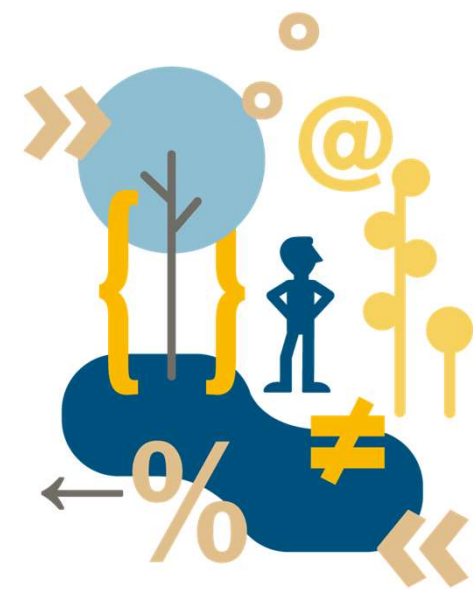


Draft budget – calculation method for simplified cost options

SPF: system, State aid & SCOs

23 June 2021 | online

Katja Ecke, Interact



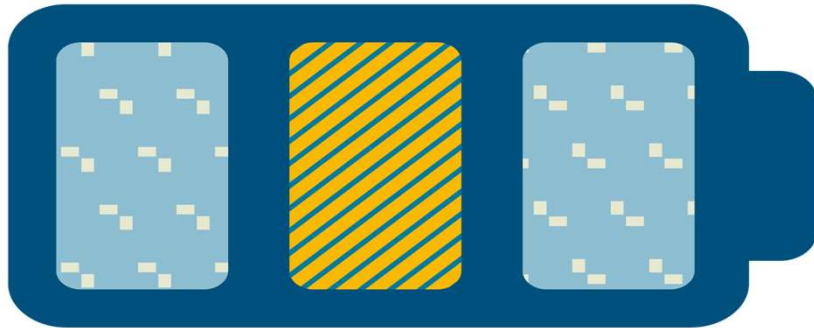
How can SCOs be calculated?

Legal basis: Article 53 [new CPR]

- Off-the-shelf options
- Copy/paste
- A fair, equitable and verifiable method
- **Draft budget**
 - < EUR 200.000 total costs (Art. 53(3)(b), [new CPR])
 - < EUR 100.000 total costs (Art. 25(6), [new ETC])



Why are we talking about draft budgets?



Mandatory use of SCOs & draft budget – legal frame

Small-scale projects (acc. article 24, ETC):

- < EUR 200.000 total costs mandatory
 - Exception for research and innovation projects (no definitions provided)
 - Exception if State aid involved (de minimis is not State aid)
 - Exception for basis costs, if flat rates used
- Option for draft budget as calculation method, threshold:
< EUR 200.000 total costs

Small projects acc. article 25, ETC:

- < EUR 100.000 public contribution mandatory
 - Exception if State aid involved (de minimis is not State aid)
 - Exception for basis costs, if flat rates used
- Option for draft budget as calculation method, threshold: < EUR 100.000 total costs

Draft budget

A draft budget is a calculation method to establish a SCO but NOT a SCO itself!

A project submits a draft budget to the programme

- Can include SCOs (top-down, bottom-up)



A programme assesses the draft budget and transforms it into SCO(s) with subsidy contract

