social exclusion in the Union and the unacceptable diversity of the situation among individual Member States, further aggravated by the economic and fiscal crisis, which has led to a deterioration of social cohesion and lessened the chances of achieving the Europe 2020 strategy's objective in relation to the fight against poverty and social exclusion.

European financial support helps to catalyse action at national level, coordinate efforts and to develop and introduce instruments to promote social inclusion. It allows the Union to lead by example.

4. BUDGETARY IMPLICATION

The Commission proposal for a multi-annual framework envisages an amount of EUR 2.5 billion, within cohesion policy, for the period 2014-2020.

In accordance with article 84(3) of Regulation EU N° ... (CPR), the support to a Member State through the Fund shall be considered as part of the share of the Structural Funds allocated to the European Social Fund.

<i>Proposed budget 2014-2020</i>	<i>EUR billion</i>
Cohesion Policy (Structural Funds)	339
<i>Of which</i> Fund for European Aid to the Most Deprived	2.5

**All figures are in constant 2011 prices*

5. CONTENT OF THE REGULATION

5.1. Objectives and scope

The general objective of the Fund for European Aid to the Most Deprived (the Fund) is to promote social cohesion in the Union by contributing to the achievement of the Europe 2020 strategy's objective of reducing by at least 20 million of the number of people in or at risk of poverty and social exclusion.

This translates into the specific objective of supporting national schemes which provide non-financial assistance to the most deprived persons through partner organisations.

In terms of scope, the Fund addresses food deprivation, homelessness and material deprivation of children. Each Member State may choose to address one or more of these forms of deprivation. It may also support accompanying measures, complementing material support, to contribute to the social reintegration of the most deprived persons.

5.2. Eligible population and targeting

The population eligible to receive material assistance are the most deprived persons of the Union. Definition of the criteria for identifying the most deprived persons to be assisted will be the responsibility of the Member States or the partner organisations since they are best placed to target the assistance taking local needs into account.

By defining the type of goods that will be distributed, namely food or basic consumer goods for personal use of homeless persons or of children, the Regulation also contains an indirect targeting mechanism.

5.3. Partner organisations

The partner organisations are the ones that deliver directly or indirectly the food or goods to the most deprived persons. In order to ensure that the Fund will contribute to sustainable reduction of poverty and to improvement of social cohesion, the partner organisations that deliver directly the food or goods will themselves have to undertake activities complementing the provision of material assistance, aiming at the social integration of the most deprived persons. The Fund itself may support such accompanying measures.

The national authorities may either purchase the food or goods or make them available to partner organisations or provide the partner organisation with funding for the purchase of the food or goods. If the purchase of food or goods is undertaken by a partner organisation, it can either distribute the items itself or entrust the distribution to other partner organisations.

5.4. Implementation provisions

The Fund will be implemented following the model of cohesion policy, i.e. through shared management on the basis of one 7-years operational programme per Member State covering the period 2014 to 2020.

The Regulation follows the approach of the structural funds in terms of implementation arrangements, allowing notably the Member States to use, if they so wish, the structures, designated authorities and procedures set up for the European Social Fund, in order to minimize the administrative burden related to the transition from the current scheme for distribution of food to the most deprived persons to the new Fund for European Aid to the Most Deprived. The provisions relating to programming, monitoring, evaluation and information and communication are, however, streamlined and simplified in order to be commensurate to the specificity of the objectives and target populations of the Fund.

The eligibility rules are also designed to take into account the nature of the Fund and of the various actors that will be involved in its implementation. In particular, the Regulation provides for simplified cost methods for the majority of categories of expenditure and opens options for the others categories.

The financial management and control system equally derives from the structural funds logic. Also, some provisions have been adapted and simplified to be fully adequate to the types of operations that will be supported by the Fund, notably in terms of pre-financing, content of the payments applications to the Commission as well as proportional control.

The partner organisations have a limited capacity to advance the funds necessary. Equally, the Member States may have difficulties to mobilise the resources necessary to pre-finance the operations. In addition, the Member States facing the greatest fiscal constraints are likely to be those with the highest number of most deprived people. In order to address this situation, that could put at risk the achievement of the Fund's objective, the level of pre-financing is set at 11% of the total allocation to a Member State. This will allow covering up to 90% of the costs of the first year's aid campaign not counting technical assistance, transport, administrative costs and the accompanying measures.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the Fund for European Aid to the Most Deprived

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 175 (3) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In line with the conclusions of the European Council of 17 June 2010, whereby the Union strategy for smart, sustainable and inclusive growth was adopted, the Union and the Member States have set themselves the objective of having at least 20 million fewer people at risk of poverty and social exclusion by 2020.
- (2) The number of persons suffering from material or even severe material deprivation in the Union is increasing and those persons are often too excluded to benefit from the activation measures of Regulation (EU) No [...CPR], and, in particular of Regulation (EU) No [...ESF].
- (3) Article 174 of the Treaty provides that in order to promote its overall harmonious development, the Union shall develop and pursue actions leading to the strengthening of its economic, social and territorial cohesion.
- (4) The Fund for European Aid to the Most Deprived (hereinafter the 'Fund') should strengthen social cohesion by contributing to the reduction of poverty in the Union by supporting national schemes that provide non-financial assistance to the most deprived persons to alleviate food deprivation, homelessness and material deprivation of children.

¹ OJ L , , p. .

² OJ L , , p. .

- (5) Under Article 317 of the Treaty, and in the context of shared management, the conditions allowing the Commission to exercise its responsibilities for implementation of the general budget of the Union should be specified and the responsibilities in terms of cooperation by the Member States clarified. Those conditions should enable the Commission to obtain assurance that Member States are using the Fund in a legal and regular manner and in accordance with the principle of sound financial management within the meaning of Council Regulation No [...] on the Financial Regulation applicable to the general budget of the European Communities (hereinafter ‘the Financial Regulation’)³.
- (6) Those provisions also ensure that the operations supported shall comply with applicable Union and national laws, notably in regard to the safety of the goods that are distributed to the most deprived persons.
- (7) In order to set out an appropriate financial framework, the Commission should establish, by means of implementing acts, an annual breakdown of global resources by Member State using an objective and transparent method reflecting disparities in terms of poverty and material deprivation.
- (8) The operational programme of each Member State should identify and justify the forms of material deprivation to be addressed, and describe the objectives and features of the assistance to the most deprived persons that will be provided through the support of national schemes. It should also include elements necessary to ensure effective and efficient implementation of the operational programme.
- (9) In order to maximise effectiveness of the Fund, in particular as regards the national circumstances, it is appropriate to set out a procedure for potential amendment of the operational programme.
- (10) Exchanges of experience and best practices have a significant added value and the Commission should facilitate such dissemination.
- (11) In order to monitor the progress of operational programmes implementation, the Member States should draw up and provide to the Commission annual and final implementation reports thus ensuring the availability of essential and up-to-date date information. For the same purposes, Commission and each Member State should meet every year for a bilateral review, except if they agree otherwise.
- (12) In order to improve the quality and design of each operational programme and evaluate the effectiveness and efficiency of the Fund, ex ante and ex post evaluations should be conducted. Those evaluations should be supplemented by surveys on the most deprived persons who have benefited from the operational programme and, if necessary, by evaluations during the programming period. The responsibilities of Member States and the Commission in this respect should be specified.
- (13) Citizens have the right to know how the Union’s financial resources are invested and to what effects. For the purpose of ensuring wide dissemination of information about the achievements of the Fund and to ensure accessibility and transparency of funding opportunities, detailed rules about information and communication, especially in

³ OJ L , , p. ..

relation to the responsibilities of the Member States and the beneficiaries, should be set out.

- (14) Union legislation concerning the protection of individuals with regard to the processing of personal data and on the free movement of such data, in particular Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement⁴ of such data is applicable.
- (15) It is necessary to establish a maximum level of co-financing from the Fund to the operational programmes to provide for a multiplier effect of Union resources, while the situation of Member States facing temporary budget difficulties should be addressed.
- (16) Uniform and equitable rules on the eligibility period, operations and expenditures for the Fund should be applied across the Union. The conditions of eligibility should reflect the specific nature of the Fund's objectives and target populations, notably through adequate conditions of eligibility of the operations as well as forms of support and rules and conditions of reimbursement.
- (17) [Proposal for a] Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation)⁵ provides that products bought under public intervention may be disposed of by making them available for the scheme for food distribution to the most deprived in the Union if that scheme so provides. Given that, depending on the circumstances, obtaining of food from the use, processing or sale of such stocks might be economically the most favourable option, it is appropriate to provide for such a possibility in this Regulation. The amounts derived from a transaction concerning the stocks should be used for the benefit of the most deprived, and should not be applied so as to diminish the obligation of the Member States to co-finance the programme. In order to ensure the most efficient possible use of the intervention stocks and the proceeds thereof, the Commission should in accordance with Article 19(e) of the Regulation (EU) No [CMO] adopt implementing acts establishing procedures by which the products in intervention stocks may be used, processed or sold for the purposes of the most deprived programme.
- (18) It is necessary to specify the types of actions that can be undertaken at the initiative of the Commission and of the Member States as technical assistance supported by the Fund.
- (19) In accordance with the principle of shared management, Member States should have the primary responsibility, through their management and control system, for the implementation and control of their operational programme.
- (20) Member States should adopt adequate measures to guarantee the proper set up and functioning of their management and control systems to give assurance on the legal and regular use of the Fund. The obligations of Member States as regards the management and control systems of their operational programme, and in relation to

⁴ OJ L 281, 23.11.1995, p. 31

⁵ OJ L , , p.

the prevention, detection and correction of irregularities and breaches of Union law should therefore be specified.

- (21) Member States should designate a managing authority, a certifying authority and a functionally independent auditing authority for their operational programme. To provide flexibility for Member States in the set-up of control systems, it is appropriate to provide the option for the functions of the certifying authority to be carried out by the managing authority. The Member States should also be allowed to designate intermediate bodies to carry out certain tasks of the managing authority or the certifying authority. The Member States should in that case lay down clearly their respective responsibilities and functions.
- (22) The managing authority bears the main responsibility for the effective and efficient implementation of the Fund and thus fulfils a substantial number of functions related to operational programme management and monitoring, financial management and controls as well as project selection. Its responsibilities and functions should be set out.
- (23) The certifying authority should draw up and submit to the Commission payment applications. It should draw up the annual accounts, certifying the completeness, accuracy and veracity of the annual accounts and that the expenditure entered in the accounts complies with applicable Union and national rules. Its responsibilities and functions should be set out.
- (24) The audit authority should ensure that audits are carried out on the management and control systems, on an appropriate sample of operations and on the annual accounts. Its responsibilities and functions should be set out.
- (25) Without prejudice to the Commission's powers as regards financial control, cooperation between the Member States and the Commission in the framework of this Regulation should be ensured and criteria should be established which allow the Commission to determine, in the context of its strategy of control of national systems, the level of assurance it should obtain from national audit bodies.
- (26) The powers and responsibilities of the Commission to verify the effective functioning of the management and control systems, and to require Member State action, should be laid down. The Commission should also have the power to carry out audits focused on issues relating to sound financial management in order to draw conclusions on the performance of the Fund.
- (27) Union budget commitments should be effected annually. In order to ensure effective programme management, it is necessary to lay down common rules for interim payment requests, the payment of the annual balance and the final balance.
- (28) In view of ensuring reasonable assurance for the Commission, the application for interim payment should be reimbursed at a rate of 90% of the eligible expenditures included in the payment application.
- (29) A pre-financing at the start of the operational programme should ensure that the Member State has the means to provide support to the beneficiaries in the implementation of the operations from the adoption of the operational programme.

