

Zoom in on the draft budget calculation method

17 June 2022 | Online, Zoom

Welcome!



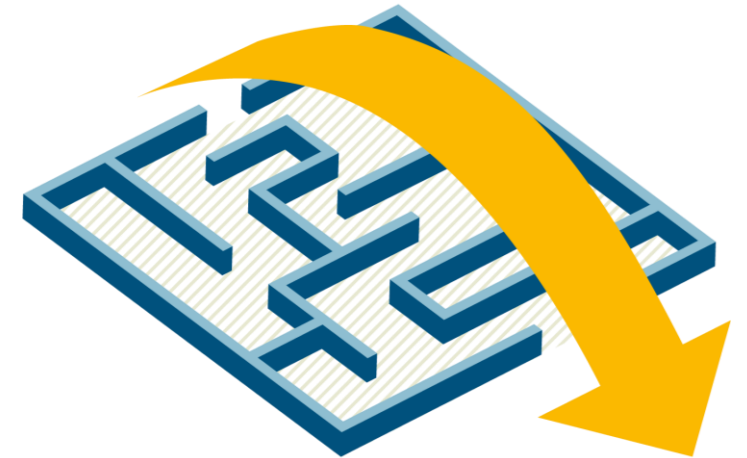
Bernhard



Iuliia



Grzegorz



Why are we here?

Objectives

- To refresh/sum up what we know;
- To jointly discuss the draft budget method in the project life cycle;
- Exchange on first practical ideas.

Format

- 17 June, 09.30 – 12.45 CET
- N° participants <-> interactivity



Code of conduct

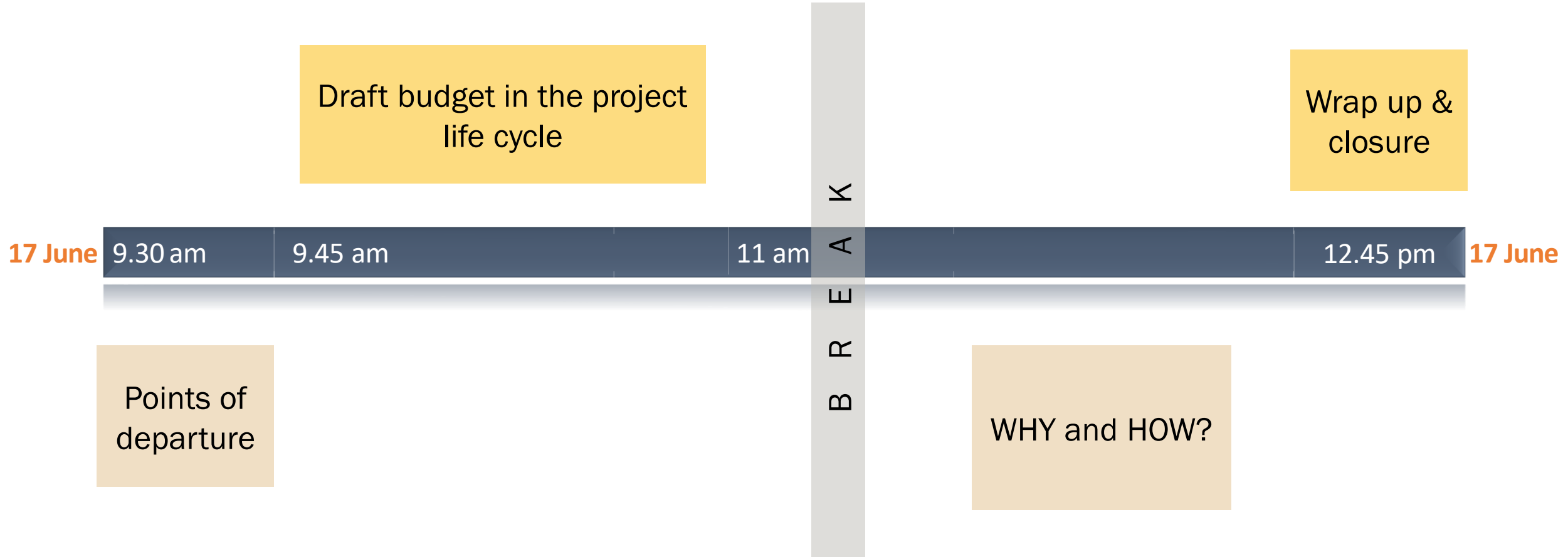
- Stay 'muted' unless talking
- Interactivity - contribute & share (all ideas are welcome!)
- Be open (no recording, no notes of who-said-what)
- Be patient with others
- Questions/contributions in plenary: use Slido



