

EEA and Norway Grants Financial Mechanism 2021-2028

Legal and Finance training

Athens, Greece
23 April 2026



Simplified cost options (SCOs) in EEA and Norway Grants 2021-2028

Finance & Legal training for Greece

23 April 2026

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Agenda



Presentations will be shared
Ask questions :)



Check-in

- 1. How well do I understand what SCOs are? (1 – not much; 2 – average; 3 – more than average)**
- 2. How optimistic I am about SCOs? (1 – skeptical; 2 – average; 3 – great optimist)**



Departure points

SCOs are not a goal per se

Other solutions/ simplifications depending on your objectives

Start-up costs

Ex-ante vs ex-post; change of mindset

Simplified life of end-users

Once established ...

Cost-based vs performance-based

Starting point is existing or assumed costs



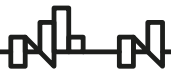
Definition

Eligible costs are **calculated** according to a pre-defined method based on outputs, results or other costs.

The tracing of every euro of co-financed expenditure to individual supporting documents is no longer required.

SCOs are an approximation of costs (*contrary to actual “real” costs*).

The method to calculate SCOs is defined in advance and is based on activities, outputs, results (i.e., lump sum, unit cost), or as a fixed percentage of some other costs (i.e., flat rate).



Vocabulary

Amounts or %

- Absolute numbers or percentages of other values.

Calculated

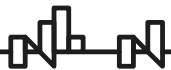
- Only eligible costs for reimbursement.

Best possible approximation

- Averages, approximating real costs.
- "Perfect" approximation does not exist – over-/ under-compensation

Defined ex-ante

- Determined before activities are implemented.
- Clearly defined what will be financed and how – in advance.



Why use SCOs?

**Reduce admin
burden**

**Wider target
group**

**Reduce beneficiaries'
financial management costs**

**Speed up
payments**

Reduce errors

**Reduce resources and
admin for programmes**

**Simplify
verifications and
audit**

**Greater focus on
results**

...



Types of SCOs

FLAT RATE

*Fixed percentage,
15% for indirect
costs*

UNIT COST

Easily quantifiable
units, hourly rate

LUMP SUM

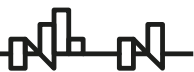
Fixed amount,
organisation of
event



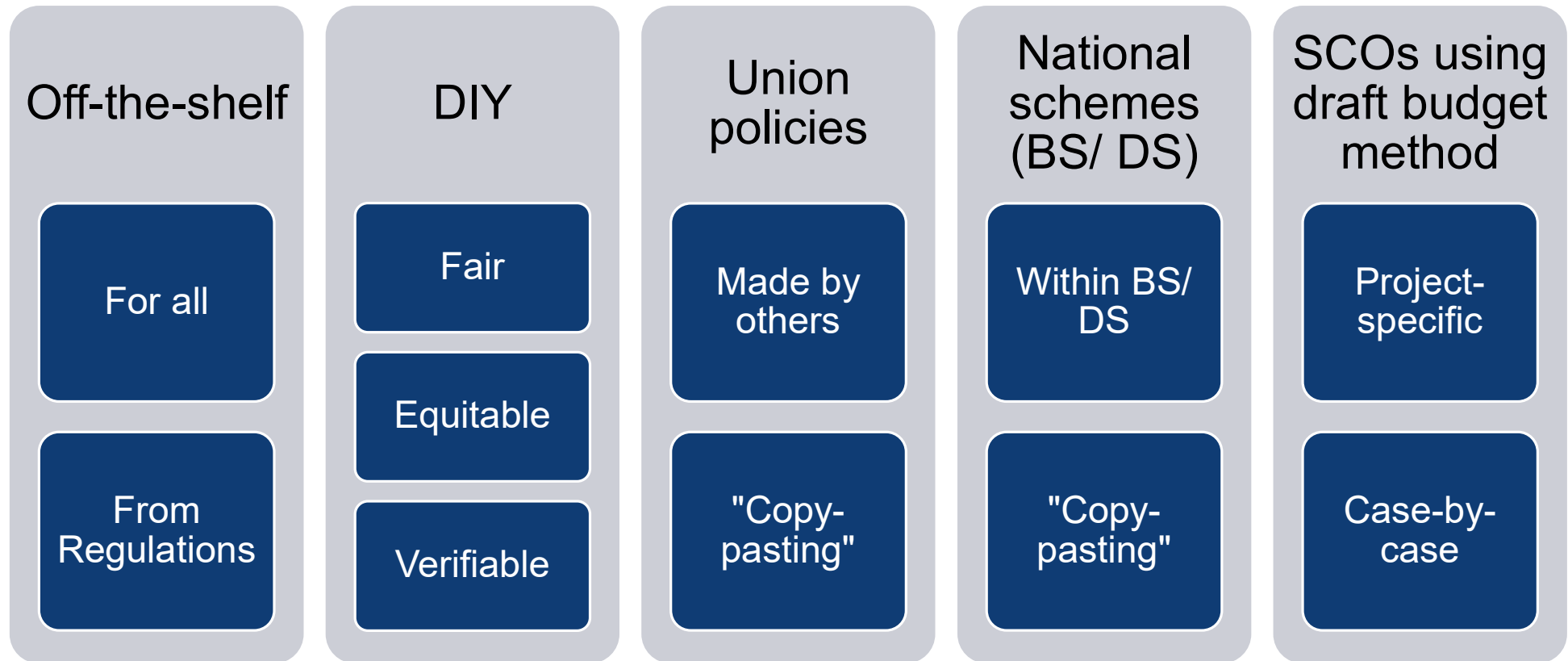
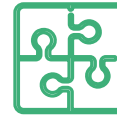
The paradox of choice



