

Interreg Programme Management Handbook

Guide to the 2021-2027 period

The Interreg Programme Management Handbook comprises a series of factsheets. They can be read individually, or collectively, to understand the relevance of certain aspects of Interreg management. They cover the relevance, legal basis, key challenges and approaches to the given subject.

Factsheet | Simplified Cost Options

1. What is it? What is the definition of this work?

Simplified cost options (SCOs) are amounts or percentages, defined ex ante, that represent the best possible approximation of actual (real) eligible costs incurred in practice when implementing an operation. Therefore, they are an alternative method for reimbursing the eligible costs of an operation, as opposed to the traditional, real costs' method, where costs actually incurred by the beneficiary and paid are justified by invoices or payment slips.

SCOs are one of the most effective measures developed to reduce the administrative burden for beneficiaries and programmes. They simplify the management processes and allow programmes and projects to focus on the project's outputs and results instead of having to trace every single euro of expenditure.

They also help to speed up payments to beneficiaries and allow wider beneficiary groups access to Interreg funds. Finally, SCOs contribute to a more efficient and correct use of the Interreg resulting in a lower error rate.

2. Why are we discussing it?

Since the very beginning of Interreg, projects have been implemented using the real costs approach. Projects would be reimbursed once the programme had checked that money had been spent on the planned activities. This system and volume of rules created a huge administrative burden for beneficiaries. During the previous programming period, SCOs were warmly welcomed in Interreg. The next step in the current programming period is to continue and enhance the use of SCOs.

In the current programming period, all Interreg programmes are using SCOs, very often more than one. The regulatory framework offers a broad spectrum of types and methods to select from.

There are 3 types of SCOs:

- **Flat rate** - where a cost category(ies) is calculated as a fixed percentage of one or several eligible cost categories. In Interreg a flat rate is very often used to reimburse office and administrative costs, travel costs or staff costs. Other than that, the relatively new 40% flat rate for all costs other than direct staff costs is becoming more and more popular.
- **Unit cost** - a fixed amount (price) for a delivery of a certain activity/output. In Interreg this SCO is often used for staff costs or organization of events, where the number of participants can be counted.

- **Lump sum** - a pre-established amount which is reimbursed if the terms of agreement on outputs/results (agreed upon in advance) are fulfilled (if the outputs/ results are delivered). In Interreg, a lump sum is very often used for preparatory costs, but also for small projects as an outcome of the application of a draft budget method for setting up an SCO.

Following on different methods, how SCOs can be set up, there are 5 of them:

- Directly from the regulatory framework - so called off-the-shelf options (OTS)
- A programme specific SCOs based on a fair, equitable and verifiable method
- SCOs copied from Union policies - that can be used to establish SCOs for similar types of operations
- SCOs copied from national schemes - that can be used to establish SCOs for similar types of operations
- Draft budget method

In the majority of cases, Interreg programmes apply SCOs available directly in the CPR and Interreg Regulation, but more and more often design their own, programme specific SCOs. It also happens that some programmes use SCOs from other union policies.

In the current programming period SCOs can be used at two reimbursement levels:

- reimbursement of the Union contribution by the European Commission to an Interreg programme (the 'upper level') and
- reimbursement of projects by an Interreg programme to beneficiaries (the 'lower level').

3. What are the Legal references and basis for this topic?

Under Article 53 of the CPR one can find 3 types of SCOs and 5 methods how a programme can set up SCOs for beneficiaries.

Under Article 94 of the CPR one can find 4 methods how a programme can set up SCOs to reimburse funds between a programme and the European Commission.

Articles 54-56 of the CPR and Articles 39 and 41 of the Interreg Regulation provide SCOs that can be used directly from regulatory framework, without establishing a programme specific methodology.

4. What are the challenges, key considerations and frequently asked questions?

The starting point is a design of SCOs portfolio suitable to a programme needs. It has to respond to the type of planned activities, projects, and beneficiaries. Some programmes decide for a continuation of SCOs that they were using in previous programming period, expanding their portfolio by introducing new SCOs, or replacing the ones they previously used.

Very often programmes use combinations of SCOs, seldom a single SCO. Design of a proper combination of SCOs should also be tailored to the types of projects and beneficiaries in a programme. There are three mandatory conditions to combine different SCOs. Such SCOs have to be applied to different cost categories, different projects forming a part of an operation (typical for operations funded by the European Social Fund) or successive phases of a project.

Programmes have to consider which of the 5 methods described above they will apply to set up their SCO(s). A programme can use various methods for different SCOs used in the portfolio. For example, a programme specific unit costs complemented with OTS flat rates for office and administrative costs and travel and accommodation costs. The choice of the method depends on several factors such as availability of data, capacities of Managing authorities to perform necessary calculations, and the type of projects (in case of applying an SCO from other Union policies).

Size of a project is also an important factor when discussing optional or mandatory use of SCOs. In short, for projects with a budget where the total costs do not exceed 200 000 € application of SCOs is mandatory except projects for which the support constitutes State aid. Article 53(2) of the CPR provides two other exemptions.

Similarly for small projects within a Small Project Fund (SPF) where the public contribution to final recipients implementing small projects does not exceed 100 000 €, application of SCO is also mandatory.

There is one more important thing to remember when discussing SCOs within an SPF. For small projects but also for management costs of an SPF beneficiary (manager) SCOs can be applied. Very often programmes decide to apply directly or indirectly (e.g. by using a draft budget method) OTS SCOs. Given that neither small projects nor management costs are not considered operations within the CPR, it is necessary to develop a 'bridging document'. An example of such a document can be found in the Interact small project community.

