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Costing exercise for a Water management measure in the Interreg South Baltic Programme

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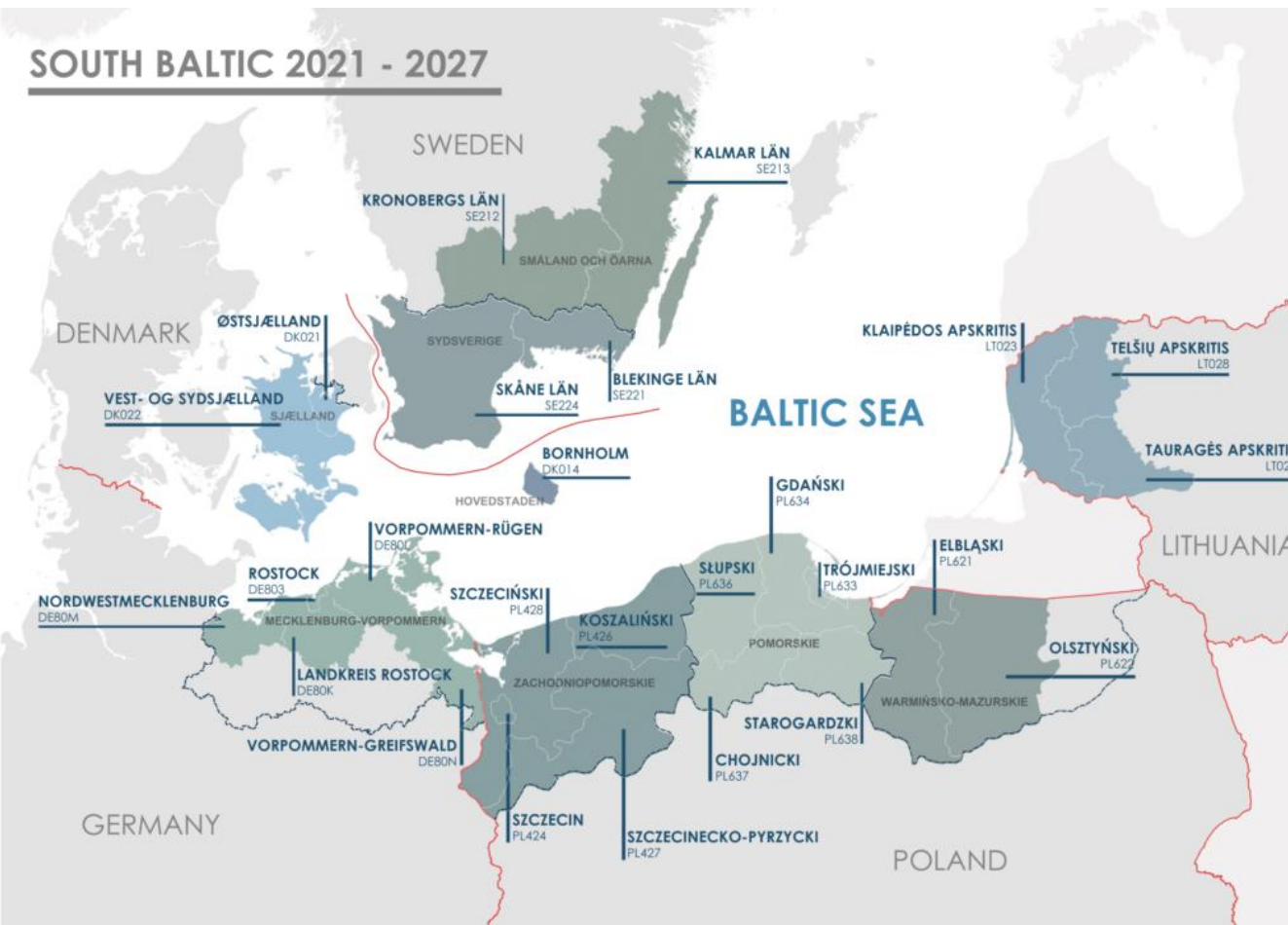


ACTIVE

Disclaimer

The content of this presentation is the outcome of internal works and ideation on how to implement P-BA in our Programme. The presented model and direction has not been officially approved by the Joint Programming Committee.

“United by the Sea into action for a blue and green future Innovative, Sustainable, Attractive and Active South Baltic”



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General part

Steps

- **Step 0:** Defining the content of the measure and output indicator.
 - In this example: Similar to what we have in 2021-2027
- **Approach A:** Similar to 2021-2027 – Assumes more bottom-up implementation:
 1. The JPC decides on the total cost of the measure
 2. The details are worked out after
 3. Possible adjustments
- **Approach B:** Reversed – Assumes more top-down implementation:
 1. The “unit” cost for the indicator is calculated
 2. The JPC decides on “what exactly the Programme wants to buy”, i.e. projects with their focus and number of indicators to be delivered
 3. The number of expected indicators is multiplied by the “unit cost”
- Most probably it will be an iterative process mixing approach A and B

Costing methodology

- Relying on historical data
 - Methodology Paper 2021-2027 – critical analysis against realisation
 - Data from implementation
 - Successfulness of calls
 - Project and Programme implementation
 - Delivery of indicators
 - Evaluations
- Possible use SCOs to define the expected budget. Some thoughts:
 - We have very limited use of SCOs and thus limited possibility to use it for costing
 - Can be a good solution if the SCO can be directly linked to the output, e.g.
 - a)** Costing the no. of hectares rehabilitated (e.g. based on benchmark) and 20% flat rate for staff costs related to it.
 - b)** Having unit cost for external expertise for a participants of events and using the indicator of “Number of participations...” + other costs to be incorporated
- Adjustments
 - Inflation
 - Based on benchmarking (on the next slide)
 - Adjustment to total costs: Based on expert opinion and intentions of the JPC, project pipeline

Benchmark

- Good benchmark
 - Similar thematic focus, activities and indicators
 - Overlapping or similar territory
 - Similar project features



- Limited possibility for our Programme
 - Probably more possible for infrastructure projects where data is available even from outside the Interreg context
- What is possible for us? – Streamlining
 - Common understanding of indicators, i.e. what is the complexity of 1 solution
 - Comparing project spending profiles
 - Common methodology, but different numbers
 - Peer reviews
 - Benchmarking in this context is something that we already do (e.g. BSR Finance network or this event), but probably not something that would go to the text in the Chapter.