	Flat rates	Unit costs	Lump sums
Pros	Usually perceived as easier/ less burdensome to design and easy to use	Commonly used by all (even without knowing) Less risky than a lump sum (linked to number) Full simplification potential	All costs/ part of the project covered Focus on outcomes
Cons	Linked to other (“basis”) cost(s) Cannot be used alone, but reduces admin burden	Methodology is to be designed (in most cases)	Methodology is to be designed Binary approach, risky



Where do SCOs come from?



SCOs in structural funds (ERDF/ CF/ JTF)

		2014-2020	2021-2027
		SCOs	SCOs + FNLC
Coverage at lower level	Total budget	6.7%	11.5%
	Total budget excluding financial instruments	7.7%	12.2%
Coverage at upper level	Total budget	-	4.2%
	Total budget excluding financial instruments	-	4.5%

Flat rates	Unit costs	Lump sums
3.6%	2.5%	0.5%
4.1%	6.6%	0.8%
Budget covered at EU level		

Type of cost	% of SCOs
Indirect costs	38%
Direct costs	24%
All costs of the operation	16%
All eligible costs other than staff costs	10%
Only direct staff costs	6%
Travel/accommodation	5%
Preparation costs	1%



SCOs in structural funds (ERDF/ CF/ JTF) – 2021-27

Specific Objective	% of SCOs
SO 1.1: Enhancing research and innovation	52%
SO 1.2: Reaping the benefits of digitisation	23%
SO 1.3: Growth and competitiveness of SMEs	30%
SO 1.4: Skills for smart specialisation and transition	17%
SO 1.5: Digital connectivity	4%
SO 2.1: Energy efficiency	25%
SO 2.2: Renewable energy	21%
SO 2.3: Smart energy systems	14%
SO 2.4: Climate change adaptation	31%
SO 2.5: Sustainable water	7%
SO 2.6: Circular economy	27%
SO 2.7: Nature protection and biodiversity	25%
SO 2.8: Sustainable urban mobility	8%
SO 3.1: Sustainable TEN-T	6%
SO 3.2: Sustainable transport	10%
SO 4.1: Labour market infrastructure	7%
SO 4.2: Education and training infrastructure	15%
SO 4.3: Integration of marginalised communities	5%
SO 4.4: Integration of third country nationals	2%
SO 4.5: Access to health care	13%
SO 4.6: Culture and sustainable tourism	24%
SO 5.1: Integrated development in urban areas	9%
SO 5.2: Integrated development in rural and coastal areas	7%
Technical assistance	10%