slido

Use this code: #4484388

Agenda for today



Questions from the registration

- Considering the draft budget method for the future - 36 /actively planning - 24;
- Types of projects and draft budget method:
 - small projects (SPF) - 8/13;
 - small-scale projects - 20/14;
 - other, regular - 6/4
- Why?
 - Simplification



Questions from the registration

Challenges Top 3:

1. Significant resources needed to assess each draft budget (38);
2. Development of benchmarks (29);
3. Ensuring the consistent approach (27).



Questions' selection:

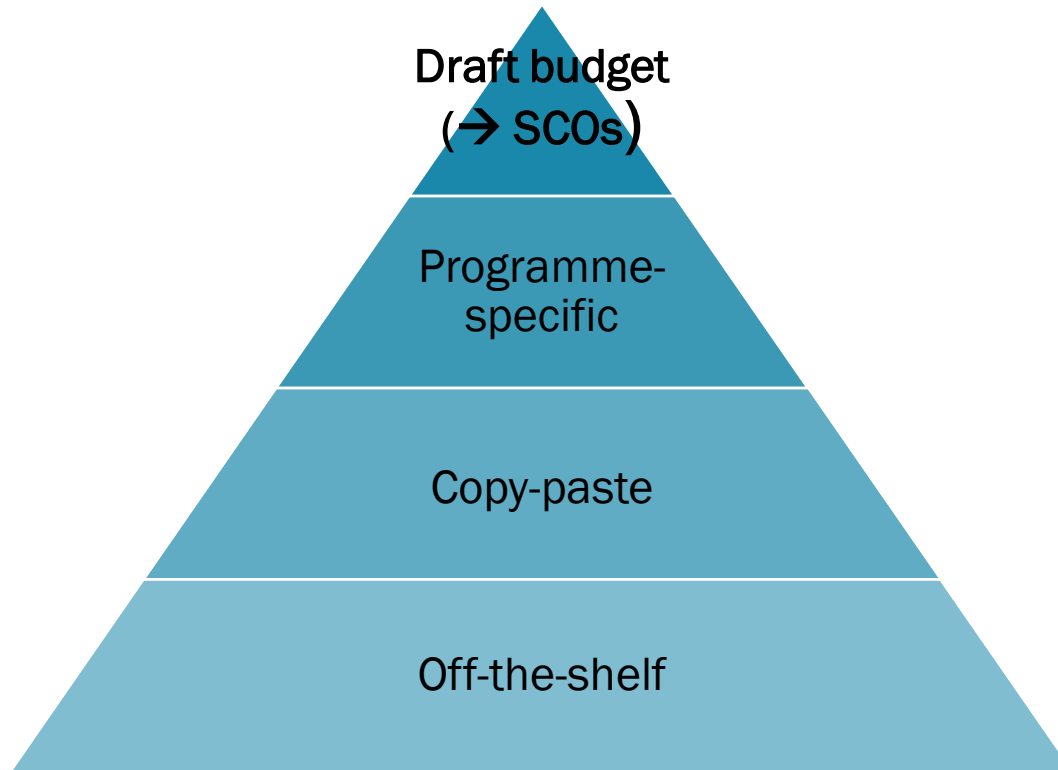
- What are the main reasons to go for it?
- Practical examples and considerations,
- Benchmarks – experiences with development; how many?
- Do some programmes plan to use the draft budget method for small infrastructure projects?
- Possibility to combine lump sums and unit cost as a result of draft budget calculation?
- Flat rates in the draft budget method;
- How close to reality the price estimation by applicants should be (market research or past procurements)?

