

Draft budget and output based SCOs – experiences in Finland

Interact / SCOs in action

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Use of draft budgets

Types of projects: Some examples

- Feasibility & other studies
- Small (preparational) research projects
- Preparation of international projects / cooperation networks
- New operating models, pilots / demonstrations
- SME Internationalization study & participation in fairs

Calls for proposals by IBs:

- Decision whether lump sums are used within the call (as an option/the only option)
- Detailed criteria
- Allows trying / testing a new idea on a small scale before a wider project or standardization



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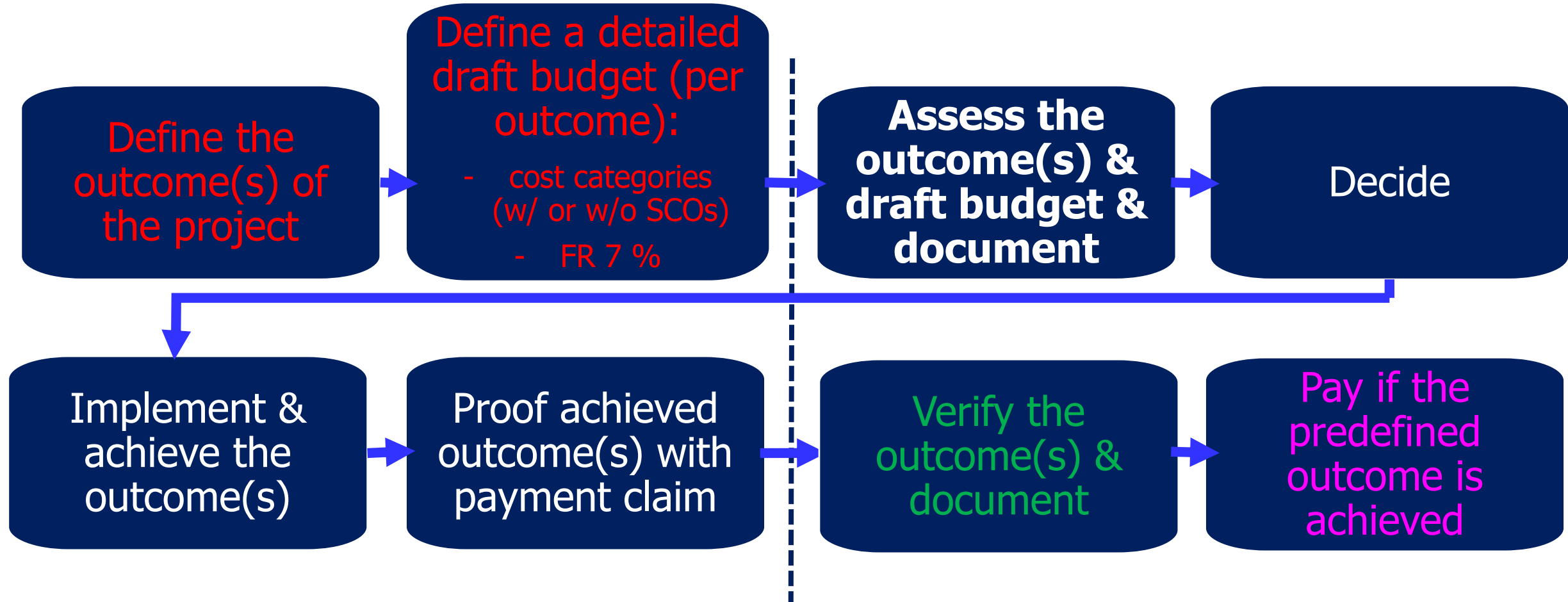
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Use of draft budgets

The Lump Sum Process with a **draft budget** in a Nutshell

Applicant / Beneficiary

MA / IB



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Preparation of a Draft budget for a Lump sum project 1/2

- Project application prepared by the applicant in the EURA 2021 system:
 - ✓ Specific data fields for **defining outcome(s)**.
 - ✓ **Detailed draft budget** with justification for "direct" costs.
 - For example, direct staff costs must be presented and calculated separately for each person working for the project.
 - ✓ Only costs that are eligible according to the National Eligibility Rules can be included.



Preparation of a Draft budget for a Lump sum project 2/2

- Depending on the type of project, other SCOs are used to facilitate the calculation of the **draft budget**, for example:
 - ✓ 1720 & unit costs for travel costs
 - ✓ off-the-shelf flat rates based on "direct" costs added automatically by EURA 2021 system*:
 - ✓ 7 % flat rate for development projects;
 - ✓ 1,5 % flat rate for investments

* Rules included in national legislation;
Revised SCO guidelines 2021/C 200/01, Chapter 4.3



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Example of a **Draft budget** summary for a Lump sum Development project

Summary of the costs	Total (€)
1. Total salary costs	50 000
2. Travel costs	2 000
3. Outsourced services	20 000
4. Other direct costs	1 000
5. Flat rate 7 %	5 110
TOTAL	78 110
6. Revenue	0
TOTAL NET COST	78 110



Assessment of the **draft budget** by the IB

- Checklist included in the EURA 2021 system:
 - ✓ Check eligibility of the costs according to national eligibility rules.
 - ✓ Check justification of the costs – to ensure value for the money & sound financial management.
 - ✓ If necessary, the IB must get additional information / make further comparisons to similar projects.
- Audit trail stored electronically in the EURA 2021 system in specified data fields.
- + Specific data fields for **defining outcome(s)** and **verifying documents** in the project financing decision.

