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An exemplary approach to plan the pay-out values for Interreg South Baltic

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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.

The EC guidance

- ▶ Step 1: Establish the union contribution available for pay-out values under the Plan
 - ▶ Connected to costing
- ▶ Step 2: Determine the pay-out value of each reform
 - ▶ No reforms in this example
- ▶ Step 3: Identifying financing for pay-out values of reforms
 - ▶ No reforms in this example
- ▶ Step 4: Distribute the pay-out values across the milestones and targets of each measures
 - ▶ This is what really the presentation will focus on

Steps

- Planning the Programme delivery (Step 1)
 - Number of Measures, their content and costing
 - Calculating N+1 spending targets on the Programme level
- Planning the implementation of the measures (Step 4 “a”)
 - Number and timing of calls
 - Project features, i.a. duration
 - Content and delivery time of milestones/targets
- Pay-out values in measures (Step 4 “b”)
 - Defining the pay-out values
 - Cross-check with budget needs of projects
 - Programme cash-flow
 - Risk mitigation measures

1. Planning the Programme delivery - content

- Measures in the Programme
 - 1 for small-scale projects
 - 7 for regular projects
 - Costing – discussed yesterday
 - High level of continuity from 2021-2027 regarding the thematic focus of the Programme
- Implementation
 - The measures run parallel to each other
 - Timing of calls and implementation of projects are synchronised between measures
 - Measures run during the entire duration of the Programme

1. Planning the Programme delivery – N+1

- ▀ **Total budget:** 120,000,000 EUR
- ▀ **Co-financing:** 96,000,000 EUR
- ▀ **Co-financing for TA:** 7,111,111 EUR
- ▀ **Co-financing for measures:** 88,888,889 EUR

	2028	2029	2030	2031	2032	2033	2034	2035
Allocation %	0%	17%	17%	18%	18%	15%	15%	0%
Programme annual budget		16,320,000	16,320,000	17,280,000	17,280,000	14,400,000	14,400,000	
Programme budget cumulatively		16,320,000	32,640,000	49,920,000	67,200,000	81,600,000	96,000,000	
Pre-financing		3,840,000	3,840,000	3,840,000				
Annual decommitment target			8,640,000	12,480,000	17,280,000	17,280,000	14,400,000	25,920,000
Annual decommitment target cumulatively	0	0	8,640,000	21,120,000	38,400,000	55,680,000	70,080,000	96,000,000

2. Planning the implementation of the measures – features of projects

- Features of regular projects
 - 3 years
 - Mainly soft activities
 - Equipment and infrastructure is possible if they contribute to piloting
 - Focus on piloting and developing solutions
 - Output indicator: Jointly developed solutions
 - **Delivered in the end of the project**
- Moving towards top-down approach – We should know what we will get and when
 - The thematic content of the measure is defined
 - The Programme prescribes obligatory milestones for the projects
 - This will lead to a general framework created by the Programme
 - Level of unification is still a question
 - Number of solutions should be pre-scribed

2. Planning the implementation of the measures

Number and timing of calls – Experience from 2021-2027

Time: Call start – Project selection	Regular	Committed Funds	% of the total Programme budget	Small-scale projects	Committed funds
Q4 2022 – Q2 2023	1 st call	17,856,054.56	21%		
Q4 2023 – Q2 2024	2 nd call	36,751,368.65	43%		
Q1 2024 – Q2 2024				1 st call	757,872.80
Q2 2024 – Q4 2024	3 rd call	3,698,436.80	4%		
Q4 2024 – Q2 2025	4 th call	14,770,658.80	17%	2 nd call	479,223.00
Q3 2025 – Q1 2026	5 th call	10,835,447.06	13%	3 rd call	160,000.00
Q3 2026 – Q4 2026		2,040,972.41			320,000.00
Ongoing	6 th call	(allocation of the call)	2%	5 th call	(allocation of the call)