Draft budget method in a nutshell

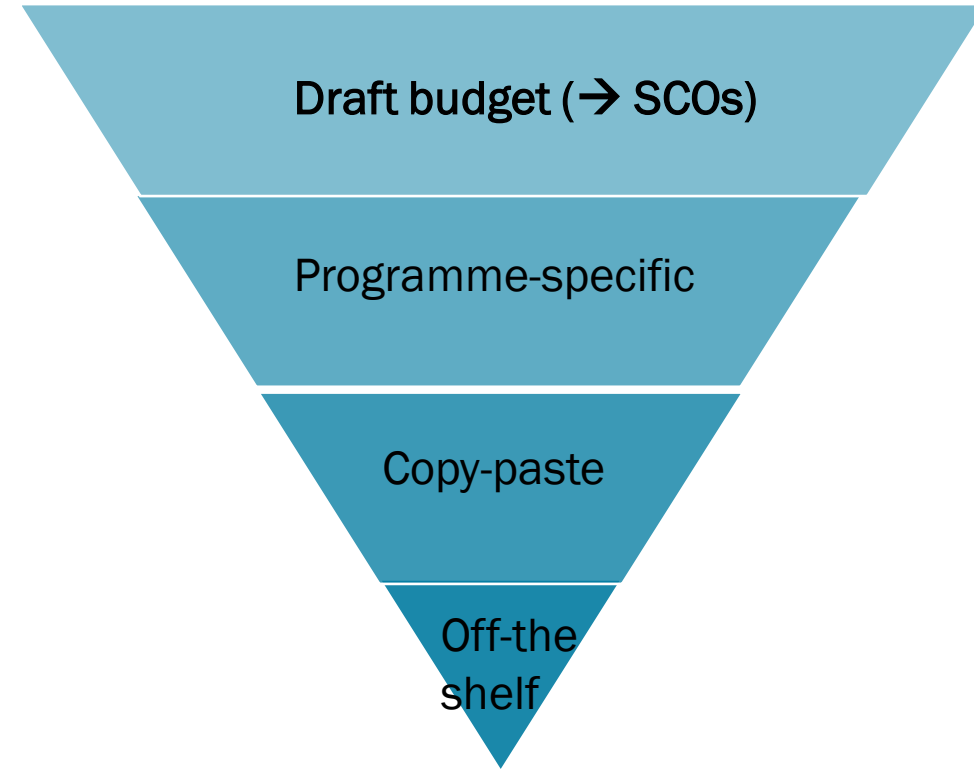
Key takeaways from previous events....



SCO standardisation level



Resources/work required by programme (MA/JS)



Mandatory use of SCOs & draft budget – legal frame

Small-scale projects (Article 24 Interreg Regulation + Article 53(3)(b), CPR):

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

Small projects (Article 25 Interreg Regulation):

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

Draft budget method only for small:

Small-scale projects with total costs below EUR 200.000;

Small projects with total costs below EUR 100.000;

The draft budget...

is a calculation method to establish an SCO(s) but NOT an SCO itself!

methodology can be used to establish unit costs, lump sums or flat rates &/ or their combinations

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

Draft budget method mini dictionary

Draft budget method – a method (one of 5) to establish SCOs;

Cost benchmarks/ reference costs - a catalogue of costs items, activities based on historical data, market research etc. (*prices, amounts, ceilings*);

Outputs – products/services/tools delivered by a project;