Type of beneficiary	% of SCOs
SMEs	55%
Municipalities/ Local authorities	52%
Research centres/ Universities	51%
Regional authorities	47%
NGOs/Associations	46%
Micro-enterprises	44%
National authorities	42%
Chamber of commerce	35 %
Large enterprises	31%
Health institutions	30%
Households	10%



SCOs in structural funds

- Travel cost – rate per participant based on the distance travelled (Erasmus +)

Travel Distances	Amount
Between 10 – 99 km	20 EUR/ participant
Between 100 – 499 km	180 EUR / participant
Between 500 – 1999 km	275 EUR / participant
Between 2000 – 2999 km	360 EUR / participant
Between 3000 – 3999 km	530 EUR / participant
Between 4000 – 7999 km	820 EUR / participant
8000 km +	1500 EUR / participant

- Hourly rate for staff based on the function performed in the project (unit cost)

Management	EUR 68/h	EUR 9.350/ m
Academic	EUR 51/h	EUR 8.350/ m
Operative staff	EUR 36/h	EUR 7.860/ m
Admin	EUR 28/h	EUR 5.120/ m

- Lump sum for event organisation

EUR 17.000 **1 day/ min 50 participants**
 - **Planning, logistics, fee for speakers, rental, venue, equipment, catering, follow-up, printing**

- Flat rate 5% of personnel costs for project management equipment





In pairs (10 mins):

- think of **activities/ costs** in your programme areas/ projects that are repetitive/ difficult to administer/ prone to errors
- discuss whether these could be addressed with **SCOs** and if yes, **which ones?**



SCOs in FMs 21-28

What have we got?



Methods to establish SCOs in FMs 21-28



Off-the-shelf

Flat rates,
unit costs

DIY

Any type of
SCOs,
any cost
category

Union
policies

Anything in
place,
for similar
types of
projects

National
schemes
(BS/ DS)