- Establishing payment triggers



SCOs are used during the project implementation

- Expenditure is reimbursed according to payment triggers

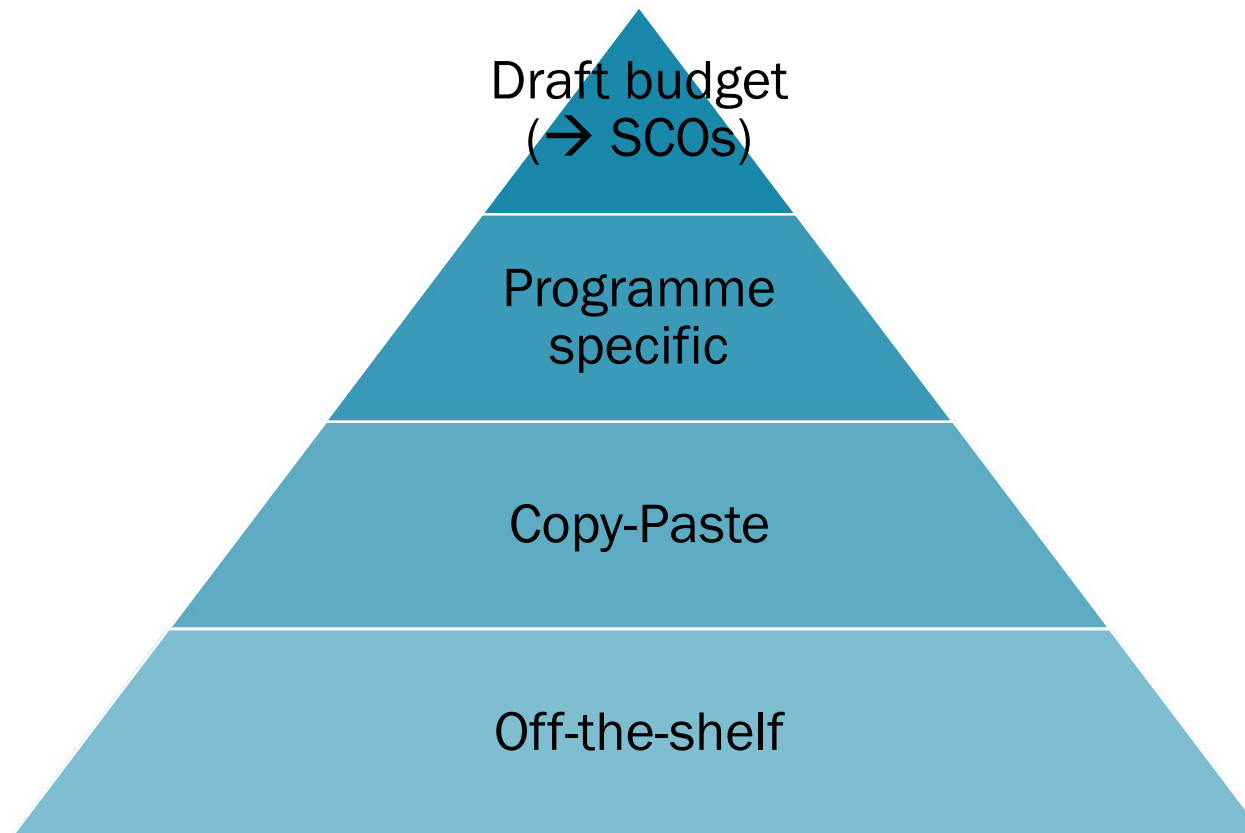
The draft budget methodology is to be applied on a case-by-case basis → individually for each project

Draft budget - Opportunities

- Allows projects to use their individual approaches and leaves room to innovate
- Secondary effects:
 - ‘Rolling’ process of learning
 - Over time replacing of recurring cost items by unit costs and lump sums based on information (evidence) provided by applications.
 - Reduction of the MA’s workload during the assessment of draft budget by using cost benchmarks (‘bottom-up’ approach, based on real data from projects)