A practical example

Measure 1 – Water management

- Content of the Measure:
 - Thematically rather broad: *“Actions (...) are aimed at broad support of efficient and sustainable water management, especially in the field of reducing the outlets of nutrients and hazardous substances into river-basins, and subsequently into the Baltic Sea, in order to combat eutrophication and input of hazardous substances and thus enhance the water quality.” (Interreg South Baltic 2021-2027)*
 - One intervention field to be used in the measure: 303 - Water management planning, monitoring, control and conservation
 - Or IF 142
 - Interreg indicators to be used: Solutions or Pilot actions
- To have projects with similar characteristics than before:
 - 3 years duration
 - 6-10 project partners
 - Mainly soft activities but equipment and infrastructure is possible
 - Testing character

Plausibility of implementation based on 2021-2027

	Water management - budget = 15,25% of the total Programme budget		Circular economy = 11,25% of the total Programme budget		Cooperation capacity = 10,00% of the total Programme budget	
	Submitted	Approved	Submitted	Approved	Submitted	Approved
1 st call	4	1	9	4	2	0
2 nd call	5	4	3	3	3	2
3 rd Call	0	0	Not open		0	0
4 th Call	3	2	Not open		6	1
5 th Call	3	1	2	1*	1	1
6 th Call	Not open		Not open		Call open, funding for 1 project	

Take away: The interest and the realisation was in line with the available resources. (Of course, this is a general statement since the available funding define the interest to a large extent.) -> Similar total budget of the Measure seems a plausible option.

* With additional allocation.

Review of the Methodology paper 2021-2027

	Methodology paper	Contracted
Total ERDF in the SO (excluding TA) for Water management	13,807,364.00	13,647,846.01
Number of projects	11	8
Average budget of a project (Co-financing)	1,287,937.93 EUR	1,705,980.75 EUR*
Number of solutions in the SO**	29	22***
"Price" of one solution (Co-financing)	476,116.00 EUR	620,356.64 EUR
Average no. solutions in projects	2.64	2.75

Take away: Except the average project budget, the expected delivery is in line with the assumptions in the Methodology paper.

* Contracted amount, to be changed to real spending once the data is available. Expected spending >95%

** In the historical SO we also had pilot actions as indicators, but costs cannot be separated (i.e. costs spent on pilots also contribute to the delivery of the solution). Therefore, the total budget of the SO contributes to the delivery of solutions.

*** Number of contracted solutions, achieved value to be known upon the closure of the projects.

Costing the Water management measure

Option A: Assumes more bottom-up implementation:

Total cost of the Measure = 14,000,000.00 EUR

Option B: Assumes more top-down implementation:

The number of projects, their focus and the features of solutions are decided during programming. E.g. in Water management Measure needs:

- 1 project which delivers 5 solutions
- 3 projects with 3 solutions each
- 5 projects with 1 solution each

Total = 17 solutions

"Price" of 1 solution in 2021-2027 = 620,356.64 EUR

"Price" of 1 solution in 2028-2034 = 713,000.00 EUR

Total no. of solutions in the measure = $14,000,000.00 / 713,000.00 = 19$ (rounded down)

Total cost of the measure = $17 * 713,000.00 = 12,121,000.00$ EUR

The number of projects, their focus and the detailed features of solutions are known only during Programme implementation.

Can complicate the target setting and defining pay-out values in case of more calls, i.e. we need to know what project is expected in which call.

Adjustments

▲ Inflation!

- ▲ Average cost of a solution in 2021-2027: 620,356.64 EUR
- ▲ Expected cost of a solution in 2028-2035: 713,000.00 EUR (or more)

▲ Excluding VAT

▲ Adjusting the total cost of the measure based on expectations

- ▲ Importance of the topic
- ▲ To meet the coefficients

▲ Adjusting the cost of solutions

- ▲ Benchmarks
- ▲ Sub-categories*, e.g.:
 - a)** Solution that requires testing infrastructure/equipment -> higher price
 - b)** Solution that is developed and tested through soft activities -> lower price

* It is probably better to develop separate the measures when the difference is significant.

To consider

- Is it detailed enough? If not, what are the possibilities to justify the underlying costs better?
 - E.g. to look more into the detailed budget of projects including SCOs
- Considering the rather unique nature of our Programmes and projects, what further data is available?
- How to balance between costing and higher-level decisions in the JPC?
 - Previously the allocation to Specific Objectives and Priorities indicated the ambition of our Programme (and coefficients) without additional justification and the methodology paper was prepared after, when we knew the allocation to the SOs.
- Coefficients monitored in the Plan or in the Chapter?
 - If the first, how and when do we know what our Programme must deliver?
- How to handle new topics where historical data is not available? Probably our Programme will address security and preparedness, and we have very limited experience with it
 - E.g. keep it simple and do the costing based on the project types and a simple indicator (e.g. Organisations cooperating...) without paying too much attention to the topic itself?



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Thank you!

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