Within BS/
DS,
for similar
types of
projects

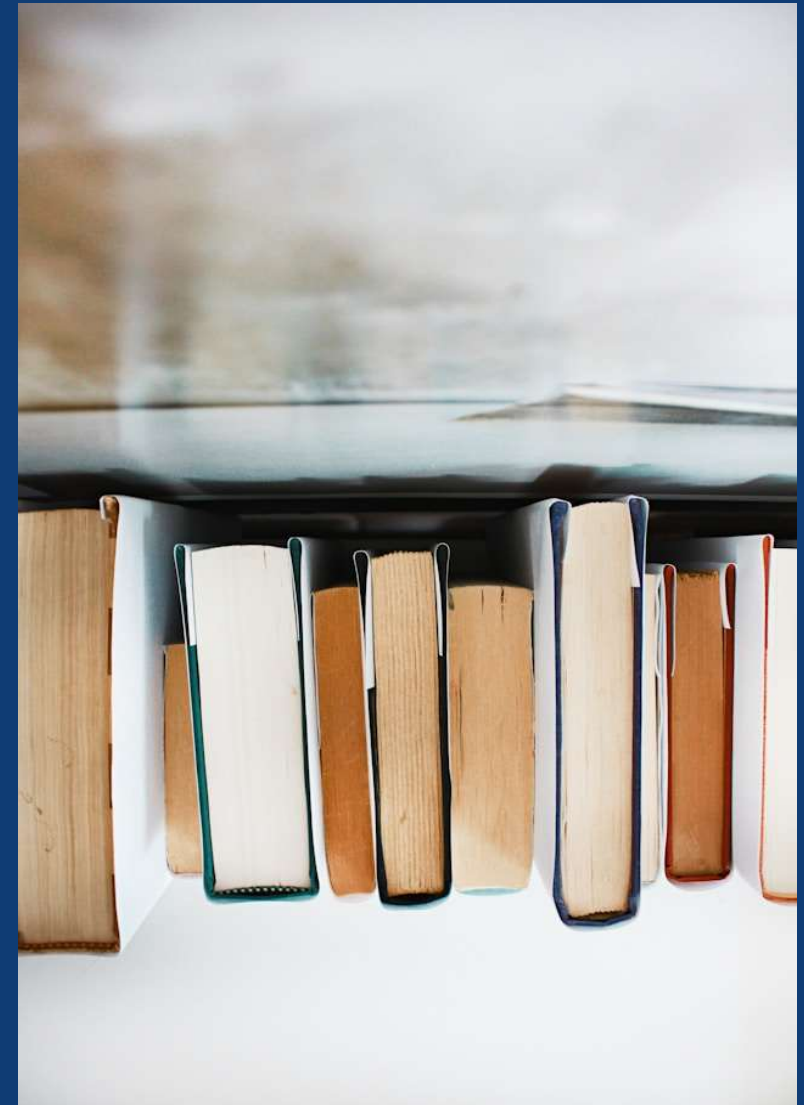
SCOs using
draft budget
method

For
projects
with total
costs
EUR \leq
200,000



OFF-THE-SHELF SCOs

Article
8.3.2,
point (a)



Focus on flat rates

A flat rate is a method of financing where a cost category(ies) is calculated as a fixed percentage of one or several eligible cost categories.

3 types of costs:

- Flat rate
- Basis costs
- *(Other costs)*

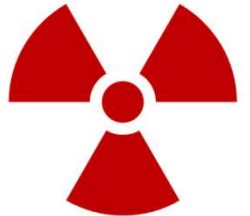
Principles:

- clear definition and distinction between cost categories
 - which costs are covered by flat rate, which costs fall under basis for flat rate calculations, and which do not
 - **avoid double financing of costs**



Focus on flat rates - risks

- Everything is linked!
 - Lower spending in basis costs - lower spending in flat rate - total project budget not absorbed
 - Higher spending in basis costs - higher spending in flat rate - total project budget absorbed quicker
 - **Mistake(s) in basis costs - flat rate reduction**
- Choosing the right flat rate for the right type of project, e.g., is 20% for staff costs sufficient?



STAFF COSTS

1

- up to 20% of the eligible direct costs other than staff (if no public procurements above EU-thresholds)



Project budget		
Staff costs	= (5k + 10k) * 20% = 3,000	<i>Calculated as a flat rate of 20%</i>
Indirect costs	1,000	
Equipment	5,000	
Contracts	10,000	
Total	19,000	



STAFF COSTS

1

- up to 20% of the eligible direct costs other than staff (if no public procurements above EU-threshold)

	Project budget		
Flat rate	Staff costs	= (5k + 10k) * 20% = 3,000	<i>Calculated as a flat rate of 20%</i>
Other costs	Indirect costs	1,000	
Basis costs	Equipment	5,000	
	Contracts	10,000	
	Total	19,000	



Indirect costs – flat rates

3

- up to 7% of eligible direct costs
- up to 15% of eligible direct staff costs
- up to 25% of eligible direct costs (methodology is required^{***})

Project budget		Up to 7% direct	Up to 15% staff	Up to 25% direct
Staff costs	3,000			
Indirect costs		= (3k+5k+10k)* 7% 1,260	= 3k * 15% 450	= (3k+5k+10k) * 25% *** 4,500
Equipment	5,000			
Contracts	10,000			
Total	19,000	19,260	18,450	22,500



Focus on unit costs

Used for (easily) identifiable quantities of specific activities/ outputs/ results when a scale of unit costs for those quantities is available.

- Used when it is possible to:
 1. define quantities related to an activity
 2. identify a unit cost
- Can be used for entire project or for individual activities (part of the project)

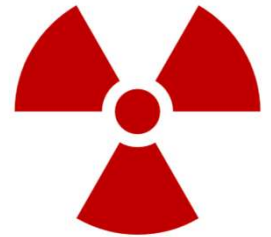
Principles:

- clear definition and distinction between cost categories
 - which costs are covered by the unit cost, and which are not
 - **avoid double financing of costs**



Focus on unit costs - risks

- If not staff costs:
 - Underspending/ overspending of project budget
 - Significant over- or undercompensation (too low, too high)
 - Systemic error if mistake in methodology
- Evidence for unit costs not provided, expenditure is lost



STAFF COSTS

2

- Hourly rate

1. Hourly Rate =

Latest documented annual gross employment costs

1,720

2. Hourly Rate =

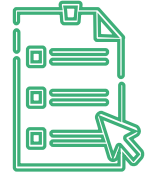
Latest documented monthly gross employment costs

