

BUDGET OPTIMIZATION METHODOLOGICAL APPROACH

**MANAGING AUTHORITY OF COOPERATION PROGRAMME
INTERREG V-A GREECE-ITALY 2014-2020**

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1. Introduction

During the different project selection phases, which were submitted in the framework of the first call for Ordinary Projects of INTERREG V-A Greece Italy 2014-2020, the relative budgets presented by the various beneficiaries were also examined. During this review, it was possible to verify that the overwhelming majority, if not all, of the reviewed budgets appear overestimated. It is certainly too far to add that the budget overestimation has as a direct consequence the difficulty for beneficiaries to reach expenditure targets at an acceptable time with direct implications for the Programme and any risk of de-commitment.

There is therefore the need to optimize the various resources available to the beneficiaries and to give them directions that can lead them towards a path that will enable them to actually achieve what they have planned and at the same time increase the effectiveness and efficiency of their budget and spending performance.

The purpose of this document is to review the various budget parameters that are already present in the call and in the Programme and Project Manual by doing a few in-depth studies. It is important to emphasize here that all projects certainly comply with the above mentioned parameters (due to the project inadmissibility according to the exclusion case no. 11 "The budget of the proposal does not respect the minimum and the maximum project size according to art. 8 of the call and the limit of the summary budget limit table of the Cal" approved during the 3rd MC in Patra") and that the details provided here are an invitation to the various beneficiaries to revise their budgets on the basis of this methodological approach.

The following pages identify the various cost categories, recalling what is foreseen by the call and the Programme and Project Manual by inserting some small reflections and insights. The document will end with the operational aspects of how to implement such optimization and the path to be carried out with relative timing.

The aim of this optimization path is also to be explicitly stated here: a decrease of of the different budgets. It is obvious that this methodology is based on the assumption that it is incorrect and unfair to make a "linear cut" on the budget of all proposals and for all partners without taking into account the "loads of activity" and the various actions that the different involved organizations will have to carry out in the project implementation. It is then intended to operate in a new and "innovative" way through a shared path that reaches a "pact of optimization" by assuming mutual responsibilities and commitments; by fully involving the MA, the JS and the beneficiaries in a full spirit of sound, fair and correct cooperation and collaboration.

2. Cost categories

2.1 Special categories of costs and budget limits

Preparation costs

- must not exceed **40.000,00€**.
- The related activities must have been implemented: from 1st of January 2014 until the date of submission of the Application
- they are linked with the approved project and they are included in the Application Form.

Preparation Costs should fall under the following budget lines categories:

- Staff Costs.
- Travel and Accommodation Costs.
- External Expertise and Services Costs.

Management costs

Management Deliverables and thus the management costs must be included only in WP1 of the Application form and concern the cost related to the technical and administrative activities to be implemented for the efficient management and coordination of the project. The management costs of each project beneficiary (Work Package 1) must not exceed 10% of the total beneficiary's budget. For the Lead Beneficiary this percentage shall be limited to 15% of its budget. The following WP1 costs (if applicable) are not calculated in the percentage limit:

- Deliverable 1 X 1 "Preparation Activities" (where X is the number of the beneficiary).
- Any costs incurred for meeting and events and travel and accommodation of beneficiary's staff.
- Any costs incurred for the external first level controller. The ceiling fee for external qualified controller should not exceed the 2% (VAT and social security included) of total beneficiary budget.
- Management costs included in other WPs will not be considered as eligible.

Advice

Project and coordination meetings should be relatively limited and included in the Project Management & Coordination work package (WP1).