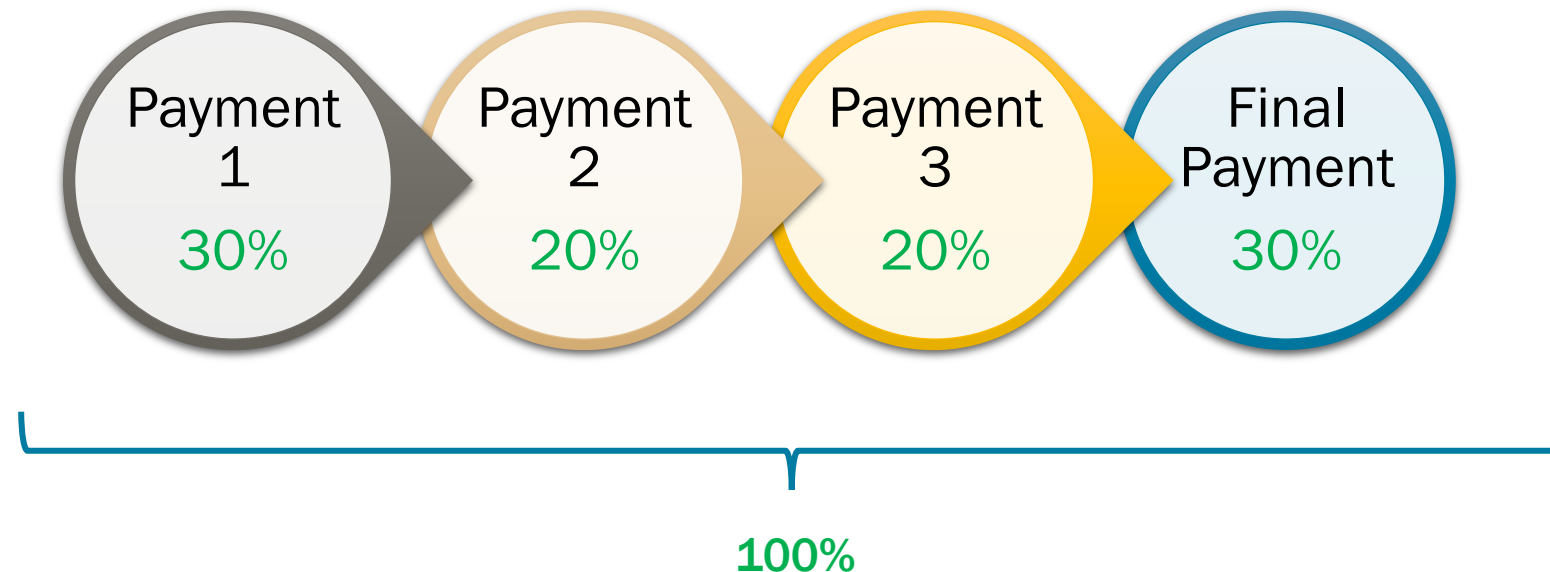
Milestones – crucial intermediate deliverables/outputs achieved by a project (contributing to the project's objective(s) and outputs);

Payment trigger(s) – milestone(s)/ output(s) delivered by a project that activates payment(s);

Evidence/audit trail for payments – a proof of meeting conditions by a project, activating payment(s)

Milestones in the draft budget method

- Focus on activities that make up the action;
- Not always necessary!
 - if the implementation is short and the output is clear, there is no need to have milestones



Payment triggers in the draft budget method

Transparent

Pre-defined

Not too
simplistic

Fair

Not excessive
(too detailed)

Not extreme
(impossible to
achieve) but
feasible

Objective

Clear

No
interpretations
= not
complicated
wording

Draft budget → Lump sum (*example)

Output: Cross-border marketing campaign

Lump sum: 63 000€

Milestone 1:
Planning, measurement,
identification of the
target market

Payment trigger:
Analysis report

Amount:
20 000 €

Milestone 2:
Cross-border marketing
campaign

Payment trigger: Cross-
border marketing
campaign delivered

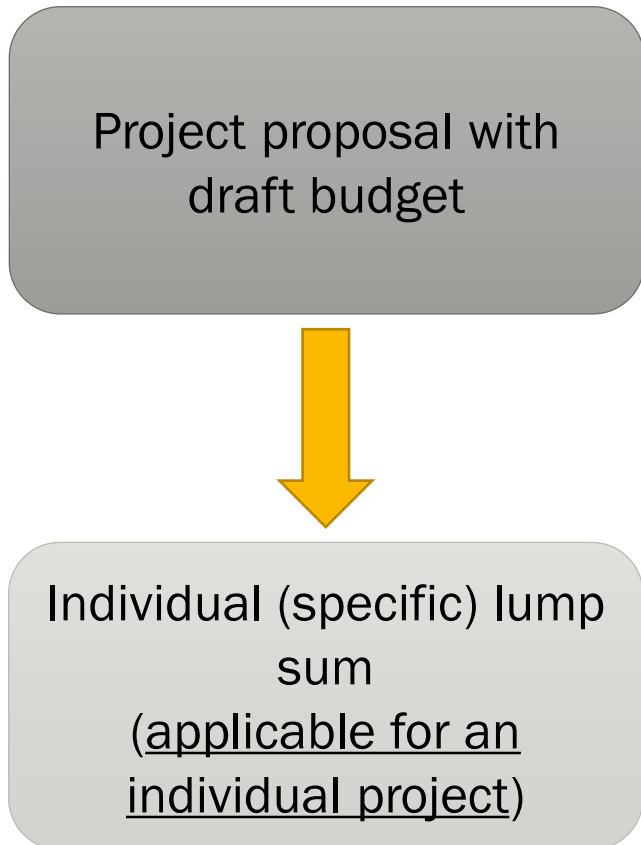
Amount:
43 000 €

Draft budget – example::