This pre-financing should be used exclusively for this purpose and beneficiaries should receive enough funding to start up an operation upon its selection.

- (30) In order to safeguard the Union's financial interests, there should be measures limited in time that allow the authorising officer by delegation to interrupt payments where there is evidence to suggest a significant deficiency in the functioning of the management and control system, evidence of irregularities linked to a payment application, or a failure to submit documents for the purpose of the examination and acceptance of accounts.
- (31) In order to safeguard the Union's financial interests and provide the means to ensure effective programme implementation, there should be measures allowing for the suspension by the Commission of payments.
- (32) In order to ensure that expenditure financed by the Union budget in any given financial year is used in accordance with the applicable rules, an appropriate framework should be created for the annual examination and acceptance of accounts. Under this framework, the designated bodies should submit to the Commission, in respect of the operational programme, a management declaration accompanied by the certified annual accounts, an annual summary of the final audit reports and of controls carried out and an independent audit opinion and control report.
- (33) It is necessary to specify the detailed procedure for the annual examination and acceptance of accounts applicable to the Fund to ensure a clear basis and legal certainty for those arrangements. It is important to envisage a limited possibility for the Member State to define a provision in its annual accounts for an amount, which is subject to an on-going procedure with the audit authority.
- (34) In order to safeguard the Union budget, and to provide legal certainty to the Member States, it is appropriate to lay down the specific arrangements and procedures for financial corrections by Member States and by the Commission, and in particular define the circumstances under which breaches of the applicable Union or national law can lead to financial correction.
- (35) The frequency of audits on operations should be proportionate to the extent of the Union's support from the Fund. In particular, the number of audits carried out should be reduced where the total eligible expenditure for an operation does not exceed EUR 100 000. Nevertheless, it should be possible to carry out audits at any time where there is evidence of an irregularity or fraud, or as part of an audit sample. In order that the level of auditing by the Commission is proportionate to the risk, the Commission should be able to reduce its audit work in relation to operational programmes where there are no significant deficiencies or where the audit authority can be relied on. In addition, the scope of audits should take fully into account the objective and the features of the target populations of the Fund.
- (36) In order to ensure financial discipline, it is appropriate to define the arrangements for de-commitment of any part of the budget commitment in an operational programme, in particular where an amount may be excluded from de-commitment, notably when delays in implementation result from circumstances which are independent of the

party concerned, abnormal or unforeseeable and whose consequences cannot be avoided despite the diligence shown.

- (37) In order to supplement and amend certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the responsibilities of Member States concerning the procedure for reporting irregularities and recovery of sums unduly paid, the modalities of exchange of information of operations, the arrangements for the adequate audit trail, the conditions of national audits, the designation criteria for managing authorities and certifying authorities, the identification of commonly accepted data carriers, and the criteria for establishing the level of financial correction to be applied. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level.
- (38) The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.
- (39) The Commission should be empowered to adopt, by means of implementing acts decisions setting out the annual breakdown of the global resources by Member State, decisions setting out annual financial allocations for each Member State, decisions adopting operational programmes, decisions suspending payments, decisions on financial corrections and, in the case of decommitment, decisions to amend decisions adopting programmes.
- (40) In order to ensure uniform conditions for the implementation of this Regulation, the implementing powers relating to the template for the annual and final implementation reports and the list of common indicators, the template for the structured survey on end recipients, the electronic data exchange system between the Member State and the Commission, the template for the management declaration, the models for the audit strategy, opinion and annual control report and methodology for the sampling method, the rules concerning use of data collected during audits, and the template for payment applications should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers⁶.
- (41) This Regulation respects fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union, including respect for human dignity and for private and family life, the right to the protection of personal data, the rights of the child, the rights of the elderly, equality between men and women, and the prohibition of discrimination. This Regulation must be applied according to these rights and principles.
- (42) Since the objective of this Regulation, namely to improve social cohesion in the Union and contribute to the fight against poverty and social exclusion, cannot be sufficiently achieved by Member States but can be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5

⁶ OJ L 55, 28.2.2011, p.13.

of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve that objective,

HAVE ADOPTED THIS REGULATION:

TITLE I. GENERAL PROVISIONS

Article 1

Subject matter

1. This Regulation establishes the Fund for European Aid to the Most Deprived (hereinafter ‘the Fund’) for the period from 1 January 2014 to 31 December 2020 and determines the objectives of the Fund, the scope of its support, the financial resources available and the criteria for their allocation and lays down the rules necessary to ensure the effectiveness of the Fund.

Article 2

Definitions

The following definitions shall apply:

- (1) 'most deprived persons' means physical persons, whether individuals, families, households or groups composed of such persons, whose need for assistance has been established according to the objective criteria adopted by the national competent authorities, or defined by the partner organisations and which are approved by those competent authorities;
- (2) 'partner organisations' means public bodies or non-for-profit organisations that deliver the food or goods directly or through other partner organisations to the most deprived persons, and whose operations have been selected by the managing authority in accordance with Article 29(3)(b);
- (3) 'national schemes' means any scheme having, at least partly, the same objectives as the Fund and which is being implemented at national, regional or local level by public bodies or non-for-profit organisations;
- (4) 'operation' means a project, contract or action selected by the managing authority of the operational programme concerned, or under its responsibility, contributing to the objectives of the operational programme to which it relates;
- (5) 'completed operation' means an operation that has been physically completed or fully implemented and in respect of which all related payments have been made by beneficiaries and the support from the corresponding operational programme has been paid to the beneficiaries;

- (6) 'beneficiary' means a public or private body responsible for initiating or initiating and implementing operations;
- (7) 'end recipient' means the most deprived persons receiving the food or goods and/or benefiting from the accompanying measures;
- (8) 'public support' means any financial support given to an operation that originates from the budget of national, regional or local public authorities, the budget of the Union related to the Fund, the budget of public law bodies or the budget of associations of public authorities or any body governed by public law within the meaning of Article 1(9) of Directive 2004/18/EC of the European Parliament and of the Council;
- (9) 'intermediate body' means any public or private body which acts under the responsibility of a managing or certifying authority, or which carries out duties on behalf of such an authority in relation to beneficiaries' implementing operations;
- (10) 'accounting year' means the period from 1 July to 30 June, except for the first accounting year, in respect of which it means the period from the starting date for eligibility of expenditure until 30 June 2015, the final accounting year being from 1 July 2022 to 30 June 2023;
- (11) 'financial year' means the period from 1 January to 31 December.

Article 3

Objectives

The Fund shall promote social cohesion in the Union by contributing to achieving the poverty reduction target of at least 20 million of the number of persons at risk of poverty and social exclusion in accordance with the Europe 2020 strategy. The Fund shall contribute to achieving the specific objective of alleviating the worst forms of poverty in the Union by providing non-financial assistance to the most deprived persons. This objective shall be measured by the number of persons receiving assistance from the Fund.

Article 4

Scope of support

1. The Fund shall support national schemes whereby food products and basic consumer goods for the personal use of homeless persons or of children are distributed to the most deprived persons through partner organisations selected by Member States.
2. The Fund may support accompanying measures, complementing the provision of food and goods, contributing to the social inclusion of the most deprived persons.

3. The Fund shall promote mutual learning, networking and dissemination of good practices in the area of non-financial assistance to the most deprived persons.

Article 5

Principles

- (12) The part of the Union budget allocated to the Fund shall be implemented within the framework of shared management between the Member States and the Commission, in accordance with Article 55(1)(b) of the Financial Regulation, with the exception of technical assistance at the initiative of the Commission, which shall be implemented in the framework of direct management in accordance with Article 55(1) (a) of the Financial Regulation.
- (13) The Commission and the Member States shall ensure that support from the Fund is consistent with the policies and priorities of the Union and complementary to other instruments of the Union.
- (14) Support from the Fund shall be implemented in close cooperation between the Commission and the Member States.
- (15) Member States and the bodies designated by them for that purpose shall be responsible for implementing the operational programmes and carrying out their tasks under this Regulation in accordance with the institutional, legal and financial framework of the Member State and subject to compliance with this Regulation.
- (16) Arrangements for the implementation and use of the Fund, and in particular the financial and administrative resources required in relation to reporting, evaluation, management and control shall take into account the principle of proportionality having regard to the level of support allocated.
- (17) In accordance with their respective responsibilities, the Commission and the Member States shall ensure coordination with the European Social Fund, and with other Union policies and instruments.
- (18) The Commission and the Member States and the beneficiaries shall apply the principle of sound financial management in accordance with Article 26 of the Financial Regulation.
- (19) The Commission and the Member States shall ensure the effectiveness of the Fund, in particular through monitoring, reporting and evaluation.
- (20) The Commission and the Member States shall carry out their respective roles in relation to the Fund with the aim of reducing the administrative burden for beneficiaries.
- (21) The Commission and the Member States shall ensure that equality between men and women and the integration of the gender perspective are promoted during the various stages of the implementation of the Fund. The Commission and the Member States

shall take appropriate steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation in obtaining access to the Fund.

- (22) Operations financed by the Fund shall comply with applicable Union and national law. In particular, the Fund may only be used to support distribution of food or goods that are in conformity with the Union legislation on consumer product safety.
- (23) Member States and beneficiaries shall choose the food products and the goods on the basis of objective criteria. The selection criteria for the food products, and where appropriate for goods, shall also take into consideration climatic and environmental aspects, in particular with a view to reduction of food waste.

TITLE II RESOURCES AND PROGRAMMING

Article 6

Global resources

- 1. The global resources available for budgetary commitment from the Fund for the period 2014-2020 shall be EUR 2 500 000 000 at 2011 prices, in accordance with the annual breakdown set out in Annex II.
- 2. For the purpose of programming and subsequent inclusion in the general budget of the Union, the amount of resources shall be indexed at 2% per year.
- 3. The Commission shall adopt a decision, by means of implementing acts, setting out the annual breakdown of the global resources by Member State, in accordance with Article 84(5) of Regulation (EU) No... (CPR), without prejudice to paragraph 4 of this Article, taking into account the following indicators established by Eurostat:
 - (a) the population suffering from severe material deprivation;
 - (b) the population living in households with very low work intensity.
- 4. 0.35% of the global resources shall be allocated to technical assistance at the initiative of the Commission.

Article 7

Operational programme

- 1. Each Member State shall submit to the Commission one operational programme covering the period between 1 January 2014 and 31 December 2020 within three months of the entry into force of this Regulation, containing the following items:

- (a) an identification of and a justification for selecting the type(s) of material deprivation to be addressed under the operational programme and a description for each type of material deprivation addressed of the main characteristics and the objectives of the distribution of food or goods and the accompanying measures to be provided, having regard to the results of the *ex ante* evaluation carried out in accordance with Article 14;
- (b) a description of the corresponding national scheme(s) for each type of material deprivation addressed;
- (c) a description of the mechanism setting the eligibility criteria for the most deprived persons, differentiated if necessary by type of material deprivation addressed;
- (d) the criteria for the selection of operations and a description of the selection mechanism differentiated if necessary by type of material deprivation addressed;
- (e) the criteria for the selection of the partner organisations differentiated if necessary by type of material deprivation addressed;
- (f) a description of the mechanism used to ensure complementarity with the European Social Fund;
- (g) a description of the provisions for implementing the operational programme containing the identification of the managing authority, the certifying authority where applicable, the audit authority and the body to which payments are to be made by the Commission and a description of the monitoring procedure;
- (h) a description of the measures taken to involve the competent regional, local and other public authorities as well as bodies representing civil society and bodies responsible for promoting equality and non-discrimination in the preparation of the operational programme;
- (i) a description of the planned use of technical assistance in accordance with Article 25(2), including actions to reinforce the administrative capacity of the beneficiaries in relation to the implementation of the operational programme;
- (j) a financing plan containing following tables:
 - (i) a table specifying for each year in accordance with Article 18 the amount of the financial appropriation envisaged for support from the Fund and the co-financing in accordance with Article 18;
 - (ii) a table specifying, for the whole programming period, the amount of the total financial appropriation in respect of support from the operational programme for each type of material deprivation addressed as well as the corresponding accompanying measures.