SCO standardisation level

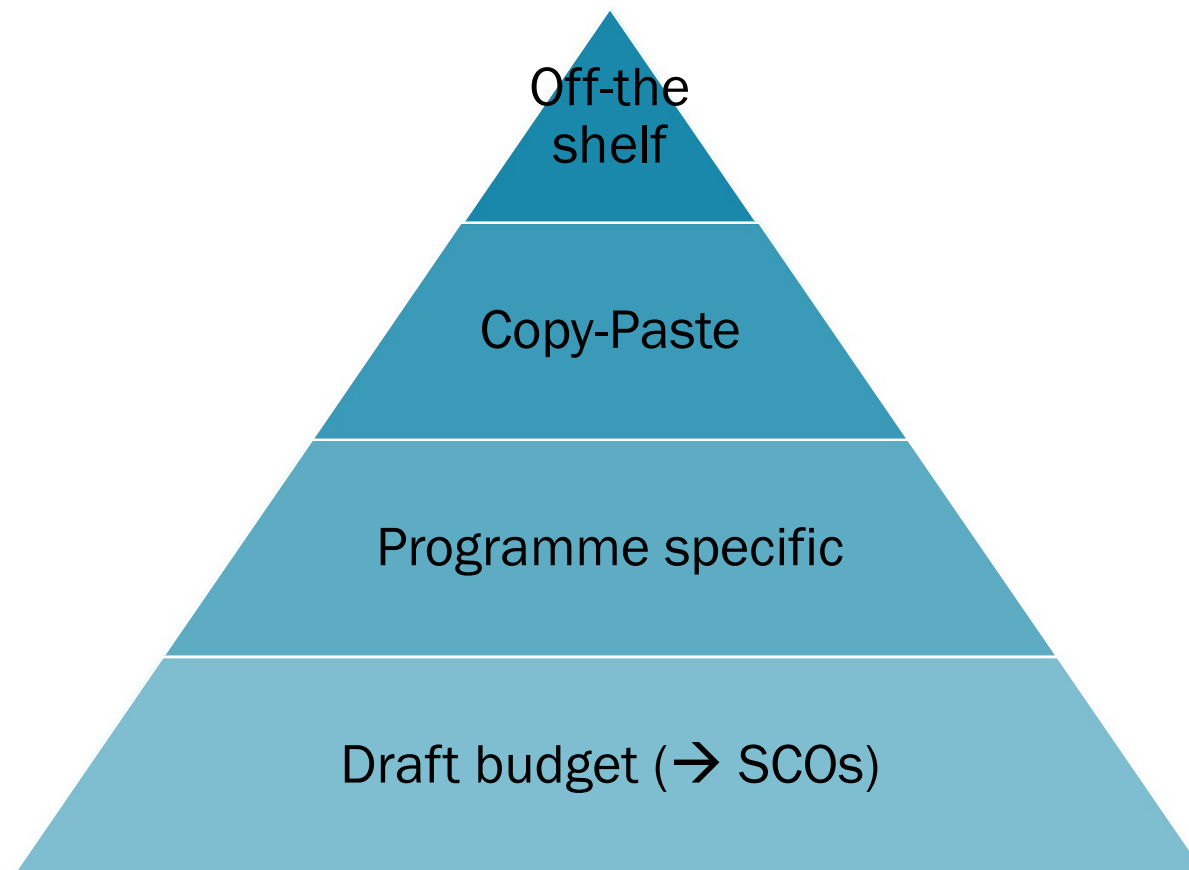


Draft budget - Challenges

- Significant resources from the MA to assess each draft budget – balance between the resources invested and size of projects?
 - Exhaustive documentation for each draft budget (assessment, supporting documents, calculation of established SCO(s))
- A solid stock of knowledge for cost benchmarks needs to be developed by the MA
- Consistency across different SCOs established based on different draft budgets has to be ensured
- A risk of single lump sums (for beneficiaries) established based on the draft budget (binary approach) – non-payment in case of non-delivery ...



Resources/work required by programme (MA/JS)



Draft budget – steps to methodology – 1/6



Programme
decision

- Principle 1: Use of off-the shelves / ready to go SCOs
- Principle 2: Use of programme specific SCOs for relevant activities / cost items

Draft budget – steps to methodology – 2/6



- Standardised application form (including ready to go SCOs)
- Rules for supplementary information (e.g. number of comparison offers)
- Programme eligibility rules
- Standard application procedure (IT, schedule, requirements, rules)

Already there?

Update required?

Who takes lead in elaboration?

Until?

Draft budget – steps to methodology – 3/6

Assessment

- Standardised assessment matrix
- Cost benchmark catalogue
 - Data (historical data, market research, statistical data)
 - Sufficient for programme-specific SCO?
- Assessment document (audit trail!)

Already there?

Update required?

Who takes lead in elaboration?

Until?

Draft budget – steps to methodology – 4/6

Pre-
contracting

- Unified approach to milestones (payment triggers)
 - Max. 2 or less / more
 - Required evidence (minimising risks!)
- Standardised approach to clarification with final recipients (if evidence is sufficient)

Already there?

Update required?

Who takes lead in elaboration?

Until?

Draft budget – steps to methodology – 5/6

Contracting

- Standard contract template (or grant letter)
- Key project specific elements:
 - Agreement on results and interim and final payment
 - Final SCOs (based on draft budget)
 - Final application form

Already there?

Update required?

Who takes lead in elaboration?

Until?

Draft budget – steps to methodology – 6/6

Monitoring

- Checklist for control
- Control of agreed results (binary or quantitative)
- Checklist closure
- Standardised approach to archiving (c/p logic of MA used for projects?)