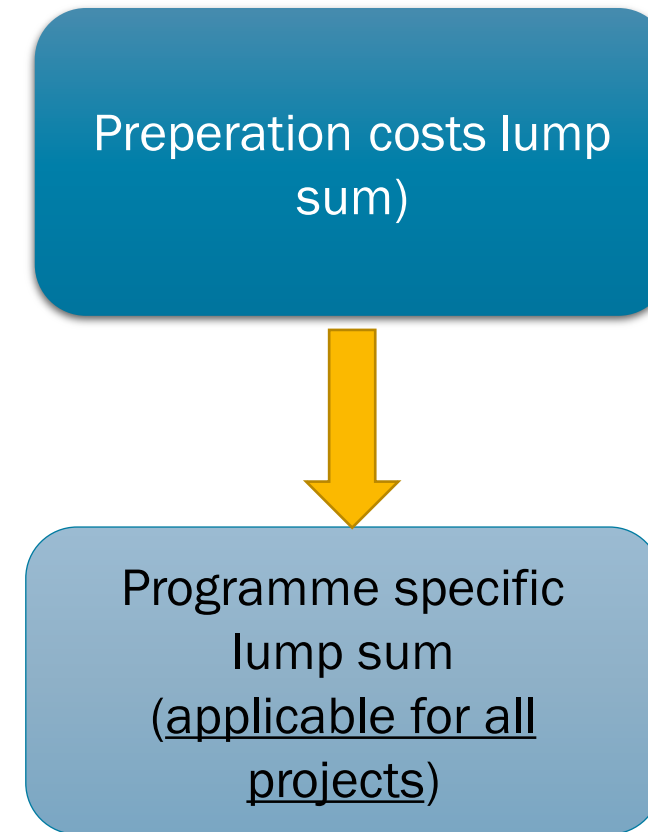
Budget item	Cost*	SCO	Approach
Kick-off meeting	5,000	Lump sum 1 = 20,000	Milestone 1
Data collection	10,000		
Report preparation	5,000		
Marketing campaign design	5,000	Lump sum 2 = 43,000	Milestone 2
Marketing campaign execution	20,000		
Evaluation study	5,000		
Staff (20%)	10,000		
Office and admin (15%)	1,500		
Travel and accommodation (15%)	1,500		
Total	63,000	63,000	

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

Draft budget → Lump sum



vs.



Further considerations

Simplification option when projects are small & very specific - **for which data to support the calculation method is not available or is difficult to collect!!**

Equal treatment and sound financial management requirements during assessment – 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 ...

Simplifications/risks mitigations

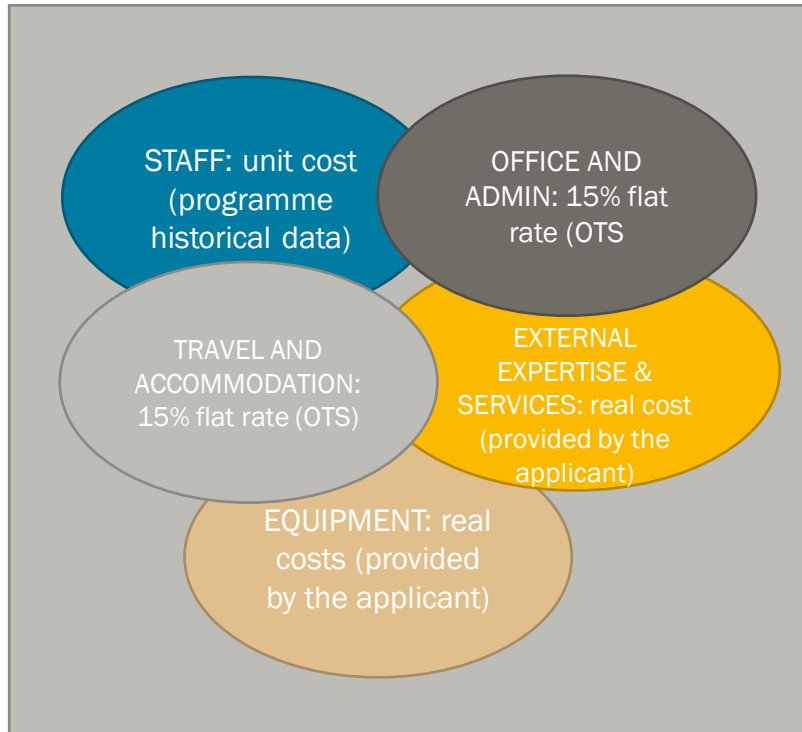
Use build-in SCOs in the draft budget method where relevant (off-the-shelf, programme-specific)