The partner organisations referred to in point (e) that deliver directly the food or goods shall themselves undertake activities complementing the provision of material assistance, aiming at the social inclusion of the most deprived persons, whether or not these activities are supported by the Fund.

2. Operational programmes shall be drawn up by Member States or any authority designated by them in cooperation with the competent regional, local and other public authorities as well as bodies representing civil society and bodies responsible for promoting equality and non-discrimination.
3. The Member States shall draft their operational programmes in accordance with the template set out in Annex I.

Article 8

Adoption of the operational programme

1. The Commission shall assess the consistency of the operational programme with this Regulation and its contribution to the objectives of the Fund, taking into account the *ex ante* evaluation carried out in accordance with Article 14.
2. The Commission may make observations within three months of the date of submission of the operational programme. The Member State shall provide to the Commission all necessary additional information and, where appropriate, revise the proposed operational programme.
3. Provided that any observations made by the Commission in accordance with paragraph 2 have been satisfactorily taken into account, the Commission shall, by means of implementing acts, approve the operational programme no later than six months after its formal submission by the Member State, but not before 1 January 2014.

Article 9

Amendments of the operational programme

1. Member State may submit a request for amendment of the operational programme. It shall be accompanied by the revised operational programme and the justification for the amendment.
2. The Commission shall assess the information provided in accordance with paragraph 1, taking account of the justification provided by the Member State. The Commission may make observations and the Member State shall provide to the Commission all necessary additional information.
3. The Commission shall, by means of implementing acts, approve the amendment of an operational programme no later than five months after their formal submission by

the Member State provided that any observations made by the Commission have been satisfactorily taken into account.

Article 10

Platform

The Commission shall set up a Union level platform to facilitate the exchange of experience, capacity building and networking, as well as dissemination of relevant outcomes in the area of non-financial assistance to the most deprived persons.

In addition, the Commission shall consult, at least once a year, the organisations which represent the partner organisations at Union level on the implementation of support from the Fund.

TITLE III MONITORING AND EVALUATION, INFORMATION AND COMMUNICATION

Article 11

Implementation reports and indicators

1. From 2015 to 2022, the Member States shall submit to the Commission, by 30 June of each year, an annual implementation report for the operational programme in the previous financial year.
2. The Member States shall draft the annual implementation report in accordance with the template adopted by the Commission, including the list of common input and outcome indicators.
3. The annual implementation reports shall be admissible where they contain all the information required in accordance with the template referred in paragraph 2, including the common indicators. The Commission shall inform the Member State concerned within 15 working days from the date of receipt of the annual implementation report if it is not admissible. Where the Commission has not sent that information within the time limit, the report shall be deemed admissible.
4. The Commission shall examine the annual implementation report and inform the Member State of its observations within two months of the receipt of the annual implementation report.

Where the Commission does not provide observations within this time limit, the reports shall be deemed to be accepted.

5. The Member State shall submit a final report on implementation of the operational programme by 30 September 2023.

The Member States shall draft the final implementation report in accordance with the template adopted by the Commission.

The Commission shall examine the final implementation report and inform the Member State of its observations within five months of receipt of the final report.

Where the Commission does not provide observations within this time limit, the reports shall be deemed to be accepted.

6. The Commission shall adopt the template for the annual implementation report, including the list of common indicators and for the final implementation report by means of implementing act. This implementing act shall be adopted in accordance with the advisory procedure referred to in Article 60(2).
7. The Commission may address observations to a Member State concerning the implementation of the operational programme. The managing authority shall within three months inform the Commission of the corrective measures taken.
8. The managing authority shall make public a summary of the contents of each annual and final implementation report.

Article 12

Bilateral review meeting

1. The Commission and each Member State shall meet every year from 2014 to 2022, unless otherwise agreed, to examine the progress in implementing the operational programme, taking account of the annual implementation report and the Commission's observations referred to in Article 11(7), where applicable.
2. The bilateral review meeting shall be chaired by the Commission.
3. The Member State shall ensure that appropriate follow-up is given to any comments of the Commission following the meeting.

Article 13

General provisions on evaluation

1. Member States shall provide the resources necessary for carrying out evaluations, and shall ensure that procedures are in place to produce and collect the data necessary for evaluations, including data related to the common indicators referred to in Article 11.
2. Evaluations shall be carried out by experts that are functionally independent of the authorities responsible for operational programme implementation. All evaluations shall be made public in their entirety.

Article 14

Ex ante evaluation

1. Member States shall carry out an ex ante evaluation of the operational programme.
2. The *ex ante* evaluation shall be carried out under the responsibility of the authority responsible for preparing the operational programmes. It shall be submitted to the Commission at the same time as the operational programme, together with an executive summary.
3. Ex ante evaluations shall appraise the following elements:
 - (c) the contribution to the Union objective of at least 20 million fewer people at risk of poverty and social exclusion by 2020, having regard to the selected type of material deprivation to be addressed, taking into account national circumstances in terms of poverty and social exclusion and material deprivation;
 - (d) the internal coherence of the proposed operational programme and its relation with other relevant financial instruments;
 - (e) the consistency of the allocation of budgetary resources with the objectives of the operational programme;
 - (f) contribution of the expected outputs to the results;
 - (g) the suitability of the procedures for monitoring the operational programme and for collecting the data necessary to carry out evaluations.

Article 15

Evaluation during the programming period

1. During the programming period, the managing authority may carry out evaluations for assessing the effectiveness and efficiency of the operational programme.
2. The managing authority shall carry out a structured survey on end recipients in 2017 and 2021, in accordance with the template provided by the Commission. The Commission shall adopt the template by means of an implementing act. This implementing act shall be adopted in accordance with the advisory procedure referred to in Article 60(2).
3. The Commission may carry out, at its own initiative, evaluation of operational programmes.

Article 16

Ex post evaluation

At its own initiative and in close cooperation with the Member States, the Commission shall carry out, with the assistance of external experts, an ex-post evaluation, to assess the effectiveness and sustainability of results obtained as well as to measure the added value of the Fund. This ex post evaluation shall be completed by 31 December 2023.

Article 17

Information and communication

1. The Member States shall provide information on and promote the actions supported by the Fund. The information shall be addressed to the most deprived persons, the media and the wider public. It shall highlight the role of the Union and ensure that the contribution from the Fund is visible.
2. The managing authority shall, in order to ensure transparency in the support of the Fund, maintain a list of operations supported by the Fund in CSV or XML format which shall be accessible through a website. The list shall include at least information on the beneficiary name, its address and allocated amount of Union funding as well as the type of material deprivation addressed.

The list of operations shall be updated at least every twelve months.

3. During the implementation of an operation, the beneficiaries and partner organisations shall inform the public about the support obtained from the Fund by placing at least one poster with information about the operation (minimum size A3), including about the financial support from the Union, at a location readily visible to the public, at each place of provision of the food, goods and any accompanying measure, except if this is not possible due to the circumstances of the distribution.

Those beneficiaries and partner organisations which have websites shall also provide a short description of the operation, including its aims and results, and highlighting the financial support from the Union.

4. All information and communication measures undertaken by the beneficiary and the partner organisations shall acknowledge support from the Fund to the operation by displaying the emblem of the Union together with a reference to the Union and the Fund.
5. The managing authority shall inform beneficiaries of publication of the list of operations in accordance with paragraph 2. The managing authority shall provide information and publicity kits, including templates in electronic format, to help beneficiaries and partner organisations to meet their obligations as set out in paragraph 3.
6. In processing personal data pursuant to this Article, the managing authority as well as the beneficiaries and partner organisations shall comply with Directive 95/46/EC.

TITLE IV FINANCIAL SUPPORT FROM THE FUND

Article 18

Co-financing

1. The co-financing rate at the level of the operational programme shall not be higher than 85% of the public eligible expenditure.
2. The Commission decision adopting an operational programme shall fix the co-financing rate applicable to the operational programme and the maximum amount of support from the Fund.
3. The technical assistance measures implemented at the initiative of, or on behalf of, the Commission may be financed at the rate of 100%.

Article 19

Increase in payments for Member States with temporary budgetary difficulties

1. At the request of a Member State, interim payments and payments of the final balance may be increased by 10 percentage points above the co-financing rate applicable to the operational programme. The increased rate, which can not exceed 100%, shall apply to requests for payment relating to the accounting period in which the Member State has submitted its request and subsequent accounting periods during which the Member State meets one of the following conditions:
 - (h) where the Member State concerned has adopted the euro, it receives macro-financial assistance from the Union in accordance with Council Regulation (EU) No 407/2010⁷;
 - (i) where the Member State concerned has not adopted the euro, it receives medium-term financial assistance in accordance with Council Regulation (EC) No 332/2002⁸;
 - (j) financial assistance is made available to it in accordance with the Treaty establishing the European Stability Mechanism.
2. Notwithstanding paragraph 1, Union support through interim payments and payments of the final balance shall not be higher than the public support and the maximum amount of support from the Fund, as laid down in the Commission decision approving the operational programme.

⁷ OJ L 118, 12.5.2010, p.1.

⁸ OJ L 53, 23.2.2002, p. 1.

Article 20

Eligibility period

1. Expenditure shall be eligible for a support from the operational programme if it is incurred and paid by a beneficiary between 1 January 2014 and 31 December 2022.
2. Operations shall not be selected for support by the operational programme where they have been physically completed or fully implemented before the application for funding under the operational programme is submitted by the beneficiary to the managing authority, irrespective of whether all related payments have been made by the beneficiary.
3. This Article shall be without prejudice to the rules on eligibility of technical assistance at the initiative of the Commission as set out in Article 25.
4. In the case of amendment of an operational programme, expenditure becoming eligible because of the amendment to the operational programme shall only be eligible from the date of submission to the Commission of the request for amendment.

Article 21

Eligibility of operations

1. Operations supported by the operational programme shall be located in the Member State covered by the operational programme.
2. Operations may receive support from the operation programme provided that they have been selected in accordance with a fair and transparent procedure, on the basis of the criteria laid down in the operational programme.
3. The food and the goods for homeless persons or for children may be purchased by the partner organisations themselves.

They may also be purchased by a public body and made available free of charge to the partner organisations. In that case, the food may be obtained from the use, processing or sale of the products in intervention stocks made available in accordance with Article 15 of the Regulation (EU) No [CMO], provided that this is economically the most favourable option and does not unduly delay the delivery of the food products to the partner organisations. Any amount derived from a transaction concerning those stocks shall be used for the benefit of the most deprived persons, and shall not be applied so as to diminish the obligation of the Member States, provided in Article 18 of this Regulation, to co-finance the programme.

The Commission shall apply the procedures adopted pursuant to Article 19(e) of the Regulation (EU) No [CMO] by which the products in intervention stocks may be

used, processed or sold for the purposes of this Regulation, in order to ensure the most efficient possible use of the intervention stocks and the proceeds thereof.

4. That material assistance shall be distributed free of charge to the most deprived persons.
5. An operation supported by the Fund shall not receive support from another Union instrument.

Article 22

Forms of support

The Fund shall be used by Member States to provide support in the forms of grants, procurement or a combination thereof.