- **The number of the required meetings should be proportionate to the duration of the project and the size of the partnership (number of beneficiaries). The maximum acceptable number of project/coordination meetings per year are two (kick off and close out meetings are not included).**

Financing of activities located outside the Programme area

In principle, all activities of a project should take place **within** the eligible Programme area. It is possible for a project to finance activities or events outside the eligible Programme area in the context of cooperation Programmes and in duly justified cases, provided that Article 44(2b) of Regulation (EU) No.447/2014 is respected. According to the Programme: "*The total budget allocated to beneficiaries outside the Programme area together with the total budget allocated for activities outside the Programme area cannot exceed 20% of the budget of the Programme. Beneficiaries located outside the programme area are not allowed to implement activities outside the programme area*". The 20% threshold of ERDF at Programme level will be brought down to the project level. Programme Manual page 45

Advice

Properly justify the different travels to be carried out (where, which event/meeting scheduled, when and why the participation to that event is relevant to the project) by identifying times and number of participants.

Information and Publicity

The WP2 Information & Publicity, describing the Actions for carrying out the external communication of project efforts and outputs, dissemination of results etc.

The WP2 budget cannot be exceeded the 15% of the total project budget, without limits at beneficiary level.

2.2 Project budget lines

Staff costs

A. Flat rate option (Staff costs calculated as 20 % flat rate of direct costs)

For staff costs calculated on flat rate basis option, the calculation of staff costs is based on a flat rate of up to 20% of the direct costs other than the staff costs. In the case of flat rate financing, the extent of procurement of some of the categories of costs by the beneficiary could have an impact on the proportion of calculated costs.

Therefore, direct costs linked to projects or part of them, subject to public procurement contracts that constitute the biggest part of the project (have a significant proportion of calculated costs), according to the application form, should be excluded from the calculation basis on which the flat rate is to be applied. It is therefore recommended that only the part of the project that entails procurement of small scale contracts could be taken as basis for the calculation of the flat rate cost option for possible staff costs. This part is estimated to be of approximately 20% of the procured project's budget. If the beneficiary itself implements a project (meaning keeping full control of the management and implementation of the project), the flat rate is applicable, even if some of the categories of costs within the project are procured (e.g. some of the project implementation costs like cleaning services, external expertise, purchase of furniture, etc.) (see Programme and Project Manual pag. 52 – 55)

Advice

Staff costs calculated on a flat rate up to 20% of direct costs other than staff costs. Direct costs linked to public procurement contracts that constitute the biggest part of the project should be excluded from the calculation, which the flat rate is to be applied on. In any case the beneficiaries should justify their choice of the flat rate cost option and indicate the budget categories of costs that the beneficiary has selected for the flat rate cost option. During the meeting between LB and MA/JS (see the last page), the calculation method of flat rate costs declared by the beneficiaries will be checked and will be subject to revision, in cases where the procurement of works, goods or services with significant effect on the project is taken into consideration in the calculation of the staff costs.

B. Staff costs calculated on a real cost basis

Using this method, the beneficiary will claim the actual costs they have incurred from employing staff who work on the project. According to Article 3 Commission Delegated Regulation (EU) No 481/2014, expenditure on staff costs shall consist of gross employment costs of staff employed by the beneficiary in one of the following ways:



- full time; (i.e. Person employed by the Beneficiary organisation, and working fully on the project;)
- part-time with a fixed percentage of time worked per month; (i.e. Person employed by the Beneficiary organisation, working partly for the project on a fixed percentage;)
- part-time with a flexible number of hours worked per month (i.e. Person employed by the Beneficiary organisation, working partly for the project on a number of hours per month) or on an hourly or working daily basis (i.e. Person employed by the Beneficiary organisation, who does not have a fixed number of hours/days per month and is paid at an hourly/days rate).

Advice

Each beneficiary will have to provide the rationale of the staff costs estimations in the Justification of the Budget document regardless of the calculation option selected and according to the respective legislation in force. The amount charged for the project must be linked to specific deliverables. Internal staff assigned to the project implementation need to be strictly related to the planned project activities and the expected deliverable/milestones.

C. **Office and administration costs**

In case of the flat rate calculation method is adopted, Office and Administration Costs should not exceed **15%** of staff costs.

Regardless of the calculation option selected, the office & administration costs should not exceed **4%** of the total Beneficiary's budget.

Advice

Office and administration expenditures, that they are not clearly related to the implementation of the project, are not charged to the project proportionately and are not calculated on a fair and duly justified distribution method, are subject to reduction.