Use limited number of milestones, payment triggers ... – too many hinder flexibility – and the purpose is simplification!!!

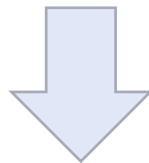
Develop a cost benchmarks / reference costs catalogue living document

Guidance for applicants (manual, workshops, practical examples...)

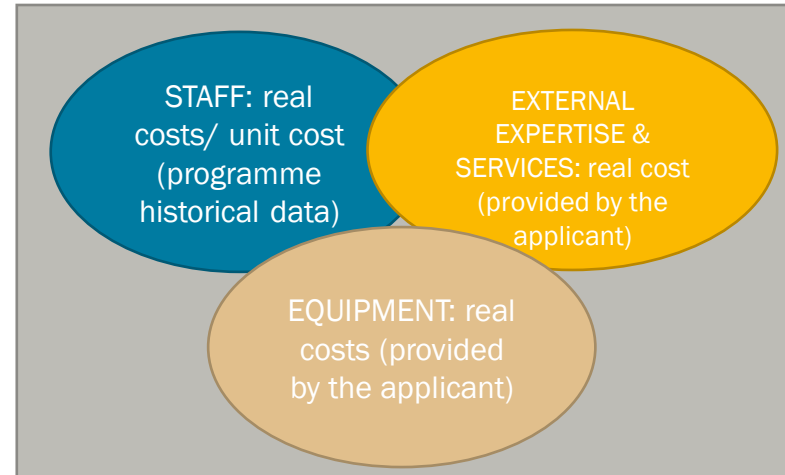
Off-the-shelf/ programme-specific SCOs in the draft budget method



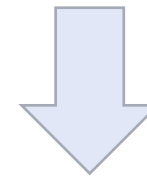
Draft budget



LUMP SUM/ or anything else



Draft budget



LUMP SUM/ or anything else



Unit cost (not covered in the draft budget!!!)

Draft budget afterlife...

Data collection - reference points for future projects -> unit costs ("lift up" to regular projects)

Replacing recurring cost items with programme-specific SCOs

"Rolling" process of learning



Draft budget - conclusion

Offers many possibilities, BUT

- should be the **last option** (*either projects are too specific and off-the-shelf/ programme-specific SCOs are not working and/or no programme historical data is available*), because
- requires significant resources at MA/JS/SPF beneficiary level for relatively small amounts!

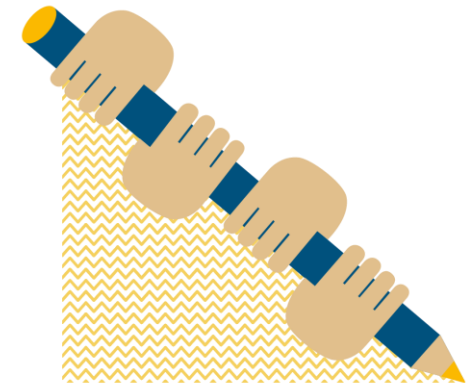
Useful resources

- Draft budget method – [Factsheet](#)
- Slides from previous events – [June 2021](#), [November 2021](#)
- SCO Network Meetings materials – [3rd meeting Valencia \(July 2019\)](#) , [2nd Q&A \(9&10\)](#)
- Interreg SCOs Community – [Draft Budget folder](#)
- Draft budget method in the project life cycle – [Miro](#)
- Manual for the draft budget method – Briefing note – work in progress