Article 23

Forms of grants

1. Grants may take the following forms:
 - (k) reimbursement of eligible costs actually incurred and paid;
 - (l) reimbursement on the basis of unit costs;
 - (m) lump sums not exceeding EUR 100 000 of public support;
 - (n) flat-rate financing, determined by the application of a percentage to one or several defined categories of costs.
2. The options referred to in paragraph 1 may be combined only where each is applied to different categories of costs or where they are used for successive phases of an operation.
3. The amounts referred to in paragraph 1(b), (c) and (d) shall be established on the basis of:
 - (a) a fair, equitable and verifiable calculation method based on one of the following:
 - (i) statistical data or other objective information; or
 - (ii) the verified historical data of individual beneficiaries or the application of their usual cost accounting practices;

- (b) methods and corresponding unit costs, lump sums and flat-rate financing applied under schemes for grants funded entirely by the Member State concerned for a similar type of operation and beneficiary;
 - (c) rates established by this Regulation;
 - (d) a case-by-case basis by reference to a draft budget agreed ex ante by the managing authority, where public support does not exceed EUR 100 000.
4. The amounts calculated in the forms referred to in paragraph 1(b), (c) and (d) shall be regarded as eligible expenditure incurred and paid by the beneficiary for the purpose of applying Title VI.
 5. The document setting out the conditions for support for each operation shall set out the method to be applied for determining the costs of the operation and the conditions for payment of the grant.

Article 24

Eligibility of expenditure

1. The costs eligible for a support from the operational programme shall be:
 - (o) the costs of purchasing food and basic consumer goods for personal use of homeless persons or of children;
 - (p) where a public body purchases the food or basic consumer goods for personal use of homeless persons or of children and provide them to partner organisations, the costs of transporting of food or goods to the storage depots of the partner organisations at a flat rate of 1 % of the costs referred to in point (a);
 - (q) the administrative, transport and storage costs borne by the partner organisations at a flat rate of 5% of the costs referred to in point (a);
 - (r) the costs of social inclusion activities undertaken and declared by the partner organisations delivering directly the material assistance to the most deprived persons at a flat rate of 5% of the costs referred to in point (a);
 - (s) costs incurred pursuant to Article 25.
2. The following costs shall not be eligible for a support from the operational programme:
 - (t) interest on debt;
 - (u) costs of second-hand goods;
 - (v) value added tax. However, VAT amounts shall be eligible where they are not recoverable under national VAT legislation and are paid by a beneficiary other

than a non-taxable person as defined in the first subparagraph of Article 13(1) of Council Directive 2006/112/EC⁹.

Article 25

Technical assistance

1. At the initiative of, or on behalf of the Commission, subject to a ceiling of 0,35 % of its annual allocation, the Fund may finance preparation, monitoring, administrative and technical assistance, audit, information, control and evaluation measures necessary for implementing this Regulation as well as activities related to the platform, pursuant to Article 10.
2. At the initiative of the Member States, subject to a ceiling of 4 % of the Fund allocation, the operational programme may finance preparation, management, monitoring, administrative and technical assistance, audit, information, control and evaluation measures necessary for implementing this Regulation. It may also finance technical assistance and capacity building of partner organisations.

TITLE V MANAGEMENT AND CONTROL

Article 26

General principles of Member State management and control systems

Management and control systems shall provide for:

- (b) a description of the functions of each body concerned in management and control, and the allocation of functions within each body;
- (c) compliance with the principle of separation of functions between and within such bodies;
- (d) procedures for ensuring the correctness and regularity of expenditure declared;
- (e) computerised systems for accounting, for the storage and transmission of financial data and data on indicators, for monitoring and for reporting;
- (f) systems for reporting and monitoring where the responsible body entrusts execution of tasks to another body;
- (g) arrangements for auditing the functioning of the management and control systems;
- (h) systems and procedures to ensure an adequate audit trail;

⁹ OJ L347, 11.12.2006, p.1.

- (i) the prevention, detection and correction of irregularities, including fraud, and the recovery of amounts unduly paid, together with any interest;

Article 27

Responsibilities of Member States

1. Member States shall fulfil the management, control and audit obligations and assume the resulting responsibilities laid down in the rules on shared management set out in the Financial Regulation and this Regulation. In accordance with the principle of shared management, Member States shall be responsible for the management and control of operational programmes.
2. Member States shall prevent, detect and correct irregularities and shall recover amounts unduly paid, together with any interest on late payments. They shall notify these irregularities to the Commission and shall keep the Commission informed of the progress of related administrative and legal proceedings.

When amounts unduly paid to a beneficiary cannot be recovered and this is as a result of fault or negligence on the part of a Member State, the Member State shall be responsible for reimbursing the amounts concerned to the general budget of the Union.

The Commission shall be empowered to adopt delegated acts in accordance with Article 59 laying down detailed rules concerning the obligations of the Member States specified in this paragraph.

3. Member States shall establish and implement a procedure for the independent examination and resolution of complaints concerning the selection or implementation of operations co-financed by the Fund. Member States shall report the results of such examinations to the Commission upon request.
4. All official exchanges of information between the Member State and the Commission shall be carried out using an electronic data exchange system established in compliance with the terms and conditions laid down by the Commission by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 60(3).

Article 28

Designation and organisation of management and control bodies

1. The Member State shall designate a national public authority or body as managing authority.
2. The Member State shall designate a national public authority or body as a certifying authority, without prejudice to paragraph 3.

3. The Member State may designate a managing authority which carries out in addition the functions of the certifying authority.
4. The Member State shall designate a national public authority or body, functionally independent from the managing authority and the certifying authority, as audit authority.
5. Provided that the principle of separation of functions is respected, the managing authority, the certifying authority, where applicable, and the audit authority may be part of the same public authority or body.
6. The Member State may designate one or more intermediate bodies to carry out certain tasks of the managing or the certifying authority under the responsibility of that authority. The relevant arrangements between the managing authority or certifying authority and the intermediate bodies shall be formally recorded in writing.
7. The Member State or the managing authority may entrust the management of part of the operational programme to an intermediate body by way of an agreement in writing between the intermediate body and the Member State or managing authority. The intermediate body shall provide guarantees of its solvency and competence in the domain concerned, as well as its administrative and financial management.
8. The Member State shall lay down in writing rules governing its relations with the managing authority, certifying authority and audit authority, the relations between such authorities, and the relations of such authorities with the Commission.

Article 29

Functions of the managing authority

1. The managing authority shall be responsible for managing the operational programme in accordance with the principle of sound financial management.
2. As regards the management of the operational programme, the managing authority shall:
 - (a) draw up and submit to the Commission annual and final implementation reports;
 - (b) make available to intermediate bodies and beneficiaries information that is relevant to the execution of their tasks and the implementation of operations respectively;
 - (c) establish a system to record and store in computerised form data necessary for monitoring, evaluation, financial management, verification and audit;
 - (d) ensure that the data referred to in point (c) is collected, entered and stored in the system, in compliance with the provisions Directive 95/46/CE.
3. As regards the selection of operations, the managing authority shall:

- (e) Draw up and apply appropriate selection procedures and criteria that are non-discriminatory and transparent;
- (f) ensure that the selected operation:
 - (i) falls within the scope of the Fund and the operational programme;
 - (ii) fulfils the criteria set out in the operational programme and in Articles 20, 21 and 24;
 - (iii) takes into account the principles set out in Article 5(10), (11) and (12).
- (g) provide to the beneficiary a document setting out the conditions for support of each operation including the specific requirements concerning the products or services to be delivered under the operation, the financing plan, and the time-limit for execution;
- (h) satisfy itself that the beneficiary has the administrative, financial and operational capacity to fulfil the conditions defined in point (c) before approval of the operation;
- (i) satisfy itself that, where the operation has started before the submission of an application for funding to the managing authority, Union and national rules relevant for the operation have been complied with;
- (j) determine the type of material assistance to which the expenditure of an operation shall be attributed.

4. As regards the financial management and control of the operational programme, the managing authority shall:

- (k) verify that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid by them and that it complies with applicable Union and national law, the operational programme and the conditions for support of the operation;
- (l) ensure that beneficiaries involved in the implementation of operations reimbursed pursuant to Article 23(1)(a) maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation;
- (m) put in place effective and proportionate anti-fraud measures taking into account the risks identified;
- (n) set up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 26(g);
- (o) draw up the management declaration and annual summary referred to in Article 56 (5) (a) and (b) of the Financial Regulation.

5. Verifications pursuant to paragraph 4(a) shall include the following procedures:
 - (p) administrative verifications in respect of each application for reimbursement by beneficiaries;
 - (q) on-the-spot verifications of operations.

The frequency and coverage of the on-the-spot verifications shall be proportionate to the amount of public support to an operation and the level of risk identified by these verifications and audits by the audit authority for the management and control system as a whole.

6. On-the-spot verifications of individual operations pursuant to paragraph (5)(b) may be carried out on a sample basis.
7. Where the managing authority is also a beneficiary under the operational programme, arrangements for the verifications referred to in paragraph 4(a) shall ensure adequate separation of functions.
8. The Commission shall adopt delegated acts, in accordance with Article 59, laying down the modalities of the exchange of information in paragraph 2(c).
9. The Commission shall adopt delegated acts, in accordance with Article 59, laying down rules concerning arrangements for the audit trail referred to in paragraph 4(d).
10. The Commission shall adopt, by means of implementing acts, the template for the management declaration referred to in paragraph 4(e). Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 60(2).

Article 30

Functions of the certifying authority

The certifying authority shall be responsible in particular for the following:

1. drawing up and submitting to the Commission payment applications and certifying that these result from reliable accounting systems, are based on verifiable supporting documents and have been subject to verifications by the managing authority;
2. drawing up the annual accounts referred to in Article 56 (5) (a) of the Financial Regulation;
3. certifying the completeness, accuracy and veracity of the annual accounts and that the expenditure entered in the accounts complies with applicable Union and national rules and has been incurred in respect of operations selected for funding in accordance to the criteria applicable to the operational programme and complying with Union and national rules;
4. ensuring that there is a system which records and stores, in computerised form, accounting records for each operation, and which supports all the data required for drawing up payment applications and annual accounts, including records of amounts

recoverable, amounts recovered and amounts withdrawn following cancellation of all or part of the contribution for an operation or the operational programme;

5. ensuring for the purposes of drawing up and submission of payment applications that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenditure;
6. taking into account when drawing up and submitting payment applications the results of all audits carried out by or under the responsibility of the audit authority;
7. maintaining accounting records in a computerised form of expenditure declared to the Commission and the corresponding public contribution paid to the beneficiaries;
8. keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the Union prior to the closure of the operational programme by deducting them from the next statement of expenditure.

Article 31

Functions of the audit authority

1. The audit authority shall ensure that audits are carried out on the management and control systems, on an appropriate sample of operations and on the annual accounts.

The Commission shall be empowered to adopt delegated acts in accordance with Article 59 to set out the conditions which those audits shall fulfil.

2. Where audits are carried out by a body other than the audit authority, the audit authority shall ensure that any such body has the necessary functional independence.
3. The audit authority shall ensure that audit work takes account of internationally accepted audit standards.
4. The audit authority shall, within six months of adoption of the operational programme, prepare an audit strategy for performance of audits. The audit strategy shall set out the audit methodology, the sampling method for audits on operations and the planning of audits in relation to the current accounting year and the two subsequent accounting years. The audit strategy shall be updated annually from 2016 until and including 2022. The audit authority shall submit the audit strategy to the Commission upon request.
5. The audit authority shall draw up the following:
 - (r) an audit opinion in accordance with Article 56 (5) of the Financial Regulation;
 - (s) an annual control report setting out the findings of the audits carried out during the preceding accounting year.