*Flat rate 7 %
based draft
budget helpful
(+ consider a
separate call for
proposals for
lump sum
projects)!*



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Verification of the outcomes by the IB

- Check verification materials defined by the outcome
 - ✓ Content-based evidence instead of financial documentation (as opposed to regular flat rate 7 % projects with financial documentation for the "direct" costs)
 - ✓ Each outcome has its own verification materials
payments for those outcomes which show sufficient and agreed content-based evidence
 - ✓ If necessary, the IB must get additional information on the agreed evidence
- Audit trail stored electronically in the EURA 2021 system in specified data fields.



Case example (ERDF/business development aid): **Defining outcomes**

Project: Platform solution X

- Outcome 1: **Designing** the pre-production **prototype**
- Outcome 2: Design and implementation of a **modular structure** in the prototype
- Outcome 3: Commercial **feasibility study** for the product family: internationalization study and product strategy



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Case example (ERDF): Draft budget

Summary of the costs	Outcome 1	Outcome 2	Outcome 3	Total (€)
1. Total staff costs (no SCO)	<i>P1. x0 000</i> <i>P2. x0 000</i>	<i>P1. x 000</i> <i>P2. x 000</i>	<i>P1. x 000</i> <i>P2. x 000</i>	30 000
2. Travel costs (no SCO)	x 000	x 000	0	4 000
3. Outsourced services	x 000	x 000	0	18 000
4. Other direct costs	0	0	0	0
5. Flat rate 7 %	x xxx	x xxx	x xxx	3 640
TOTAL				55 640
6. Revenue				0
TOTAL NET COST	17 300	20 000	17 340	55 640

Case example (ERDF): **Verifying documents**

- Outcome 1: Designing the pre-production **prototype**
 - ✓ Planning a prototype for the base for Outcome 2
 - ✓ Report consisting of physical requirements, testing plan, data files, interfaces (to be further described)
- Outcome 2: Design and implementation of a **modular structure** in the prototype
 - ✓ Technical description defined
 - ✓ Report consisting of photos of the prototype, physical requirements, description of the interfaces, documentation of the testing plan (to be further described)
- Outcome 3: Commercial **feasibility study** for the product family: internationalization study and product strategy
 - ✓ Internatization study: SWOT-analysis; analyses of the markets and competitors in different countries involved; conclusions and further actions; strategy until year X
 - ✓ Product strategy: roadmap until launch and growth; quality; customer segments; partnerships; sales channels; resources



Case example (ESF+): **Defining outcomes**

Project: Network - career opportunities in "branch X"

- Outcome 1: **Platform** for networking and professional development in "branch X"
- Outcome 2: Focused **workshops** in events
- Outcome 3: Common **event** for professionals in "branch X"



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Case example (ESF+): Draft budget

Summary of the costs	Outcome 1	Outcome 2	Outcome 3	Total (€)
1. Total staff costs (1720)	P1. x0 000 P2. x0 000 P3. x0 000	P1. x0 000 P2. x0 000 P3. x0 000	P1. x 000 P2. x 000 P3. x 000	96 000
2. Travel costs (unit cost "100")	0	x 000	x 000	10 000
3. Outsourced services	x 000	x0 000	x 000	17 000
4. Other direct costs	0	x 000	x 000	3 000
5. Flat rate 7 %	x xxx	x xxx	x xxx	8 820
TOTAL				134 820
6. Revenue				0
TOTAL NET COST	44 120	52 150	38 550	134 820

Case example (ESF+): **Verifying documents**

- Outcome 1: **Platform** for networking and professional development in “branch X”
 - ✓ Memo on comparison and selection of the platform
 - ✓ Screen shots of the platform including x, x and x
 - ✓ Proof of payments (not euros specifically) of certain features related to the platform
 - ✓ Proof of news launching the platform and marketing materials
 - ✓ Documentation concerning the activation of the professionals (to be further clarified)

Outcome 2: Focused **workshops** in events

- ✓ 5 workshops organised: invitation, programme, participant lists, feedback, photos
 - ✓ Proof of payments of travel costs (not euros specifically) of defined number of participants
 - ✓ Proof of payments (not euros specifically) for outsourced facilitators and marketing
- Outcome 3: Common **event** for professionals in “branch X”
 - ✓ Proof of payments (not euros specifically) as above
 - ✓ Study materials used (to be further defined)
 - ✓ Publications after the event (to be further defined)