Average monthly working time

Project budget		
Staff costs	3,000	= No of hours * Hourly rate
Indirect costs	1,000	
Equipment	5,000	
Contracts	10,000	
Total	19,000	



STAFF COSTS



1720 hours method:

Denominator – 1720 hours (standard):

- standard annual “working time” (av weekly working hours * 52 weeks deducted by annual paid leave and average annual public holidays) = 1 FTE
- 1 FTE – X number of hours per week (40, 37.5 ...)
- full-time (1720 hours) and part-time (pro-rata of 1720h; 50% - 860 hours)

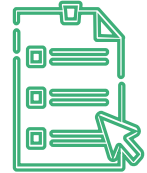
Staff costs = No of hours* * Hourly rate

Only productive (working) hours (no holidays, sick leaves, etc.). aaaaaand

Timesheets ...



STAFF COSTS



1720 hours method:

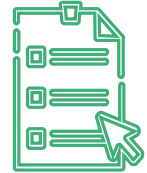
Numerator – **annual gross employment cost** (to be justified):

- Acc to national rules (e.g., incl. bonuses, health insurance, other employer's contributions, allowances);
- **Latest annual** – 12-month period preceding the end of the reporting period (of the project/ programme), 12 months before the contract is signed; 12 months of the previous calendar year (employment document, extrapolation, similar function/ grade (newcomers)); **extrapolation!**
- **Documented** – accounts, payroll reports, publicly available agreements or documents (auditable!)

Number of reported hours per employee cannot exceed the number used in the denominator (1720 hours or pro-rata per project per year)! For part-time – capped at max per employee for 12 months



STAFF COSTS



Monthly gross employment costs

Denominator – *average monthly working time:*

- In accordance with applicable national rules referred to in the employment document;

Numerator – *monthly gross employment costs:*

- In accordance with applicable national rules.



STAFF COSTS – Hourly rates

Single hourly rate for all staff

Differentiated – “functional groups”

Only productive hours

Timesheets
(ceilings for full-time)

Establishment of the hourly rate

Adjustment of the hourly rate

Staff costs =
Hourly rate * No
of hours worked

Functional groups	Hourly rate	Monthly rate
Directors	68	9350
Managers	51	7012
Professionals	36	4950
Assistants	28	3850

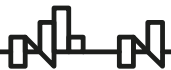


Other remaining costs of a project

3

- up to 40% of eligible direct staff costs

	Project budget	Up to 7%
	Staff costs	3,000
Other remaining costs of a project	<i>Indirect costs</i>	
	<i>Equipment</i>	= 3k * 40% = 1,200
	<i>Contracts</i>	
	Total	4,200



Off-the-shelf SCOs - Summary

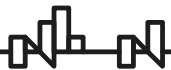
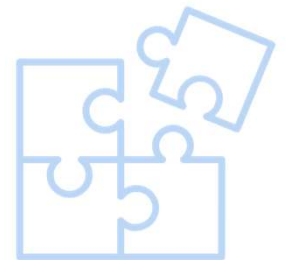
- Up to X% for flat rates – PO can decide to use any % but with the threshold of indicated % (no justification needed)
- Ready-made & easiest/ fastest to use – no need to develop the methodology (*unless ****)
- Simplified audit – focus on application only
- Limited flexibility



Off-the-shelf SCOs

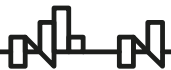
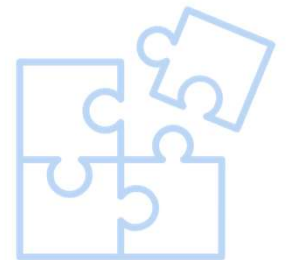
- Flat rates (5)
 - 3 flat rates for indirect costs (15% on top of staff; 7% on top of direct costs other than staff; 25% on top of direct costs other than staff)
 - 1 flat rate for staff costs (20% on top other direct costs)
 - 1 flat rate for all remaining costs of the project (40% on top of staff)
- Unit costs
 - 2 hourly rates (1720 hours method and monthly rate)

Up to!