The report under point (b) shall set out any deficiencies found in the management and control system and any corrective measures taken or proposed to be taken.

6. The Commission shall adopt, by means of implementing acts, models for the audit strategy, the audit opinion and the annual control report, as well as the methodology for the sampling method referred to in paragraph 4. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 60(3).
7. Implementing rules concerning the use of data collected during audits carried out by Commission officials or authorised Commission representatives shall be adopted by the Commission in accordance with the examination procedure referred to in Article 60(3).

Article 32

Procedure for designation of the managing and the certifying authorities

1. Member states shall notify to the Commission the date and form of the designation of the managing authority and, where appropriate the certifying authority, within six months of the adoption of decision adopting the operational programme.
2. The designation referred to in paragraph 1 shall be based on a report and an opinion of an independent audit body that assesses the management and control system, including the role of intermediate bodies therein, and its compliance with Articles 26, 27, 29 and 30, in accordance with criteria on internal environment, control activities, information and communication, and monitoring established by the Commission by means of delegated act in accordance with Article 59.
3. The independent body shall carry out its work in accordance with internationally accepted audit standards.
4. Member States may decide that a managing authority or a certifying authority which has been designated in relation to an ESF co-financed operational programme pursuant to Regulation (EU) No [CPR] is deemed to be designated for the purposes of this Regulation.

The Commission may request, within two months of receipt of the notification referred to in paragraph 1, the report and the opinion of the independent audit body and the description of the management and control system.

The Commission may make observations within two months of receipt of those documents.

5. The Member State shall supervise the designated body and withdraw its designation by formal decision if one or more of the criteria referred to in paragraph 2 are no longer met, unless the body takes the necessary remedial actions within a period of probation to be determined by the Member State according to the severity of the problem. The Member State shall notify the Commission immediately of the setting of any probation period for a designated body and of any withdrawal decision.

Article 33

Commission powers and responsibilities

1. The Commission shall satisfy itself on the basis of available information, including the information on the designation of the managing authority and the certifying authority, annual management declaration, annual control reports, annual audit opinion, annual implementation report and audits carried out by national and Union bodies, that the Member States have set up management and control systems that comply with this Regulation and that these systems function effectively during the implementation of operational programme.
2. Without prejudice to audits carried out by Member States, Commission officials or authorised Commission representatives may carry out on-the-spot audits or checks upon giving adequate prior notice. The scope of such audits or checks may include, in particular, verification of the effective functioning of management and control systems in an operational programme or a part thereof, operations and assessment of the sound financial management of operations or operational programme. Officials or authorised representatives of the Member State may take part in such audits.

Commission officials or authorised Commission representatives, duly empowered to carry out on-the-spot audits, shall have access to all records, documents and metadata, irrespective of the medium in which they are stored, relating to operations supported by the Fund or to management and control systems. Member States shall provide copies of such records, documents and metadata to the Commission upon request.

The powers set out in this paragraph shall not affect the application of national provisions which reserve certain acts for agents specifically designated by national legislation. Commission officials and authorised representatives shall not take part, *inter alia*, in home visits or the formal questioning of persons within the framework of national legislation. However, they shall have access to the information thus obtained.

3. The Commission may require a Member State to take the actions necessary to ensure the effective functioning of their management and control systems or the correctness of expenditure in accordance with this Regulation.
4. The Commission may require a Member State to examine a complaint submitted to the Commission concerning the implementation of operations co-financed by the Fund or the functioning of the management and control system.

Article 34

Cooperation with audit authority

1. The Commission shall cooperate with audit authorities to coordinate their audit plans and methods and shall immediately exchange the results of audits carried out on management and control systems.

2. The Commission and the audit authority shall meet on a regular basis and at least once a year, unless otherwise agreed, to examine the annual control report, the opinion and the audit strategy, and to exchange views on issues relating to improvement of the management and control systems.

TITLE VI FINANCIAL MANAGEMENT, EXAMINATION AND ACCEPTANCE OF ACCOUNTS, FINANCIAL CORRECTIONS, DECOMMITMENTS

Chapter 1. Financial management

Article 35

Budget commitments

The budget commitments of the Union in respect of each operational programme shall be made in annual instalments during the period between 1 January 2014 and 31 December 2020. The decision of the Commission adopting the operational programme shall constitute the financing decision within the meaning of Article 81(2) of the Financial Regulation and once notified to the Member State concerned, a legal commitment within the meaning of that Regulation.

The budget commitment for the first instalment shall follow the adoption of the operational programme by the Commission.

The budget commitments for subsequent instalments shall be made by the Commission before 1 May of each year, on the basis of the decision referred to in the second subparagraph, except where Article 13 of the Financial Regulation applies.

Article 36

Payments by the Commission

1. Payments by the Commission of the contribution from the Fund to each operational programme shall be made in accordance with budget appropriations and subject to available funding. Each payment shall be posted to the earliest open budget commitment of the Fund.
2. Payments shall take the form of pre-financing, interim payments and payment of the annual balance, where applicable, and of the final balance.

Article 37

Interim payments, payment of the annual balance and payment of the final balance by the Commission

1. The Commission shall reimburse as interim payments 90% of the amount resulting from applying the co-financing rate laid down in the decision adopting the operational programme corresponding to the public eligible expenditure included in the payment application. It shall determine the annual balance in accordance with Article 47(2).
2. Notwithstanding Article 19, the Union support through the interim payments and the payment of the final balance shall not be higher than the maximum amount of support from the Fund as laid down in the decision of the Commission approving the operational programme.
3. The cumulative total of pre-financing and interim payments and the annual balance by the Commission shall not exceed 95 % of the contribution from the Fund to the operational programme.
4. When the ceiling of 95 % is reached, the Member States shall continue transmitting requests for payment to the Commission.

Article 38

Payment applications to the Commission

1. The payment application to be submitted to the Commission shall provide all the information necessary for the Commission to produce accounts in accordance with Article 65(1) of the Financial Regulation.
2. Payment applications shall include for the operational programme as a whole and for technical assistance referred to in article 25.2:
 - (t) the total amount of eligible expenditure incurred and paid by beneficiaries for implementing the operations, as entered into the accounts of the certifying authority;
 - (u) the total amount of public eligible expenditure incurred in implementing operations as entered into the accounts of the certifying authority;
 - (v) the corresponding public eligible contribution which has been paid to the beneficiaries, as entered in the accounts of the certifying authority.
3. Expenditure included in a payment application shall be supported by receipted invoices or accounting documents of equivalent probative value. For the forms of grants referred to in Article 23(1)(b) and (c) and (d), the amounts included in a payment application shall be the amounts paid to the beneficiaries by the managing authority.
4. The Commission shall adopt, by means of implementing acts, the template for payment applications. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 60(2).

Article 39

Payments to beneficiaries

1. Managing authority shall ensure that, in the case of grants to partner organisations, beneficiaries are provided with a flow sufficient to ensure proper implementation of the operations.
2. Managing authority shall ensure that the beneficiaries receive the total amount of public support as quickly as possible and in full and in any event before the inclusion of the corresponding expenditure in the payment application. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce these amounts for the beneficiaries.

Article 40

Use of the Euro

1. Amounts set out in operational programme submitted by Member States, statements of expenditure, requests for payment, annual accounts and expenditure mentioned in the annual and final implementation reports shall be denominated in euro.
2. Member States which have not adopted the euro as their currency on the date of an application for payment shall convert the amounts of expenditure incurred in national currency into euro. This amount shall be converted into euro using the monthly accounting exchange rate of the Commission in the month during which the expenditure was registered in the accounts of the managing authority. This rate shall be published electronically by the Commission each month.
3. When the euro becomes the currency of a Member State, the conversion procedure set out in paragraph 1 shall continue to apply to all expenditure recorded in the accounts by the managing authority before the date of entry into force of the fixed conversion rate between the national currency and the euro.

Article 41

Payment and clearance of pre-financing

1. Following the Commission decision adopting the operational programme, a pre-financing amounting 11% of the Fund overall contribution to the operational programme concerned shall be paid by the Commission.
2. Pre-financing shall be used only for making payments to beneficiaries in the implementation of the operational programme. It shall be made available without delay to the responsible body for this purpose.
3. The total amount paid as pre-financing shall be reimbursed to the Commission if no payment application for the operational programme concerned is sent within 24 months of the date on which the Commission pays the first pre-financing amount.

The Community contribution to the operational programme concerned shall not be affected by such reimbursement.

4. The amount paid as pre-financing shall be totally cleared from the Commission accounts at the latest when the operational programme is closed.

Article 42

Time limit for presentation of interim payment applications and for their payment

1. The certifying authority shall submit on a regular basis an application for interim payment covering amounts entered in its accounts as public support paid to beneficiaries in the accounting year ending 30 June.
2. The certifying authority shall submit the final application for interim payment by 31 July following the end of the previous accounting year and, in any event, before the first application for interim payment for the next accounting year.
3. The first application for interim payment shall not be made before the notification to the Commission of the designation of the managing authority and the certifying authority in accordance to Article 32(1).
4. Interim payments shall not be made for an operational programme where the annual implementation report has not been sent to the Commission in accordance with Article 11.
5. Subject to available funding, the Commission shall make the interim payment no later than 60 days after the date on which a payment application is registered with the Commission.

Article 43

Interruption of the time limit payment

1. The time limit for the payment of an interim payment claim may be interrupted by the authorising officer by delegation within the meaning of the Financial Regulation for a maximum period of nine months when the following conditions are met:
 - (w) on the basis of the information provided by a national or Union audit body, there is evidence to suggest a significant deficiency in the functioning of the management and control system;
 - (x) the authorising officer by delegation has to carry out additional verifications following information coming to his attention alerting him that expenditure in a request for payment is linked to an irregularity having serious financial consequences;
 - (y) there is a failure to submit one of the documents required under Article 45(1).

2. The authorising officer by delegation may limit the interruption to the part of the expenditure covered by the payment claim affected by the elements referred to in paragraph 1. The authorising officer by delegation shall inform the Member State and the managing authority immediately of the reason for interruption and shall ask them to remedy the situation. The interruption shall be ended by the authorising officer by delegation as soon as the necessary measures have been taken.

Article 44

Suspension of payments

1. All or part of the interim payments may be suspended by the Commission where:
 - (z) there is a serious deficiency in the management and control system of the operational programme for which corrective measures have not been taken;
 - (aa) expenditure in a statement of expenditure is linked to an irregularity having serious financial consequences which has not been corrected;
 - (bb) the Member State has failed to take the necessary action to remedy the situation giving rise to an interruption under Article 43;
 - (cc) there is a serious deficiency in the quality and reliability of the monitoring system or of the data on indicators.
2. The Commission may decide, by means of implementing acts, to suspend all or part of interim payments, after having given the Member State the opportunity to present its observations.
3. The Commission shall end suspension of all or part of interim payments where the Member State has taken the necessary measures to enable the suspension to be lifted.

Chapter 2 Examination and acceptance of accounts

Article 45

Submission of information

1. For each year from 2015 until and including 2022, by 15 February of the year following the end of the accounting period, the designated bodies shall submit to the Commission the following documents and information in accordance with Article 56 of the Financial Regulation:
 - (dd) the certified annual accounts of the relevant bodies designated pursuant to Article 32 as referred to in Article 56(5) of the Financial Regulation;
 - (ee) the management declaration as referred to in Article 56(5) of the Financial Regulation;

- (ff) an annual summary of the final audit reports and of controls carried out, including an analysis of the nature and extent of errors and of weaknesses, as well as corrective actions taken or planned;
 - (gg) an audit opinion by the designated independent audit body as referred in Article 56(5) of the Financial Regulation, accompanied by a control report setting out the findings of the audits carried out relating to the accounting year covered by the opinion.
2. Upon request by the Commission, the Member State shall provide further information to the Commission. If a Member State does not provide the requested information by the deadline for its submission set by the Commission, the Commission may take its decision on the acceptance of the accounts on the basis of the information in its possession.