Already there?

Update required?

Who takes lead in elaboration?

Until?

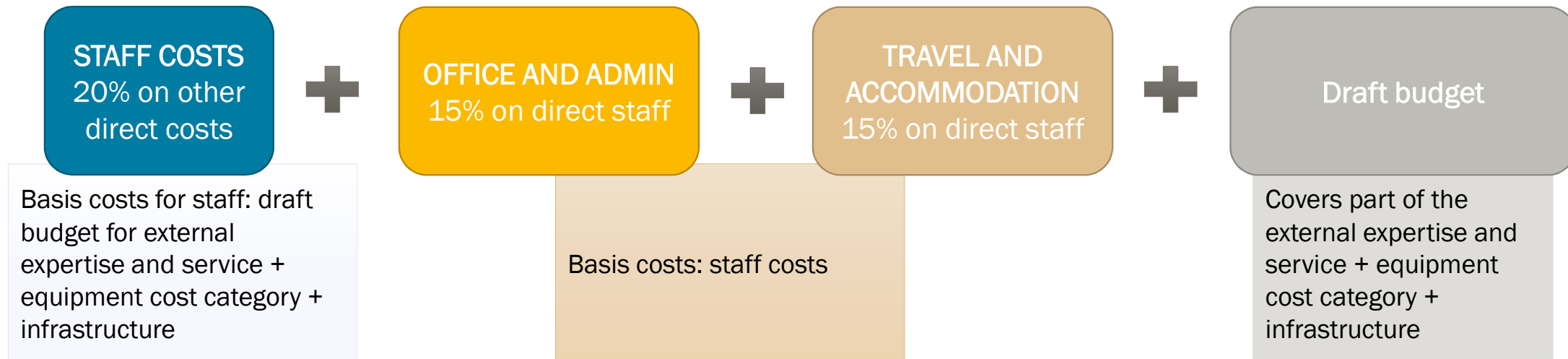
Draft budget approach

Requirement	Why?	Considerations / Sources
Set of cost benchmarks	Shift to ex-ante assessment of 'value for money'	<ul style="list-style-type: none"> ▪ Payment requests ▪ Internet search ▪ Expertise of public authorities ▪ Historical data on recurring items
Agreement on milestones	Avoid binary logic (0/1) of lump sums in order to lower risk for both sides	<ul style="list-style-type: none"> ▪ Clearly identifiable ▪ realistic numbers number of interim payment requests (1-2)
Consistency of the approaches	Ensure consistency across different SCO approaches	



Draft budget - examples

SCOs and draft budget



Implications:

- Flat rates (for Staff >> Office and Admin >> Travel and Accommodation) are triggered on top of lump sum for events (lump sum's binary approach – output delivered > payment)
- Flat rate on top of lump sum: possible, requires work in advance!
- Possible, but clear separation of costs! No double financing!

Draft budget - examples

Budget item	Cost*	SCO	Approach
Travel bus (2 busses, 2 days)	3,000	Unit cost 60 EUR per day and person for school cooperation projects	Evidence for number of participating kids
Accommodation (25 EUR per pupil, 60 persons)	1,500		
Catering per day (15 EUR)	900		
Visit to museum (5 EUR per person)	300		
Facilitator, guide (2 days)	800	60 * 2 * 60	
Translation	600	E.g., as proven average from historical project data	
Staff	400	Reimbursement slightly less but hardly any paperwork required!	
Total	7,500	7,200	

*plausibility evidenced by project, along pre-defined frame by programme

Draft budget - examples

Budget item	Cost*	SCO	Approach
Kick-off workshop	15,000	Lump sum 1 = 60,000	Milestone 1
Feasibility study	45,000		
3 consultation workshops	12,000	Lump sum 2 = 28,000	Milestone 2
Final conference & agreement on technical solution	7,000		
Staff	8,000		
Translation	1,000		
Total	88,000	88,000	

*plausibility evidenced by project, along pre-defined frame by programme



Draft budget - conclusion

Offers many possibilities, BUT

- should be the last option (either projects are too individual and off-the-shelves are not working and no historic programme data available), because
- requires significant resources at MA/JS level for relatively small amounts

Cooperation works

All materials will be available on:

[**www.interact-eu.net**](http://www.interact-eu.net)