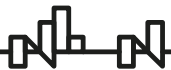
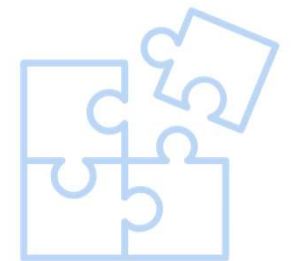
Off-the-shelf SCOs Combinations

- Yes
 - Hourly rate (off-the-shelf) + 15% on staff costs for indirect costs (off-the-shelf) + 5% on staff costs for travel costs (DIY)
 - Hourly rate (off-the-shelf) + 40% on staff costs for all other costs (off-the-shelf)
 - real direct costs (without costs covered by participants unit cost) + participants unit cost (DIY) + 10% for staff costs on all other direct costs (off-the-shelf/DIY)
- No
 - Hourly rate (off-the-shelf) + participants unit cost (DIY) + 40% on staff costs for all other costs (off-the-shelf) – against regulation



Off-the-shelf SCOs Combinations Matrix

Combinations	Up to 7% indirect costs	Up to 15% indirect costs	Hourly rate staff costs	Up to 40% all other costs
Up to 7% indirect costs		N	Y	N
Up to 15% indirect costs	N		Y	N
Hourly rate staff costs	Y	Y		Y
Up to 40% all other costs	N	N	Y	

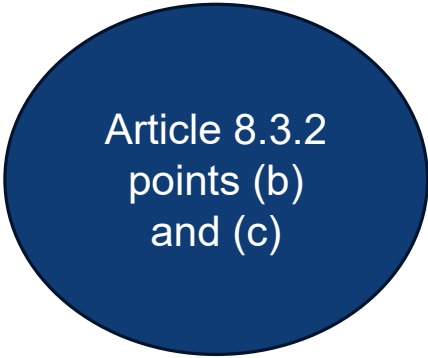


SCOs from EU policies/ national schemes

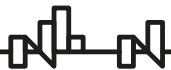


Points of attention

- for similar types of projects – PO/ FO to justify "similarity" (not identical, but similar);
- copy-paste of full methodology, no adaptation (in/ out of the box, in-built rules); scheme in place;
- allowances/ national thresholds are not national schemes!
- Schemes for grants entirely funded by the BS/ DS.



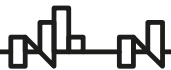
Article 8.3.2
points (b)
and (c)



Examples

- **Erasmus+:** lump sums and unit costs (e.g., rates for travel distance, linguistic support, preparatory visits, course fees, organisation of the intensive programmes);
- **Citizens, Equality, Rights and Values (CERV) programme:** lump sums per participant in in-situ and physical events as defined in the EC decision authorising the use of lump sums for actions under the CERV programme (2021-2027);
- **Horizon Europe:** 3 types of SCOs can be found in Horizon Europe (flat rate, unit costs, lump sums) set out in the Commission decisions; e.g., unit costs for salaries of SME owners, unit costs for staff mobility, lump sums and unit costs for Marie Skłodowska-Curie actions;
- **European Solidarity Corps:** the decision authorising the use of lump sums, unit costs (e.g., travel costs, organisational support, project management support, staff costs, linguistic support, coaching costs) and flat-rate financing for volunteering, traineeships, jobs and Solidarity Projects.