Article 46

Content of accounts

1. The certified accounts for each operational programme shall cover the accounting year and shall include the following as a whole and for technical assistance expenditure referred to in article 25.2:
- (hh) the total amount of eligible expenditure entered into the accounts of the certifying authority as having been incurred and paid by beneficiaries in implementing operations, the total amount of public eligible expenditure incurred in implementing operations and the corresponding eligible public contribution which has been paid to beneficiaries;
 - (ii) the amounts withdrawn and recovered during the accounting year, the amounts to be recovered as at the end of the accounting year and the irrecoverable amounts;
 - (jj) a reconciliation between the expenditure stated pursuant to point (a) and the expenditure declared in respect of the same accounting year in payment applications, accompanied by an explanation of any differences.
2. The certifying authority may specify in the accounts a provision, which shall not exceed 5 % of the total expenditure in payment applications presented for a given accounting year, where the assessment of the legality and regularity of the expenditure is subject to an on-going procedure with the audit authority. The amount covered shall be excluded from the total amount of eligible expenditure referred to in paragraph 1(a). These amounts shall be definitively included in, or excluded from, the annual accounts of the following year.

Article 47

Examination and acceptance of accounts

1. By 30 April of the year following the end of the accounting period, the Commission shall decide on the acceptance of the accounts of the relevant bodies designated pursuant to Article 28 for the operational programme. The acceptance decision shall cover the completeness, accuracy and veracity of the accounts submitted and shall be without prejudice to any subsequent financial corrections.
2. For the purposes of calculating the amount chargeable to the Fund for an accounting year, the Commission shall take into account:
 - (kk) the public eligible expenditure incurred in implementing operations entered into the accounts referred to in Article 46(1)(a), to which shall be applied the co-financing rate defined in Article 18;
 - (ll) the total amount of payments made by the Commission during that accounting year, consisting of the amount of interim payments paid by the Commission in accordance with Article 37(1) and Article 19.
3. The annual balance which, as a result of the acceptance of accounts, is recoverable from the Member State shall be subject to a recovery order of the Commission. The annual balance payable to the Member State shall be added to the next interim payment made by the Commission following the examination and acceptance of accounts.
4. If, for reasons attributable to a Member State, the Commission is not in a position to accept the accounts by 30 April of the year following the end of an accounting year, the Commission shall notify the Member State of the actions that must be undertaken by the managing authority or audit authority, or of the additional enquiries the Commission proposes to undertake pursuant to Article 33(2) and (3).
5. Payment of the annual balance by the Commission shall be based on the expenditure declared in the accounts, net of any provision made in respect of expenditure declared to the Commission which is subject to a contradictory procedure with the audit authority.

Article 48

Availability of documents

1. The managing authority shall ensure that all supporting documents on operations are made available to the Commission and the European Court of Auditors upon request for a period of three years. This three year period shall run from 31 December of the year of the decision on acceptance of accounts by the Commission pursuant to Article 47 or, at the latest, from the date of payment of the final balance.

This three year period shall be interrupted either in the case of legal or administrative proceedings or by a duly justified request of the Commission.
2. The documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.

3. The documents shall be kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the data were collected or for which they are further processed.
4. The Commission shall be empowered to adopt delegated acts in accordance with Article 59 to set out which data carriers can be considered as commonly accepted.
5. The procedure for certification of conformity of documents held on commonly accepted data carriers with the original document shall be laid down by the national authorities and shall ensure that the versions held comply with national legal requirements and can be relied on for audit purposes.
6. Where documents exist in electronic version only, the computer systems used must meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied on for audit purposes.

Article 49

Submission of closure documents and payment of the final balance

1. Member States shall submit the following documents by 30 September 2023:
 - (mm) an application for payment of the final balance;
 - (nn) a final implementation report for the operational programme; and
 - (oo) the documents referred to in Article 45(1) for the final accounting year, from 1 July 2022 to 30 June 2023.
2. The final balance shall be paid no later than three months after the date of acceptance of accounts of the final accounting year or one month after the date of acceptance of the final implementation report, whichever date is later.

Chapter 3 Financial corrections and recoveries

Article 50

Financial corrections by Member States

1. The Member States shall in the first instance be responsible for investigating irregularities and for making the financial corrections required and pursuing recoveries. In the case of a systemic irregularity, the Member State shall extend its investigation to cover all operations potentially affected.
2. The Member State shall make the financial corrections required in connection with individual or systemic irregularities detected in operations or the operational programme. Financial corrections shall consist of cancelling all or part of the public contribution to an operation or the operational programme. The Member State shall take into account the nature and gravity of the irregularities and the financial loss to

the Fund and shall apply a proportionate correction. Financial corrections shall be recorded in the annual accounts by the managing authority for the accounting year in which the cancellation is decided

3. The contribution from the Fund cancelled in accordance with paragraph 2 may be reused by the Member State within the operational programme concerned, subject to paragraph 4.
4. The contribution cancelled in accordance with paragraph 2 may not be reused for any operation that was the subject of the correction or, where a financial correction is made for a systemic irregularity, for any operation affected by the systemic irregularity.
5. A financial correction by the Commission shall not prejudice the Member State's obligation to pursue recoveries under the present Article.

Article 51

Financial corrections by the Commission

1. The Commission shall make financial corrections, by means of implementing act, by cancelling all or part of the Union contribution to an operational programme and effecting recovery from the Member State in order to exclude from Union financing expenditure which is in breach of applicable Union and national law, including in relation to deficiencies in the management and control systems of Member States which have been detected by the Commission or the European Court of Auditors.
2. A breach of applicable Union or national law shall lead to a financial correction only when one of the following conditions is met:
 - (pp) the breach has or could have affected the selection of an operation by the managing authority for support by the Fund;
 - (qq) the breach has or could have affected the amount of expenditure declared for reimbursement by the Union budget.

Article 52

Criteria for financial correction by the Commission

1. The Commission shall make financial corrections after carrying out the necessary examination, it concludes that:
 - (rr) there is a serious deficiency in the management and control system of the operational programme which has put at risk the Union contribution already paid to the operational programme;
 - (ss) the Member State has not complied with its obligations under Article 50 prior to the opening of the correction procedure under this paragraph;

- (tt) expenditure contained in a payment application is irregular and has not been corrected by the Member State prior to the opening of the correction procedure under this paragraph.

The Commission shall base its financial corrections on individual cases of irregularity identified and shall take account of whether an irregularity is systemic. When it is not possible to quantify precisely the amount of irregular expenditure charged to the Fund, the Commission shall apply a flat rate or extrapolated financial correction.

2. The Commission shall, when deciding the amount of a correction under paragraph 1, take account of the nature and gravity of the irregularity and the extent and financial implications of the deficiencies in management and control systems found in the operational programme.
3. Where the Commission bases its position on reports of auditors other than those of its own services, it shall draw its own conclusions regarding the financial consequences after examining the measures taken by the Member State concerned under Article 50(2), the notifications sent under Article 27(2), and any replies from the Member State.
4. The Commission shall be empowered to adopt delegated acts in accordance with Article 59 establishing the criteria for establishing the level of financial correction to be applied.

Article 53

Procedure for financial corrections by the Commission

1. Before taking a decision on a financial correction, the Commission shall launch the procedure by informing the Member State of the provisional conclusions of its examination and requesting the Member State to submit its comments within two months.
2. Where the Commission proposes a financial correction on the basis of extrapolation or a flat rate, the Member State shall be given the opportunity to demonstrate, through an examination of the documentation concerned, that the actual extent of irregularity is less than the Commission's assessment. In agreement with the Commission, the Member State may limit the scope of this examination to an appropriate proportion or sample of the documentation concerned. Except in duly justified cases, the time allowed for this examination shall not exceed a further period of two months after the two-month period referred to in paragraph 1.
3. The Commission shall take account of any evidence supplied by the Member State within the time limits set out in paragraphs 1 and 2.
4. Where the Member State does not accept the provisional conclusions of the Commission, the Member State shall be invited to a hearing by the Commission, in order to ensure that all relevant information and observations are available as a basis for conclusions by the Commission on the application of the financial correction.

5. In order to apply financial corrections the Commission shall take a decision, by means of implementing acts, within six months of the date of the hearing, or of the date of receipt of additional information where the Member State agrees to submit such additional information following the hearing. The Commission shall take account of all information and observations submitted during the course of the procedure. If no hearing takes place, the six month period shall begin to run two months after the date of the letter of invitation to the hearing sent by the Commission.
6. Where irregularities affecting annual accounts sent to the Commission are detected by the Commission or by the European Court of Auditors, the resulting financial correction shall reduce support from the Fund to the operational programme.

Article 54

Repayments to the Union Budget - Recoveries

1. Any repayment due to be made to the general budget of the Union shall be effected before the due date indicated in the order for recovery drawn up in accordance with Article 77 of the Financial Regulation. The due date shall be the last day of the second month following the issuing of the order.
2. Any delay in effecting repayment shall give rise to interest on account of late payment, starting on the due date and ending on the date of actual payment. The rate of such interest shall be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing operations on the first working day of the month in which the due date falls.

Article 55

Proportional control of operational programmes

1. Operations for which the total eligible expenditure does not exceed EUR 100 000 shall not be subject to more than one audit by either the audit authority or the Commission prior to the examination of all the expenditure concerned under Article 47. Other operations shall not be subject to more than one audit per accounting year by the audit authority and the Commission prior to the examination of all the expenditure concerned under Article 47. Those provisions are without prejudice to paragraphs 5 and 6.
2. Audit of an operation may cover all stages of its implementation and all levels of the distribution chain, with the exception of control of the actual end recipients, unless a risk assessment establishes a specific risk of irregularity or fraud.
3. When the most recent audit opinion on the operational programme indicates that there are no significant deficiencies, the Commission may agree with the audit authority in the subsequent meeting referred to in Article 34(2) that the level of audit work required may be reduced so that it is proportionate to the risk established. In such cases, the Commission will not carry out its own on-the-spot audits unless there

is evidence suggesting deficiencies in the management and control system affecting expenditure declared to the Commission in an accounting year for which the accounts have been accepted.

4. If the Commission concludes that it can rely on the opinion of the audit authority for the operational programme, it may agree with the audit authority to limit its own on the spot audits to audit the work of the audit authority unless there is evidence of deficiencies in the work of the audit authority work for an accounting year for which the accounts have been accepted.
5. The audit authority and the Commission may carry out audits of operations at any time where a risk assessment establishes a specific risk of irregularity or fraud, in case of evidence of serious deficiencies in the management and control system of the operational programme, and, during the 3 years following acceptance of all the expenditure of an operation under Article 47, as part of an audit sample.
6. The Commission may at any time carry out audits of operations for the purpose of assessing the work of an audit authority by re-performance of its audit activity.

Chapter 4 Decommitment

Article 56

Rules on decommitment

1. The Commission shall decommit any part of the amount calculated in accordance with the second subparagraph in an operational programme that has not been used for payment of the pre-financing, interim payments and annual balance by 31 December of the second financial year following the year of budget commitment under the operational programme or for which a payment application drawn up in accordance with Article 38 has not been sent in accordance with Article 42.

For the purposes of the decommitment, the Commission shall calculate the amount by adding one sixth of the annual budget commitment related to the 2014 total annual contribution to each of the 2015 to 2020 budget commitments.