D. **Travel and Accommodation costs**

This budget lines includes all the expenses for each of the project's beneficiary for the travel and accommodation costs of the staff personnel involved in the project under the condition that they are directly related to the activities of the project. Travel and Accommodation costs involve:

- travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll, and parking fees);
- the costs of meals;
- accommodation costs;
- visa costs, if necessary;
- daily allowances.

Advice



In the category “Travel and Accommodation” attention should be given to the number of trips and to their necessity, taking into account the number of beneficiaries and the actions of the project. The trips should be adequately justified and should be calculated according to the National and/or European

Guidelines (per diem). In cases that the number of trips or their costing are not adequate or duly justified, then they will be reduced. More specifically, the Greek beneficiaries have to respect the National law, which sets the ceilings for all types of costs included in this category:

- For national travels:
 - o Cost for accommodation may not exceed 60,00€ (with an additional 20% for Athens/ Thessaloniki)
 - o Cost of daily allowance may not exceed 40,00€
- For international travels:
 - o Cost for accommodation may not exceed 160,00€
 - o Cost of daily allowance may not exceed:
 - 80,00€ for countries within the EU (except from those below)
 - 60,00€ for Estonia, Latvia, Lithuania, Armenia, Hungary
 - 50,00€ for Albania, FYROM, Bulgaria, Romania
- In case of the use of private/beneficiary car (where eligible) the cost may not exceed 0,15€ per km.

The Italian partners have to respect the National law and their rules for the travel and accomodation. If the Italian partner does not have rules for the travel and accomodation they will respect the parameters of Puglia Region (Decreto Presidente Regione Puglia n° 631/2011 issued on the BURP n° 94 of 16/06/2011)

E. External Expertise and Services costs

Costs paid on the basis of contracts and against invoices to external service providers, who are sub-contracted to carry out certain tasks of the project. Pursuant to the Regulation (EU) No 481/2014 Article 6, expenditure on external expertise and service are limited to the following services and expertise provided by an organisation other than the project beneficiary:

- studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- training;
- translations;
- IT systems and website development, modifications and updates;
- promotion, communication, publicity or information linked to a project or to a cooperation programme as such;
- project and financial management;
- services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (e.g. registration fees);



- verifications under Article 125(4)(a) of Regulation (EU) No 1303/2013 and Article 23(4) of Regulation (EU) No 1299/2013;
- certification and audit costs at programme level under Articles 126 and 127 of Regulation (EU) No 1303/2013;
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- the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee;
- travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- other specific expertise and services needed for operations.

Travel and accommodation costs of the external expertise staff involved in the project with the condition that they are directly related to the activities of the project must be reported under the budget voice “external expertise”, as clearly should be described in the relevant contract. In this case, they need to be listed and clearly identified in the invoice or reimbursement request of external expert.

Advice

This budget line includes activities such as studies, research, preparation costs, contracted experts’ costs, promotion and advertising, creation of websites, etc. The categorization of the expert’s costs should be analyzed in depth regarding the number of people occupied, man-months and the experience in order to conclude on the final amount. Market prices for analogous services should be taken into consideration.

The creation of websites, portals and relative IT tools and applications is included in this budget line. Since the prices of these services have been significantly reduced, the maximum amount for a website/portal may not exceed 8.000,00€, including those with databases. Higher prices should be extensively analyzed and justified. In order for the activity to be eligible, it shall mention the application of the tools required for the availability of access to people with disabilities.

There are several project categories related to touristic promotion, business applications, vocational training and/or ICT technologies. The final cost of the project should be realistic, taking into consideration all of the above mentioned. This means that the evaluation should be focused on the deliverables and their costing. Many studies, researches and portals-websites and also several ICT applications have been done before by previous programmes (National and European). More specifically, for the vocational training projects, the number of the proposed trainings should be examined, as well as the number of trainees and the pay of the trainers, with regards to the institutional frameworks governing the vocational training in Greece and in Italy.