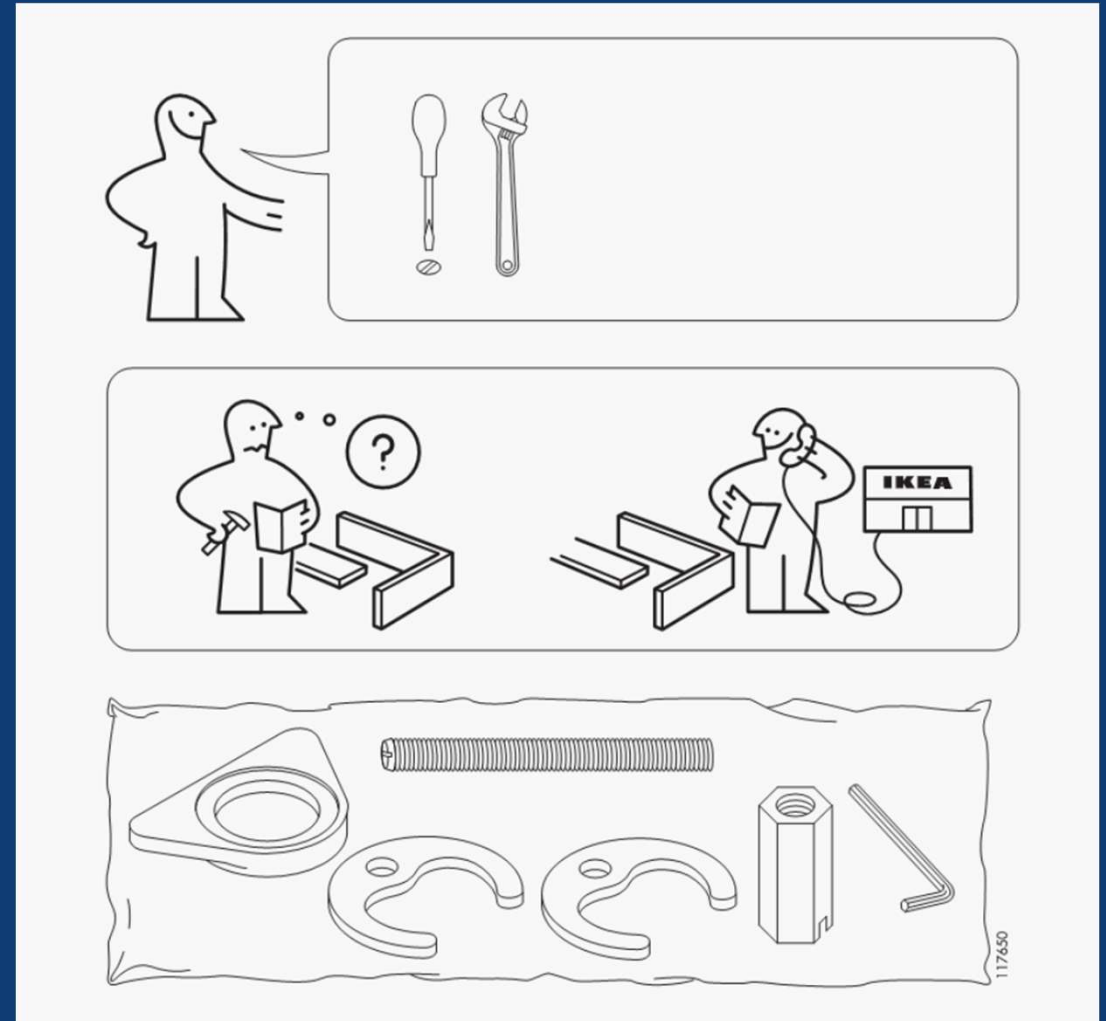
[Database of SCOs for grants in place in all MS
\(mapping\)](#)



Programme-specific SCOs

Design your own SCOs

Article
8.3.2,
point (e)



Departure points

- Programme-specific
- Top-down approach – PO/ FO
- Rules on HOW are defined in the Regulations (point (e))
- Complex and time-consuming (input/output)



WHY

- IF off-the-shelf and other SCOs do not fit the programme needs (Don't they? Really?)
- You have historical (other) data and conclude that SCO is the best simplification
- You have time/ resources
- Beneficiaries want it!