2. By way of derogation from the first subparagraph of paragraph 1, the deadlines for decommitment shall not apply to the annual budget commitment related to the 2014 total annual contribution.
3. If the first annual budget commitment is related to the 2015 total annual contribution, by way of derogation from paragraph 1, the deadlines for decommitment shall not apply to the annual budget commitment related to the total annual contribution of 2015. In such cases, the Commission shall calculate the amount under the first subparagraph of paragraph 1 by adding one fifth of the annual budget commitment related to the 2015 total amount contribution to each of the 2016 to 2020 budget commitments.

4. That part of commitments still open on 31 December 2022 shall be decommitted if any of the documents required under Article 47(2) has not been submitted to the Commission by 30 September 2023.

Article 57

Exception to the decommitment

1. The amount concerned by decommitment shall be reduced by the amounts that the responsible body has not been able to declare to the Commission because of:
 - (uu) operations suspended by a legal proceeding or by an administrative appeal having suspensory effect; or
 - (vv) reasons of force majeure seriously affecting implementation of all or part of the operational programme. The national authorities claiming force majeure shall demonstrate the direct consequences of the force majeure on the implementation of all or part of the operational programme;
 - (ww) The reduction may be requested once if the suspension or force majeure lasted up to one year, or several times corresponding to the duration of the force majeure or the number of years between the date of the legal or administrative decision suspending the implementation of the operation and the date of the final legal or administrative decision.
2. By 31 January, the Member State shall send to the Commission information on the exceptions referred to in paragraph 1 for the amount to be declared by the end of the preceding year.

Article 58

Procedure for decommitments

1. The Commission shall inform the Member State and the managing authority in good time whenever there is a risk of application of decommitment under Article 56.
2. On the basis of the information it has on 31 January, the Commission shall inform the Member State and the managing authority of the amount of the decommitment resulting from the information in its possession.
3. The Member State shall have two months to agree to the amount to be decommitted or to submit its observations.
4. By 30 June, the Member State shall submit to the Commission a revised financing plan reflecting for the financial year concerned the reduced amount of support of the operational programme. Failing such submission, the Commission shall revise the financing plan by reducing the contribution from the Fund for the financial year concerned.

5. The Commission shall amend the decision adopting the operational programme, by means of implementing act, no later than 30 September.

Title VII. DELEGATION OF POWERS, IMPLEMENTING AND FINAL PROVISIONS

Article 59

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The delegations of power referred to in this Regulation shall be conferred for an indeterminate period of time from the date of entry into force of this Regulation.
3. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
4. The delegated acts shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of 2 months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 2 months at the initiative of the European Parliament or the Council.

If, on expiry of that period, neither the European Parliament nor the Council has objected to the delegated act, it shall be published in the *Official Journal of the European Union* and shall enter into force at the date stated therein.

The delegated act may be published in the *Official Journal of the European Union* and enter into force before the expiry of that period if the European Parliament and the Council have both informed the Commission of their intention not to raise objections.

If the European Parliament or the Council objects to a delegated act, the act shall not enter into force. The institution that objects to the delegated act shall state the reasons for its objections.

Article 60

Committee Procedure

1. The Commission shall be assisted by a Committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

3. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Where the opinion of the committee under paragraphs 2 and 3 is to be obtained by written procedure, that procedure shall be terminated without result when, within the time-limit for delivery of the opinion, the chair of the committee so decides or (...) [number of members] (a ... majority of) [majority to be specified: simple, two-thirds, etc.] committee members so request.

Where the committee delivers no opinion, the Commission shall not adopt the draft implementing act and the third subparagraph of Article 5(4) of Regulation (EU) No 182/2011 shall apply.

Article 61

Entry into force

This Regulation shall enter into force on the twentieth day after publication following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

Annex I Operational Programme Template

CHAPTER <i>Section</i> Sub-section	DESCRIPTION / OBSERVATIONS	SIZE (characters)
1 IDENTIFICATION	The purpose of this section is only to identify the programme concerned. This section should clearly state the following: Member State Name of the Operational Programme CCI	200
2 PROGRAMME FORMULATION		
2.1 Situation	An identification and a justification of the material deprivation(s) to be addressed	4000
	Indication of the type of material deprivation(s) retained for the OP.	200
2.x.Material deprivation addressed X	One section (and the corresponding sub-sections) should be provided for each type of material deprivation to be addressed.	
2.x.1 Description	Description of the main characteristics and objectives of the material assistance to be provided and the corresponding accompanying measures.	4000
2.x.2. National Schemes	Description of the national schemes to be supported	2000
2.4 Others	Any other information deemed necessary	4000
3 IMPLEMENTATION		
3.1. Identification of Most Deprived	Description of the mechanism setting the eligible criteria of the most deprived persons, differentiated if necessary by type of material deprivation addressed.	2000
3.2 Selection of operations	Criteria for the selection of operations and the description of the selection mechanism, differentiated if necessary by type of material deprivation addressed.	2000
3.3. Selection of partner organisations	Criteria for the selection of partner organisations, differentiated if necessary by type of material deprivation addressed.	2000
3.4. Complementarity with ESF	Description of the mechanism to ensure complementarity with the ESF	4000

CHAPTER <i>Section</i> Sub-section	DESCRIPTION / OBSERVATIONS	SIZE (characters)
3.4. Institutional set-up	Description of implementing provisions of the operational programme containing the identification of the managing authority, the certifying authority where applicable, the audit authority and the body to which payments will be made by the Commission	4000
3.5. Monitoring and evaluation	This sub-section should describe how the programme implementation will be monitored. There is, in particular, a need to explain how indicators will be used to track programme implementation. The indicators shall include financial indicators relating to expenditures allocated and output indicators relating to the operations supported.	4000
3.6. Technical Assistance	The description of the planned use of technical assistance pursuant to Article X(2), including actions to reinforce the administrative capacity of the beneficiaries in relation to sound financial management of operations	4000
4. FINANCIAL PLAN	This section should contain: (1) a table specifying for each year in accordance with Article 18 the amount of the financial appropriation envisaged for support from the Fund and the co-financing. (2) a table specifying, for the whole programming period, the amount of the total financial appropriation of the support from the operational programme per type of material deprivation addressed as well as the corresponding accompanying measures.	Text: 1000 Data in CSV or XLS format

FORMAT FOR FINANCIAL DATA (SECTION 4):

4.1 .1. Financing plan of the operational programme giving the annual commitment of the Fund and corresponding national co-financing in the operational programme (in EUR)

	Total	2014	2015	...	2020
Fund (a)					
National co-financing					

(b)					
Public eligible expenditure (c) = (a) + (b)					
Co financing rate* (d) = (a) / (c)					

* This rate may be rounded to the nearest whole number in the table. The precise rate used to reimburse expenditure is the ratio (d).

4.1.2. Financing plan giving the amount of the total financial appropriations of the support from the Operational programme per type of material deprivation addressed as well as the corresponding accompanying measures (in EUR)

Intervention area	Public eligible expenditure				
Total					
Technical Assistance					
Food deprivation					
of which, accompanying measures					
Homelessness					
of which, accompanying measures					
Child material deprivation					
of which, accompanying measures					

ANNEX II

Annual breakdown of commitment appropriation for 2014 to 2020

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on operational appropriations*
 - 3.2.3. *Estimated impact on appropriations of an administrative nature*
 - 3.2.4. *Compatibility with the current multiannual financial framework*
 - 3.2.5. *Third-party participation in financing*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council on the Fund for European Aid to the Most Deprived

1.2. Policy area(s) concerned in the ABM/ABB structure¹⁰

4 Employment and social affairs

0406 Most Deprived People

1.3. Nature of the proposal/initiative

- The proposal/initiative relates to a **new action**
- The proposal/initiative relates to a **new action following a pilot project/preparatory action**¹¹
- The proposal/initiative relates to **the extension of an existing action**
- The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objectives

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The Fund shall promote social cohesion in the Union by contributing to achieving the poverty reduction targets of the Europe 2020 strategy. .

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific objective No.1

Further to the general objective, the Programme shall contribute to achieving the specific objective of alleviating the worst forms of poverty in the Union by providing assistance other than financial support to the most deprived persons.

ABM/ABB activity(ies) concerned

0406 Most Deprived People

¹⁰ ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

¹¹ As referred to in Article 51(2)(a) or (b) of the Financial Regulation.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The new instrument will allow Member States to assist approximately two million most deprived persons more per year with positive impacts on the health status of these people, social inclusion, employment and labour market. However, the social impact of the Fund for European Aid to the Most Deprived is expected to go far beyond.

1. By providing a platform around which practitioners will be able to exchange information and experiences it will bring significant benefits for many stakeholders in terms of processes.

2. The evidence-based and mid- to long-term oriented implementation of the Fund for European Aid to the Most Deprived by means of operational programmes will also encourage a dialogue between various stakeholder groups and support a strategic approach in the future. Improvements of the delivery mechanisms (notably simplification and reductions of the administrative burden) should ensure the continued relevance of process effects. The Fund for European Aid to the Most Deprived will be an instrument to facilitate a practical dialogue between European priorities and social cohesion policies.

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

The institutions actually distributing the material assistance rely to a large extent on volunteer work and donations. Therefore putting heavy reporting obligations on such organisations should be avoided as much as possible. Still it can be expected that these organisations will need to inform not only the Commission about their work but also other donors and the volunteers so to keep up their motivation. The indicators proposed were discussed with European level umbrella organisations and deemed adequate and realistic.

The first set of indicators regard the volume of resources deployed being:

(1) In kind contributions from the programme;

(2) Financial resources broken down according to their origin (EU and other sources).

The second set of common indicators informs about the volume of aid delivered and regards the number of packages distributed; of meals prepared/distributed and the number of most deprived people assisted.

These data will be transmitted to the Commission by the managing authorities in an annual implementation report.

This basic annual reporting will be accompanied by structured surveys. These surveys will be mandated by the Commission itself at least twice during the implementation period. They will provide insights on the recipients, i.e. whether

there is dominance of a certain age group or minorities etc., assess the importance of in-kind contributions other than goods for instance voluntary labour and services, and on the impacts of the programme on them. It is expected that this information will only be provided on the basis of informed guesses, as in several cases anonymity might be a precondition for a client to be able to accept the support.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

The envisaged programme would contribute to the social cohesion objective of the Union. The legal basis of the proposed new instrument is Article 175 third paragraph of the TFEU which makes provisions for specific actions outside the Structural Funds.

In 2010, nearly one quarter of all Europeans (116 million) were at risk of poverty or social exclusion. Poverty and social exclusion are not uniform across the EU. In general, problems are more acute in eastern and southern Member States. Besides aggravating the pre-existing levels of poverty and social exclusion, the economic crisis (associated with fiscal consolidation pressures related to sovereign debt dynamics) has also reduced the ability of a number of Member States to sustain social expenditure and investment at levels sufficient to reverse this negative trend.

1.5.2. Added value of EU involvement

The Europe 2020 strategy for smart, sustainable and inclusive growth is based on a balanced vision of economic growth and social progress based on ambitious targets for employment, education and for poverty reduction. Poverty and social exclusion are major obstacles to the achievement of the Europe 2020 objectives.

By addressing basic needs, the proposed instrument will help to moderate poverty and social exclusion of people who find themselves in situations of severe deprivation. By enabling the most deprived members of the society to maintain their dignity and human capital it will contribute to strengthening of social capital and social cohesion within their communities.

EU-level action in this respect is necessary given the level and nature of poverty and social exclusion in the Union, further aggravated by the economic crisis, and uncertainty about the ability of all Member States to sustain social expenditure at levels sufficient to ensure that social cohesion does not deteriorate further and that the objectives and targets of the Europe 2020 strategy are achieved.

