

**FICHE NO 24 B**

**DELEGATED ACT ON THE CRITERIA FOR FINANCIAL CORRECTIONS LINKED TO  
THE PERFORMANCE FRAMEWORK**

**VERSION 1 – 22.10.2013**

<b>Regulation</b>	<b>Article</b>
<b>Common Provisions Regulation (CPR)</b>	Article 20 (4) - Application of the performance framework Linked provisions Article 136 (4) -Criteria for financial corrections

*This document is provisional, without prejudice to the on-going negotiations in the Trilogues between the European Parliament and the Council (in line with the principle that "nothing is agreed until everything is agreed"). This document is a draft that shall be adjusted following the expert meeting.*

*It does not prejudge the final nature of the basic act, nor the content of any delegated or implementing act that may be prepared by the Commission.*

## **1. EMPOWERMENT**

Article 20 (4):

*"The Commission shall be empowered to adopt delegated acts in accordance with Article 142 to establish detailed rules on criteria [...] for determining the level of financial correction to be applied".*

In addition Article 136(4) of the CPR (applicable to the ERDF, the ESF, CF and the EMFF) sets out that<sup>1</sup>:

*"In accordance with Article 20 (4), where the Commission, based on the examination of the final implementation report of the operational programme for the Funds or the last annual implementation report for the EMFF, establishes a serious failure to achieve the targets set out in the performance framework, it may apply financial corrections in respect of the priorities [...] concerned by means of implementing acts."*

## **2. MAIN OBJECTIVES AND SCOPE**

The delegated act sets out the criteria for determining the level of financial correction, which may be applied at the end of programming period under the performance framework.

## **3. MAIN ELEMENTS**

In order to establish the level of financial correction to be applied by the Commission, the Commission will have to assess, whether all conditions to apply financial correction under the performance framework (Art. 20 (4) of the CPR) are met. Then, using the criteria set out in a delegated act, the Commission will decide upon the level of correction. These criteria take account of the level of physical achievement, the absorption level and external factors contributing to the failure to achieve the targets set out in the performance framework.

The elements set out in Annex I would form part of the delegated act. The illustrations and examples provided in Annex II are set out for information purposes.

## **4. MAIN CHANGES COMPARED TO THE PERIOD 2007-2013**

The criteria presented in Annex of this fiche are required by Article 20 (4) of the CPR and did not exist in the period 2007-2013.

## **5. ANNEXES**

Annex 1 - Criteria for establishing the level of financial corrections by the Commission under Article 20 (4) of the CPR

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<sup>1</sup> The provisions on financial corrections and on the performance framework are still subject to negotiation between the co-legislators. Therefore this fiche is a draft, without prejudice to any further modifications in the CPR.

Annex II: Additional information and examples to illustrate the application of the criteria for determining the level of financial correction for a priority of a programme under Article 20 (4) of the Common Provisions Regulations (CPR).

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**Annex 1 - Criteria for establishing the level of financial corrections by the Commission under Articles 20 (4) and 136(4) of the CPR**

1. The financial corrections may be applied if the following five cumulative conditions defined under Article 20 (4) of CPR are met:

- The examination of the final implementation report of the programme establishes a serious failure to achieve the targets relating to financial indicators, output indicators or key implementation steps set out in the performance framework.

If a priority concerns more than one Fund (ERDF, ESF, Cohesion Fund) or more than one category of region in accordance with Art. 87(1)(a) and (b) CPR, the assessment has to be carried out by Fund and by category of region within that priority.

A priority, where applicable broken down by Fund and category of region, whose performance framework includes no more than two indicators, will be deemed to have seriously failed to achieve the target if any of these indicators has failed to attain by the end of 2023 at least 65% of the target value.

A priority, where applicable broken down by Fund and category of region, whose performance framework includes more than two indicators, will be deemed to have seriously failed to achieve the target if at least two of these indicators have failed to attain by the end of 2023 at least 65% of the target value.

No result indicators included in the performance framework shall be taken into account for this assessment in the context of financial corrections.