Some implementation aspects, such as project assessment and project changes, also have to be considered while applying SCOs. Some require more attention as they might differ from programme practices using real costs, while others are not that different.

Because of the nature of SCOs, the approach to audit and management verification is different. The starting point is that where SCOs are used, there is no need to trace every single euro of expenditure. Instead, checks are limited to the verification of outputs, deliverables and basis costs. Therefore, the scope of audit and management verification of the expenditures reimbursed via SCOs is totally different from real costs verification.

Audit and management verification of SCOs are focused on two elements:

- correct set up of the SCOs methodology (audit part), and
- correct application of the SCO methodology (audit and management verification).

Finally, while applying SCOs, horizontal principles have to be respected, e.g.:

- compatibility between the rules on simplified cost options and the Union and national rules on the award of public contracts (ensured by Monitoring committees),
- State aid and de minimis rules are to be considered at the stage of the methodology preparation as well as at the stage of selection of operations/implementation, depending on individual cases. (e.g. General Block Exemption Regulation (GBER) applied by many Interreg programmes allows to use SCOs),
- requirements related to the collection, storage and publishing of data, and
- eligibility period.

5. How are they addressed?

Different programmes apply different SCOs and design them in various ways. The most commonly used SCO is the OTS flat rate of up to 15% for office and administrative costs. Programmes also very often use another OTS flat rate of up to 15% for travel and accommodation costs. However, more and more programmes usually decide to design programme specific SCOs, such as lump sums for preparatory costs, workshops and seminars, and unit costs for staff costs, office equipment costs or events when the number of participants can be counted. As indicated above more and more often programmes start to use a relatively new OTS flat rate of up to 40% for all other eligible costs than direct staff costs, in particular for projects of limited financial volume (indicated in Article 24 of Interreg regulation). For such projects, setting up a project specific SCO by applying a draft budget method, has also become very popular.

By the beginning of 2025, 5 Interreg programmes have applied SCOs not only for the lower level but also for the upper level.

The full catalogue of SCOs used by Interreg programmes in the current programming period can be viewed in [the repository of programme practices](#).

Few words on some implementation practices.

Regarding the projects assessment, as in the case of projects based on real costs, programmes should select those projects that best represent the highest value for money.

The objective of the (quality) assessment is to conclude whether the programme is willing to pay a certain amount of EUR to get a certain output/result. The overarching questions of the assessment of both projects with real costs budgets and SCOs are:

- Whether or not the amount per work package (if used by the programme) is in line with the role of that partner in that particular work package;
- Whether or not the combined budget of all partners for the given work package is in line with the role/“heaviness” of that particular work package in the project’s structure to reach its objectives;

As a regular practice, Interreg programmes use the same assessment criteria/guidance when assessing the projects with real costs and/or SCOs as the focus of the assessment remains the same - assessing the value for money.

As for the project changes, there are certain aspects that need to be remembered.

For certain SCOs, like lump sums or unit costs, the scope of changes is very limited.

When flat rates are used, one cannot change the fixed percentage that was fixed in the application form. Any changes to the basis costs (reduction, increase) will lead to respective changes in the amount of the flat rate.

Hence, due to the limitations mentioned above, proper preparation of the project and project assessment are becoming even more important.

There is also the new, risk-based approach to management verifications in the current programming period. That means that programmes have to identify risk factors in the developed risk assessment methodology. SCOs are generally considered less risky than real costs, yet in the case of newly developed SCOs, a cautious start is recommended. followed by observations and data analysis of verification results. If no findings are detected, further simplifications in the verification process can be implemented.

6. How does it work in practice?

From practices shared among programmes, SCOs brought a great deal of simplification and time saving. One can find testimonials of programmes in programme's presentations available in [the Interact library](#).

Testimonials from mainstream programmes and member states can be found on [the dedicated to SCOs website](#) of the European Commission.

For those who are beginners, Interact developed a dedicated certified training in the [Interact Academy](#) that can be a good entry point to the world of SCOs.

7. Good practice examples, innovative approaches

European Commission published Guidelines on the use of SCOs. You can find them [here](#) .

Interact published a wide variety of publications dedicated to SCOs, such as: road map for those programmes that want to design programme specific SCOs, what to check and what not to check while verifying SCOs, matrix of possible combinations of OTS SCOs, dedicated publications to 40% flat rate, draft budget method, reusing SCOs from Union policies, mock-up example for the 'upper level' SCO and many others.

You can find the most recent ones on [the page dedicated to SCOs Interact website](#).

All other interesting materials, including the ones from previous SCOs dedicated event, and interesting exchanges on SCOs, you can find in the SCOs community to. Please contact us at sco@interact.eu if you want to become a member of the community.

Disclaimer: Cooperation can be complex, and while Interact's job is to make it easier, Interact cannot offer assurances on the accuracy of our pan-European information in any specific context.

Furthermore, understanding and knowledge evolves throughout the programming period. If you spot something out of date or inconsistent, please contact us at communication@interact.eu

Copyright: This product is licensed under Creative Commons, under the 'Attribution-NonCommercial-ShareAlike 4.0 International' license (CC BY-NC-SA 4.0).

You are permitted to share and adapt this work. You are required to attribute the work, indicating if changes were made. You are required to offer revised work on the same license basis. The material cannot be used for commercial purposes.

For more information about this license please visit creativecommons.org

Publisher | Interact programme
Date | 31.03.2025
Author | Grzegorz Golda
Contributors | Jasmina Lukic



Interact



Co-funded by
the European Union
Interreg