1.5.3. Lessons learned from similar experiences in the past

This is a new instrument. Experience from the programme of aid for the most deprived people (MDP) is however relevant. With the expected absence of intervention stocks, the MDP has thus lost the rationale underpinning it and will be discontinued with the completion of the 2013 annual plan. Yet over the years, the scheme had become an important source of provisions for organisations working in direct contact with the least fortunate people of our society providing them food. A

summary of the lessons learned can be found in the Impact Assessment accompanying the proposal.

1.5.4. Coherence and possible synergy with other relevant instruments

The proposed European Fund for Aid for the Most Deprived will be supported with EUR 2 500 000 000 from the Structural Funds under the Investment for Growth and Jobs goal with global resources of EUR 327 115 655 850. The Fund for European Aid to the Most Deprived shall be considered as part of the share of Structural Funds allocated to the ESF. It will complement and not overlap with the already existing cohesion policy tools by offering temporary remedial actions, enabling most deprived members of society to start on a recovery path.

The proposed instrument can, in conjunction with other types of support that can be co-financed notably from the ESF, also help improve the employability of the end-beneficiaries, enabling them to make a contribution to the economy.

1.6. Duration and financial impact

- Proposal/initiative of **limited duration**
 - ▪ Proposal/initiative in effect from 01/01/2014 to 31/12/2020
 - ▪ Financial impact from 2014 to 2022
- Proposal/initiative of **unlimited duration**
 - Implementation with a start-up period from YYYY to YYYY,
 - followed by full-scale operation.

1.7. Management mode(s) envisaged¹²

- Centralised direct management** by the Commission
- Centralised indirect management** with the delegation of implementation tasks to:
 - executive agencies
 - bodies set up by the Communities¹³
 - national public-sector bodies/bodies with public-service mission
 - persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation
- **Shared management** with the Member States
- Decentralised management** with third countries
- Joint management** with international organisations (*to be specified*)

If more than one management mode is indicated, please provide details in the "Comments" section.

Comments

¹² Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

¹³ As referred to in Article 200 of the Financial Regulation.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The Managing Authorities will submit Annual Implementation Reports. These reports will be data driven and contain the common indicators identified under section 1.4.4. This reporting will be accompanied by structured surveys and evaluations mandated by the Commission at mid-term and at the end of the programming period. Bilateral review meetings will examine the progress in implementation of each programme.

2.2. Management and control system

2.2.1. Risk(s) identified

The management and control system are largely taken over from Cohesion Policy. Although this spending scheme is different compared to Cohesion Policy in terms of end recipients and implementing partners, it is expected that the risk factors will be similar, in particular to the ESF. The major source of errors in the ESF in the on-going programming period regards eligibility. (58 % of all cumulative quantifiable errors), accuracy issues (7%) and audit trail issues (35%). It is to address these issues that the eligibility rules are fully laid down in the draft regulation and a bigger use is made of flat rates set in the regulation itself. A factor that increases the risks is however, that the delivery of the aid to the final recipients will depend mostly on NGOs and civil society organisations some of which with weak administrations and relying largely on voluntary labour. The Court of Auditors has already raised this issue in relation to the MDP in its 2009 report. For such organisations it will remain possible to limit the resources allocated to material assistance purchased centrally by the managing authorities and the payments of flat rates.

2.2.2. Control method(s) envisaged

In accordance with the principle of the shared management, Member States have the primary responsibility, through their management and control system, for the implementation and control of their operational programme. Member States will designate a managing authority, a certifying authority and a functionally independent auditing authority for their operational programme. The Commission has the power to carry out audits focused on issues relating to sound financial management in order to draw conclusions on the performance of Fund, along the possibility for interruptions, suspensions ad financial corrections.

In Cohesion Policy the costs of tasks relate to control (at national and regional level and excluding the costs to the Commission) are estimated at around 2% of the total funding. These costs are related to the following areas of control: 1% is derived from national coordination and programme preparation, 82% relates to programme management, 4% to certification and 13% to audits.

Compared to cohesion policy however, a number of factors should help to reduce error levels and control costs. The new programme will be concentrated on only three domains of action. A great recourse is made of simplified costs options. Because of the nature of the operations and of the target groups, the end recipients will not be subject to audit, unless the risk assessment established a specific risk of irregularity or fraud. Together these factors should reduce the administrative burden for beneficiaries, lower the error levels, increase inherent assurance and thereby contribute to reduce control costs.

The current DG EMPL error rate (the ECA's error rate) is 2.2%. It is estimated that the factors described above should lead to a reduction of 1% yielding a final expected programme error level of 1.2%.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

The Structural Funds services together with OLAF have put into place a joint Fraud Prevention Strategy which foresees a series of actions to be carried out by the Commission and the Member States to prevent fraud in structural actions under shares management. This Joint Fraud Strategy will also be applicable to the Fund for European Aid to the Most Deprived.

In addition the proposal includes an explicit requirement to put into place such measures under article 32(4). This should reinforce fraud awareness in member States among all bodies involved in the management and control of Fund for European Aid to the Most Deprived and thus reduce the risk of fraud.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing expenditure budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Description.....]	Diff./non-diff. (14)	from EFTA ¹⁵ countries	from candidate countries ¹⁶	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
1 Smart and Inclusive Growth New heading for 2014-2020	04.06.00.00 Most Deprived People	Diff.	/NO	NO	NO	NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Heading.....]	Diff./non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
	[XX.YY.YY.YY]		YES/NO	YES/NO	YES/NO	YES/NO

¹⁴ Diff. = Differentiated appropriations / Non-diff. = Non-Differentiated Appropriations

¹⁵ EFTA: European Free Trade Association.

¹⁶ Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to 3 decimal places)

Heading of multiannual financial framework:	Number 1	Smart and Inclusive Growth
--	-------------	----------------------------

DG: EMPL			2014	2015	2016	2017	2018	2019	2020	TOTAL
• Operational appropriations										
Number of budget line	Commitments	(1)	343.957	349.166	353.425	356.742	359.925	362.704	365.331	2,491.250
	Payments	(2)	274.038	277.152	277.152	277.152	277.152	277.152	277.152	1,936.950
Number of budget line	Commitments	(1a)								
	Payments	(2a)								
Appropriations of an administrative nature financed from the envelope for specific programmes ¹⁷										
Number of budget line		(3)	1.250	1.250	1.250	1.250	1.250	1.250	1.250	8.750
TOTAL appropriations for DG EMPL¹⁸	Commitments	=1+1a +3	345.207	350.416	354.675	357.992	361.175	363.954	366.581	2,500.000
	Payments	=2+2a +3	275.288	278.402	278.402	278.402	278.402	278.402	278.402	1,945.700

¹⁷ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

¹⁸ These appropriations are part of the Structural Funds under the Investment for Growth and Jobs goal with global commitments of EUR 327 115 655 850. The Fund for European Aid to the Most Deprived shall be considered as part of the share of Structural Funds allocated to the ESF.

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
TOTAL appropriations under HEADING <....> of the multiannual financial framework	Commitments	=4+ 6								
	Payments	=5+ 6								

If more than one heading is affected by the proposal / initiative:

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
TOTAL appropriations under HEADINGS 1 to 4 of the multiannual financial framework (Reference amount)	Commitments	=4+ 6								
	Payments	=5+ 6								

Heading of multiannual financial framework:	5	" Administrative expenditure "
--	----------	--------------------------------

EUR million (to 3 decimal places)

		Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	TOTAL
DG: EMPL									
• Human resources		1,016	1,016	1,016	1,016	1,016	1,016	1,016	7,112
• Other administrative expenditure									
TOTAL DG EMPL	Appropriations	1,016	1,016	1,016	1,016	1,016	1,016	1,016	7,112

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	1,016	1,016	1,016	1,016	1,016	1,016	1,016	7,112
--	--------------------------------------	-------	-------	-------	-------	-------	-------	-------	-------

EUR million (to 3 decimal places)

		Year N ¹⁹	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments								
	Payments								

¹⁹ Year N is the year in which implementation of the proposal/initiative starts.

3.2.2. Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below. The Fund will be implemented in shared management. While the strategic priorities are set at EU level by the regulation, actual day-to-day management is vested in Managing Authorities. While common indicators are suggested by the Commission, actual targets will be proposed at the level of operational programmes by the Member States and agreed by the Commission. It is therefore not possible to indicate targets for outputs until the programmes are drafted, negotiated and agreed in 2013/2014.

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs ↓			Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)										TOTAL	
	OUTPUTS																	
	Type of output ²⁰	Average cost of the output	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Total number of outputs	Total cost
SPECIFIC OBJECTIVE No 1 ²¹ ...																		
- Output																		
- Output																		
- Output																		
Sub-total for specific objective N°1																		
SPECIFIC OBJECTIVE No 2...																		
- Output																		

²⁰ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

²¹ As described in Section 1.4.2. "Specific objective(s)..."

Sub-total for specific objective N°2																
TOTAL COST																

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- The proposal/initiative does not require the use of administrative appropriations
- The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	2014	2015	2016	2017	2018	2019	2020	TOTAL
--	------	------	------	------	------	------	------	-------

HEADING 5 of the multiannual financial framework								
Human resources	1,016	1,016	1,016	1,016	1,016	1,016	1,016	7,112
Other administrative expenditure								
Subtotal HEADING 5 of the multiannual financial framework	1,016	1,016	1,016	1,016	1,016	1,016	1,016	7,112

Outside HEADING 5²² of the multiannual financial framework								
Human resources	0,128	0,128	0,128	0,128	0,128	0,128	0,128	0,896
Other expenditure of an administrative nature	1,122	1,122	1,122	1,122	1,122	1,122	1,122	7,854
Subtotal outside HEADING 5 of the multiannual financial framework	1,250	1,250	1,250	1,250	1,250	1,250	1,250	8,750

TOTAL	2,266	2,266	2,266	2,266	2,266	2,266	2,266	15,862
--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	---------------

²² Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full amounts (or at most to one decimal place)

	2014	2015	2016	2017	2018	2019	2020
• Establishment plan posts (officials and temporary agents)							
04 01 01 01 (Headquarters and Commission's Representation Offices)	8	8	8	8	8	8	8
XX 01 01 02 (Delegations)							
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
• External personnel (in Full Time Equivalent unit: FTE)²³							
XX 01 02 01 (CA, INT, SNE from the "global envelope")							
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)							
04 01 04 01 ²⁴	- at Headquarters ²⁵	2	2	2	2	2	2
	- in delegations						
XX 01 05 02 (CA, INT, SNE - Indirect research)							
10 01 05 02 (CA, INT, SNE - Direct research)							
Other budget lines (specify)							
TOTAL	10	10	10	10	10	10	10

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary agents	To contribute to the analysis, negotiations, modification and preparation for approval proposals for programmes and projects in Member States. To contribute to manage, monitor and evaluate the implementation of programmes and projects approved. TO ensure compliance with the rules governing the programmes.
External personnel	Idem and/or administrative support

²³ CA= Contract Agent; INT= agency staff ("*Intérimaire*"); JED= "*Jeune Expert en Délégation*" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

²⁴ Under the ceiling for external personnel from operational appropriations (former "BA" lines).

²⁵ Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).

3.2.4. *Compatibility with the current multiannual financial framework*

- Proposal/initiative is compatible the current multiannual financial framework.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework²⁶.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to 3 decimal places)

	Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
<i>Specify the co-financing body</i>								
TOTAL appropriations cofinanced								

²⁶ See points 19 and 24 of the Interinstitutional Agreement.

3.3. Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget year	Impact of the proposal/initiative ²⁷						
		Year N	Year N+1	Year N+2	Year N+3	... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6)		
Article								

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

²⁷ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.