The vocational training programmes should focus on specific needs of their implementation area. These needs should be justified in the Application Form. It is possible, if deemed necessary, to propose a reduction in the number of the vocational training programmes and also probably in the number of trainees, if there is no adequate justification. Special attention should be paid to the studies and researches that the vocational training projects suggest, out of which, only



the absolutely necessary should remain and only those in close relation to the needs of the project and the application of their results.

Regarding the activities – especially on the publicity of the project - the following issues should be taken into consideration:

- **Events: The events included in the project should be limited to those necessary for the project. Only in duly justified cases, additional events to the obligatory ones according to the Information and Publicity Guide of the Programme, should be accepted.**
- **Participation in exhibitions or other similar events should be duly justified in terms of the necessity for the project objectives and of the benefits expected.**
- **Leaflets/brochures: The analysis of these deliverables should include the cost of the elaboration, of the production, the amount of materials to be produced and where they will be distributed. In favor of the environmental protection, the production of printed material should be reduced to that obligatory by the I&P Guide of the Programme.**
- **Promotional material: The analysis of the cost of the promotional material should include the type of material, the cost of the design of logos, the cost of the type of material and the number to be produced.**
- **Justification of the necessity and expected benefit of each material should be provided.**

Studies, for soft activities or technical studies, should be fully justified in terms of the necessity for the project implementation and of the benefits expected. The cost for studies should include the appropriate breaking down (i.e. number of employment, man-months, amount and experience of researchers, bill of quantities) or should present market prices. Not justified studies, in terms of the necessity, or not justified costs are subject to a budget reduction. In case of technical studies, the National legislations should be followed.

F. Equipment expenditure

Costs for the purchasing of equipment are eligible under the condition that equipment is necessary for the project implementation and is foreseen in the approved application form. There should be an analytical description of the technical specifications and a costing.

Advice

Equipment costs are eligible under the condition that equipment is absolutely necessary for the project implementation and is foreseen in the approved application form. Technical specifications for the equipment and the number of units should be clearly stated and justified. Total cost should not exceed the generally accepted market price. The necessary equipment for the management and coordination of the project (eg. Desktops, laptops, etc) must be purchased at the beginning of the project implementation. If this kind of equipment is planned to be purchased at the end of the project implementation then the cost can be considered ineligible.

G. Infrastructure and Works



Expenditure for Infrastructure and Works are eligible under the condition that the cross-border impact of the investment is demonstrated and the activity is approved in the Application Form. The contractor cannot be a Beneficiary in the project. The description of the works expenditure should be provided by the bill of quantities and cost, submitted together with the Justification of the budget cost.

Advice

If the Infrastructure projects include preliminary or final studies officially approved by the respective body of the beneficiary they will not be reduced. Technical specifications, number of material required, quantities and other relevant details should be clearly presented. The amount foreseen should be justified, related to specific deliverables and in accordance with respective studies.

3. The Optimization Pact

The LBs of the various funded projects will be invited to review their budgets and at the same time to participate to a technical meeting (with an established day and time) at the premises of the JS offices in Bari. The MA of the Programme may be present at the meeting.

During the meeting, the LB will be able to submit its proposal for the budget optimization,. In the case of the submission of this proposal, a joint review of the proposed budget will be carried out and:

1. It will be elaborated a timing for the advancement of the expenditure and its certification;
2. It will be jointly verified Verify jointly the milestones compiling.

If the LB does not present its own budget optimization proposal during the technical meeting, it will be proceed:

1. To optimize the project budget through a MA/JS proposal
2. To develop a timing for the expenditure advancement and related certification;
3. To jointly verify the compiling of the milestones.

In any case, project budgets will have, even after the optimization, to comply with the call requisites (minimum project budget and budget limits call)

The MA and the JS will commit to quickly complete all the procedures for the transmission of the various certificates of expenditure to the Paying Authority by guaranteeing the transmission of certificates every six months and the LB will have to commits itself to respect the art. 13.3of the REG (EU) 1299/2013.

MA and JS are also committed to supporting the various beneficiaries in implementing the activities and ensuring their presence if required, at the various project internal and public meetings.