Case example (JTF): **Defining outcomes**

Project: From peat to innovation potential in Region X

- Outcome 1: **Workshops in 3 municipalities** with peat production in Region X
- Outcome 2: **Pilots** in Region X
- Outcome 3: **Feasibility study report**



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Case example (JTF): Draft budget

Summary of the costs	Outcome 1	Outcome 2	Outcome 3	Total (€)
1. Total staff costs (1720)	<i>P1. x 000</i> <i>P2. x 000</i> <i>P3. x 000</i>	<i>P1. x 000</i> <i>P2. x 000</i> <i>P3. x 000</i>	<i>P1. x 000</i> <i>P2. x 000</i> <i>P3. x 000</i>	28 000
2. Travel costs (unit cost "100")	x 000	x 000	0	5 000
3. Outsourced services	x 000	x 000	0	2 000
4. Other direct costs	0	0	0	0
5. Flat rate 7 %	xxx	xxx	x xxx	2 450
TOTAL				37 450
6. Revenue				0
TOTAL NET COST	3 000	4 500	29 950	37 450

Case example (JTF): **Verifying documents**

- Outcome 1: **Workshops** in 3 municipalities with peat production in Region X
 - ✓ Participant lists
 - ✓ Programme
 - ✓ Description of the workshops
- Outcome 2: **Pilots** in Region X
 - ✓ Description of the piloting
 - ✓ Photos
 - ✓ Participant lists
- Outcome 3: **Feasibility study report**
 - ✓ Report examining the economic potential and creative after-use of former peat production sites in Region X, including a summary of project measures, key findings, and recommendations for future actions



Case example: Verifying documents > payment

- Outcome 1:
 - ✓ Content-based evidence instead of financial documentation
 - ✓ Each outcome has its own verification materials
 - ✓ If necessary, the IB must get additional information on the agreed evidence
 - > Successfully approved > TO BE PAID
- Outcome 2:
 - ✓ Content-based evidence instead of financial documentation
 - ✓ Each outcome has its own verification materials
 - ✓ If necessary, the IB must get additional information on the agreed evidence
 - > Successfully approved > TO BE PAID
- Outcome 3:
 - ✓ Content-based evidence instead of financial documentation > no evidence
 - ✓ Each outcome has its own verification materials
 - ✓ If necessary, the IB must get additional information on the agreed evidence
 - > Not successfully approved > NOT TO BE PAID



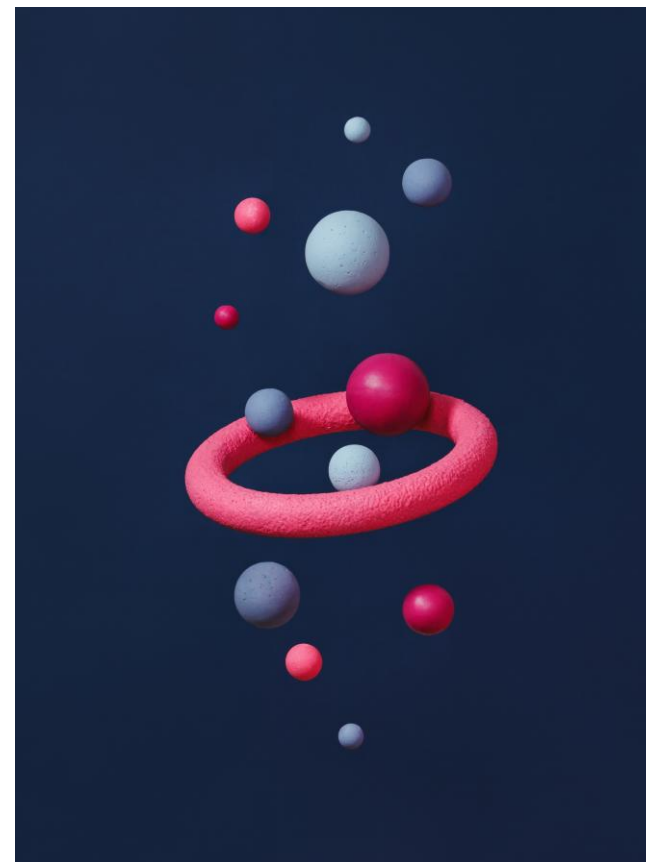
What to consider concerning **verifying documents**

- Evidence concerning described outcomes, not the inputs /costs
- The level of documentation needed: what is sufficient, what is too much? (keeping simplification in mind – it would not be meaningful to increase administrative burden in beneficiaries and in IBs)
- If too burdensome: possibility to create standardized options (“what to finance with a certain amount”) based on previous project data
- Risks and advantages concerning AI:
 - ✓ Avoid documents which can be made too easily with AI – include also requirements which AI cannot produce, like comments/approvals from other entities
 - ✓ AI can help with building up a project, defining outcomes and selecting the verifying documents to be approved – also in the IBs



Thank you!

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