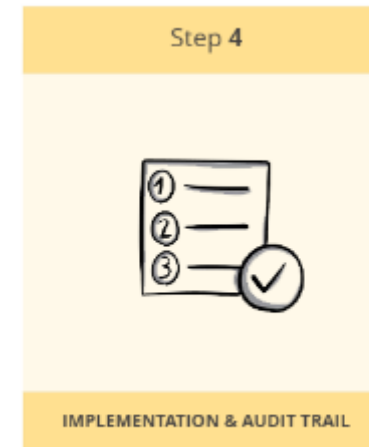
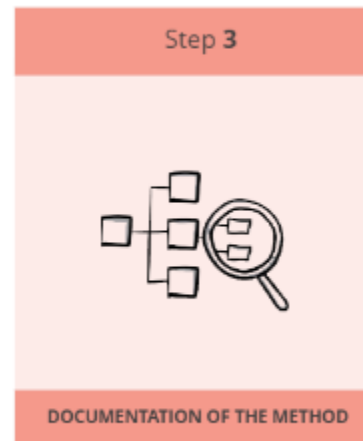
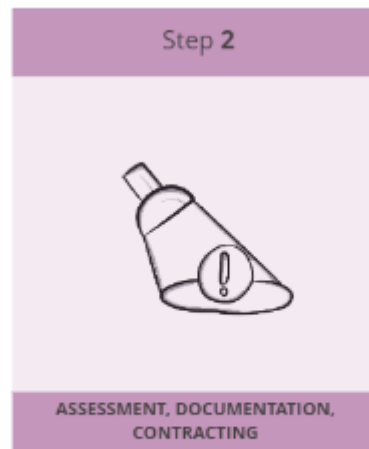
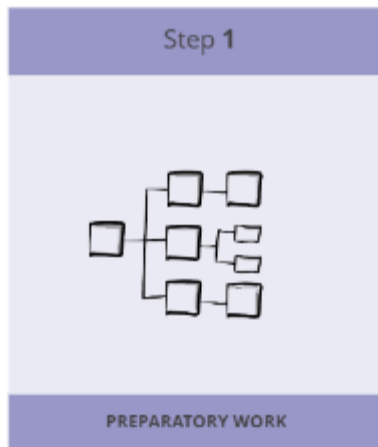
Draft budget in the project life cycle – considerations

Let's work together !



Draft budget method in the project life cycle

5 steps



Let's discuss (Miro) 70 minutes

- 5 steps
- Various points of attention, is anything missing?
- How to approach these points?
- Are there any particular risks connected with the method?

Manual

- Rationale
- Sections (intro, principles, cost categories, eligibility, annexes) / considerations,
- Agile approach 😊 – living document;
- Let's work on it together – we are counting on your ongoing experiences and feedback;
- Draft will be published in SPF/ SCOs communities – comment and send us your feedback!



Trailblazers...

Let's learn from each other!



Testimonials

- Small scale projects: Thomas Huemer - Germany (Bavaria) – Austria;
- SPF (work in progress): Teresa Marcinów - Poland – Slovakia;
- SPF (work in progress): Maciej Molak - Czech Republic – Poland.



**Sli.do – code
#4484388**

Wrap up and Closure

What's coming?



Stay in touch!



Please fill in our evaluation survey – link in chat!

Thank you in advance for taking the time!



Join our e-Interreg communities SCO & Small projects communities

sco@interact-eu.net

small.projects@interact-eu.net

Be the first to know!

Following feedback that it is not as easy as it could be to know when Interact has scheduled new events, we have implemented a new tool.

Now you can receive a notification when an Interact event is organised on one of the following topics: Programme management; Programme finance; Communication and capitalisation.

Sign up now at: [Interact-eu.net/events](https://interact-eu.net/events)
More details on our website.



Thank you for your subscription

You have subscribed following topics: Communication and Capitalisation, Programme content, Programme finance

17:32 • www.interact-eu.net

Have a nice summer break!

All materials will be available on:

www.interact-eu.net/library



Cooperation works

All materials will be available on:

www.interact-eu.net