- The serious failure is due to the clearly identified implementation weakness.
- The European Commission has previously communicated to the managing authority the clearly identified implementation weaknesses following close consultations with the Member State concerned.
- The Member State has failed to take the necessary corrective action to address such weaknesses.
- There are no socio-economic or environmental factors, no significant changes in the economic or environmental conditions in a Member State or no force majeure seriously affecting implementation of the priorities concerned that prevented the achievement of targets.

2. Once all the conditions identified above are met, it will be possible to determine the level of financial corrections to be applied to a priority. It will reflect the level of physical achievement taking into account - with due respect of the principle of proportionality - the absorption level and external factors contributing to the failure, other than the socio-economic or environmental factors, significant changes in the economic or environmental conditions in a Member State or force majeure seriously affecting implementation of the priorities concerned.

3. The level of corrections will be determined on a flat rate basis in relation to the achievement/absorption coefficient. The method for calculation of the coefficient will be as follows:

- The final achieved value for all output indicators selected for the performance framework under a given priority will be divided by the respective target values in order to obtain their final achievement rate expressed as percentage of the target.
- The final achieved value for all key implementation steps selected for the performance framework under a given priority will be divided by the respective target values, where possible, in order to obtain their final achievement rate expressed as percentage of the target.
- An average of final achievement rates for all output indicators and key implementation steps, where applicable, selected for the performance framework under a given priority will be drawn. For the purpose of the calculation, the final achievement rate in excess of 100% shall be counted as 100%.
- The final achieved value for the financial indicator selected for the performance framework under a given priority will be divided by the respective target value in order to obtain its final achievement rate expressed as percentage of the target.
- The average of final achievement rates for all output indicators and key implementation steps, where applicable, will be divided by the final achievement rate for the financial indicator. The result of this operation will be the achievement/absorption coefficient.

<b>achievement/absorption coefficient</b>	<b>Rate of financial correction</b>
Not less than 65%	0
Below 65% but no less than 60%	5%
Below 60% but no less than 50%	10%
Below 50%	25%

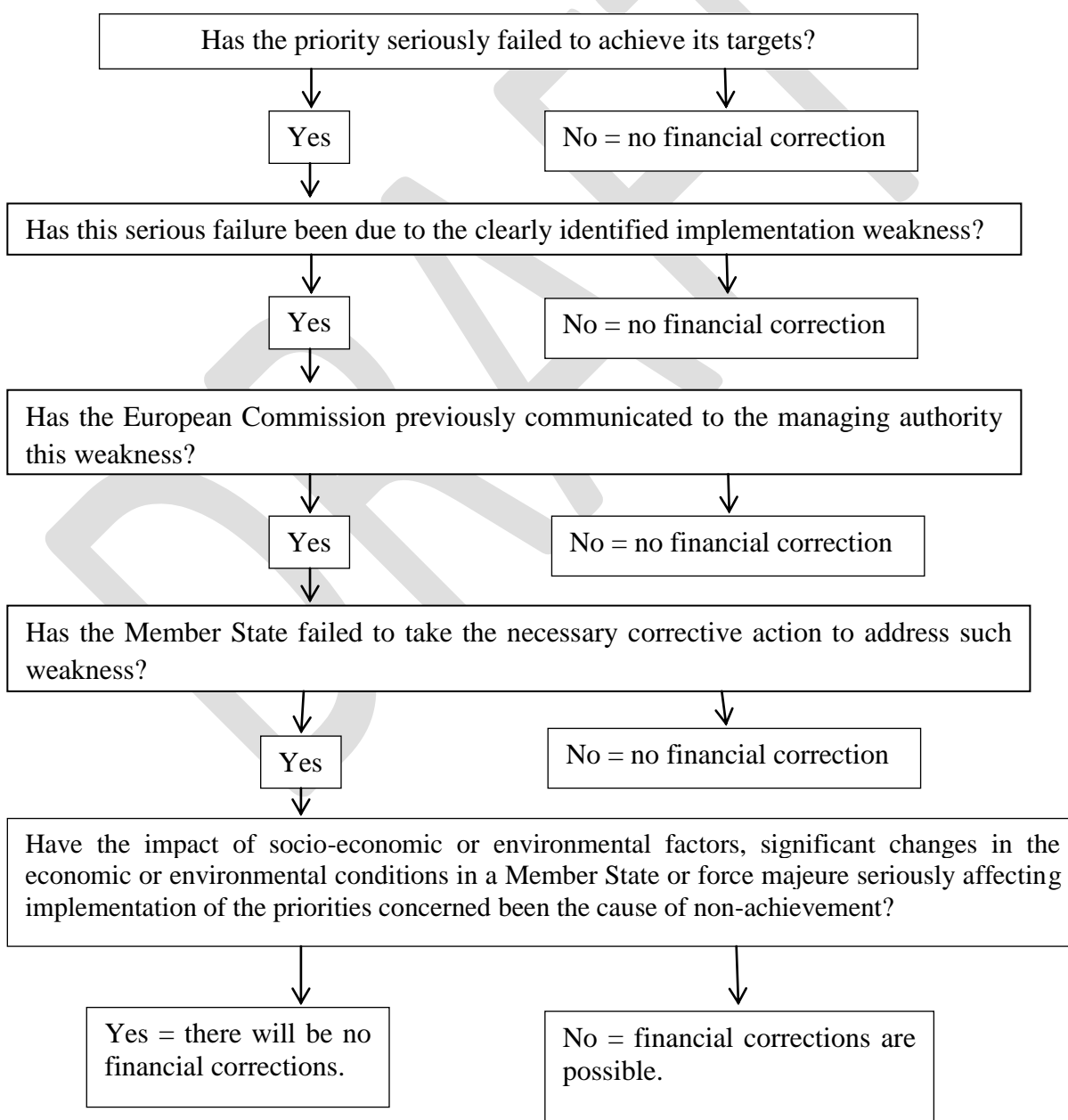
4. The external factors contributing to the failure, other than the impact of socio-economic or environmental factors, significant changes in the economic or environmental conditions in a Member State or force majeure seriously affecting implementation of the priorities concerned will be considered on case by case basis, and may be a justification for a lower rate of correction than set out above. In such situations the rate of correction may be lowered by up to 50%, depending on the importance of contribution of these factors.