2. Planning the implementation of the measures

Expected calls in 2028-2034

Timing: call opening-project selection	Regular calls in all relevant measures			Calls in small-scale projects measure		
	Delivery of milestones/targets		Call allocation (% of total funds) - share of individual measures to be defined	Delivery of milestones/targets		Call allocation (% of total funds)
1 st Call Q4 2028 – Q2 2029	M1 M2 M3 M4 M5 T	Q4 2028 Q2 2029 Q4 2029 Q4 2030 Q4 2031 Q4 2032	20%	M1 M2 M3 T	Q4 2028 Q2 2029 Q4 2029 Q1 2031	0.9%
2 nd Call Q4 2029 – Q2 2030	M1 M2 M3 M4 M5 T	Q4 2029 Q2 2030 Q4 2030 Q4 2031 Q4 2032 Q4 2033	45%	M1 M2 M3 T	Q4 2029 Q2 2030 Q4 2030 Q1 2032	0.9%
3 rd Call Q4 2030 – Q2 2031	M1 M2 M3 M4 M5 T	Q4 2030 Q2 2031 Q4 2031 Q4 2032 Q4 2033 Q4 2034	32.3%	M1 M2 M3 T	Q4 2029 Q2 2030 Q4 2030 Q1 2032	0.9%

Pay-out values in measures (Step 4 “b”)

- Exemplary call for regular projects
 - Total allocation of the 1st calls for regular projects (running parallel in all measures): 17,777,778.00 EUR
 - Total allocation of Measure 1 in the call: 3,555,555.56 EUR (exemplary number) – probably 2 projects

1 st Call	Delivery Q	% of the M/T	Total pay-out value in the calls	Total pay out value in Measure 1
M1 Call opening - process	Q4 2028	5%	888,888.89	177,777.78
M2 Project selection - process	Q2 2029	5%	888,888.89	177,777.78
M3 Projects contracted - process	Q4 2029	10%	1,777,777.78	355,555.56
M4 - Content	Q4 2030	20%	3,555,555.56	711,111.11
M5 - Content	Q4 2031	20%	3,555,555.56	711,111.11
T Projects deliver target	Q4 2032	40%	7,111,111.11	1,422,222.22

Pay-out values in measures (Step 4 “b”)

- ▴ Programme cash-flow and N+1
- ▴ Latest planned M/T delivery: Q4 2034

	2028	2029	2030	2031	2032	2033	2034	2035
Annual decommitment target			8,640,000	12,480,000	17,280,000	17,280,000	14,400,000	25,920,000
Annual decommitment target cumulatively			8,640,000	21,120,000	38,400,000	55,680,000	70,080,000	96,000,000
Sum of pay-out values in measures	928,889	4,906,667	11,231,111	16,622,222	21,413,333	22,302,222	11,484,444	
TA	74,311	392,533	898,489	1,329,778	1,713,067	1,784,178	918,756	
Total yearly budget	1,003,200	5,299,200	12,129,600	17,952,000	23,126,400	24,086,400	12,403,200	
Cumulative yearly spending (including TA)	1,003,200	6,302,400	18,432,000	36,384,000	59,510,400	83,596,800	96,000,000	

Pay-out values in measures (Step 4 “b”)

How does it work for projects?

Time	% of budget claimed 2021-2027	Cumulatively claimed in 2021-2027	Project Milestones /Target	Pay-out value %	Pay-out value % cumulatively
Month 6	6%	6.00%	PM1 – Contract signed	20%	20%
Month 12	16%	22.00%	PM2 - Content	20%	40%
Month 18	15.5%	37.50%			
Month 24	17.5%	55.00%	PM3 - Content	20%	60%
Month 30	15%	70.00%			
Month 36	30%	100.00%	PT	40%	100%

Pay-out values in measures (Step 4 “b”) - risk mitigation

- ▶ Dividing milestones, e.g.
 - ▶ M1: Projects from the 1st call contracted
- ▶ M1a: 50% of projects from the 1st call contracted
- ▶ M1b: 100% of projects from the 1st call contracted
- ▶ Build in buffers to the delivery time of milestones/targets
 - ▶ Level 1: Plan the realistically expected delivery time and plan it in the chapter 1 or 2 Q later
 - ▶ Level 2: Plan the yearly pay-out values in a way that N+1 is secured even if you miss the delivery of one or more M/T, especially Q4 delivery is risky
- ▶ Some risks can be addressed only during implementation of the Programme, E.g.:
 - ▶ Aiming at “over-contracting” the target value of indicators in projects - possible especially with high target value indicators (e.g. no. of participations)
 - ▶ Is it worth to sign the contract (with delays) with a project that demonstrates very low capacity and dedication during contracting?
 - ▶ Attitude towards project prolongations needs to change in our case



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Thank you!

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