**Annex II: Additional information and examples to illustrate the application of the criteria for determining the level of financial correction for a priority of a programme under Art. 20 (4) of the Common Provisions Regulations (CPR)**

The application of the financial correction is a two-step process:

1. verification if all conditions to apply financial correction are met;
2. setting the level of financial correction on the basis of the criteria in the Delegated Act.

1. The graph included below shows all steps necessary to verify if all conditions specified in the Common Provisions Regulation are met.



2. The examples below illustrate the application of the rules on the criteria for determining the level of the financial allocation as it will be described in the Delegated Act:

- a) There are 4 output indicators in the performance framework. Their final achievement rates are: 55%, 60%, 70% and 75% so the average is 65%. The final implementation rate for the financial indicator is 70%. 65% divided by 70% equals almost 93%.

Since the Delegated Act proposes to apply the financial corrections only if the coefficient achievement / absorption is below 65%, there will be no financial correction in this situation.

- b) There are 3 output indicators in the performance framework. Their final achievement rates are: 40%, 45% and 50%, so the average is 45%. The final implementation rate for the financial indicator is 70%. 45% divided by 70% equals 64%.

The Delegated Act proposes to apply the financial corrections at the level of 5% of expenditures, if the coefficient achievement / absorption is below 65%, but more than 60%.

- c) There is 1 output indicator in the performance framework. Its final achievement rate is 55%. The final implementation rate for the financial indicator is 90%. 55% divided by 90% equals 61%.

The Delegated Act proposes to apply the financial corrections at the level of 5% of declared expenditures, if the coefficient achievement / absorption is below 65%, but more than 60%. However, in addition to the implementation weakness, there were some other external factors contributing to the failure, therefore the Commission chooses to lower the rate of financial correction. Given the estimated influence of these external factors, the correction rate is lowered by 25%; hence the final correction rate is 5% less 25% - 3.75%.

3. The table below provides information on the levels of achievement and absorption necessary to have the financial correction applied.

<b>The coefficient achievement/absorption will fall below 65%, only if ...</b>	
<b>the final absorption rate is ...</b>	<b>and the average rate of final achievement is not higher than ...</b>
100%	64,0%
95%	60,8%
90%	57,6%
85%	54,4%
80%	51,2%
75%	48,0%
70%	44,8%
65%	41,6%
60%	38,4%