FEV method

FAIR – reasonable,
based on reality

EQUITABLE – equal
treatment

VERIFIABLE –
documentary evidence

Sources of data

Statistical data

Other objective
information

Expert judgement

Usual accounting
practices of
individual
beneficiaries

Verified historical
data of individual
beneficiaries



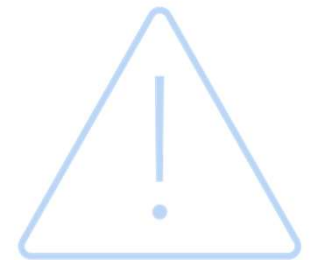
FEV method

Data sources	Further details
Statistical data	Objective and verifiable data from documented sources; can also mean historic and/or verified data from projects at programme level. <ul style="list-style-type: none">• Survey, market research, draft budgets, statistical sources – national statistical offices, Eurostat, Espon.
Other objective information	
Expert judgement	A process of evaluation, performed by carefully selected group of persons that are experts in particular subject or activity. The compatibility of expert opinions must be evaluated in order to ensure the reliability and objectivity of research results. The opinion of 1 expert might be questioned as expert judgement. Criteria of expert judgement; proper documentation.
Verified historic data of project partners	Based on past accounting data (requires acceptable analytical accounting system). Data has to cover at least 3 years; data requires certification, reference amount to be applied (average costs over the reference period).
Usual accounting practices of project partners	Based on data from day-to-day accounting practices (independent from EU funds) in compliance with national accounting rules (requires acceptable analytical accounting system); no minimum requirement for time span of data.



Programme-specific SCOs

- Where the FEV method is used by the PO to establish an SCO, the AA will have to verify the correct establishment of the methodology ex-ante:
 - *statistical data, other objective information or an expert judgement;*
 - *the verified historical data of individual beneficiaries;*
 - *the application of the usual cost accounting practices of individual beneficiaries.*



Programme-specific SCOs – Keep your objective in focus

- **Designing** programme specific SCOs requires resources, but there should be limits:
 - **Cost-benefit?** How much to invest if e.g. solid data is not available (external consultant, survey among beneficiaries)? How long to work/ amend, justify something?
 - **Is it still simple?** When does the SCO become complicated, e.g. establishing 12 different staff costs ranges?
 - **Are there other options for SCOs or simplification measures?** SCOs might not be the answer to your issue. Reviewing procedures, responsibilities, technical solutions might bring better results. **Don't disregard the off-the-shelf options!**



Programme-specific SCOs – Adjustment/ indexation methods

- Purpose: to maintain units/ amounts/ percentage as proxy to real costs (**beat inflation**)
- Frequency/ periodicity:
 - once a year
 - from call to call
 - once during project implementation
 - in case of changes to index (CPI > 5% change)
- Indexes: Consumer price index (CPI); harmonised consumer price index (HCPI); inflation rate; labour cost index (LCI); monthly wage index



Programme-specific SCOs – Adjustment/ indexation methods

Adjustment method – to be included in the documented methodology!	Indicate frequency and timing of the adjustment(s) and a clear reference to a specific indicator. Explain sources (national legislation or other, incl. a link to a website where this indicator is published if applicable, take screenshot if the information on the website is dynamic).	One-time indexation linked to inflation (in case of deflation, no adjustment). Adjustment by the average inflation rate of the BS for the years 2025-2027 in accordance with Eurostat data.
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Q: Can SCOs be changed in the middle of implementation of a project?

- General rule – no, not meant to compensate possible losses/ gains
- Only if indexation/ adjustment methods are built in in the programme-specific methodologies (are foreseen in EU policies SCOs/ national schemes)
- If force majeure



Focus on lump sums

A lump sum is 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).

Can:

- be used for all cost categories
- cover the whole project/ specific activities in the project

Principles:

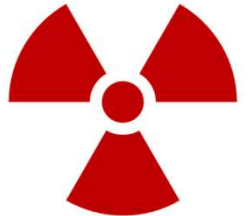
- operates on a binary approach (1:0, all or nothing)
- clear definition and distinction between covered costs:
 - which costs are covered by the lump sum, and which are not

avoid double financing of costs



Focus on lump sums - risks

- Operates on a binary approach (1:0, all or nothing)
 - Significant parts of a budget can be lost if evidence for lump sum not provided, agreed output not achieved
 - Counter-balanced by:
 - milestones or work packages
 - set of achievements





In pairs, design a programme-specific lump sum





Lump sum (DIY) - assume lump sum is THE option to go for.

Step 1: define activities/costs covered

Activities in the box/ outside of the box

Step 2: timeframe, types of projects, beneficiaries

Step 3: setting the achievement

What is the output and when is it achieved? Define payment triggers

Step 4: calculate the amount

Data sources, availability of data, outliers, in/ out

The AA will
have to
assess it
ex-ante!



Example – Lump sum for preparation costs (1/4)

Step 1: defining the activities/ costs covered

Activities **in** the box (covered)

Everything for preparation of application form (e.g., staff costs, external support, travel, meetings → all cost categories)

Activities **outside** the box (not covered)

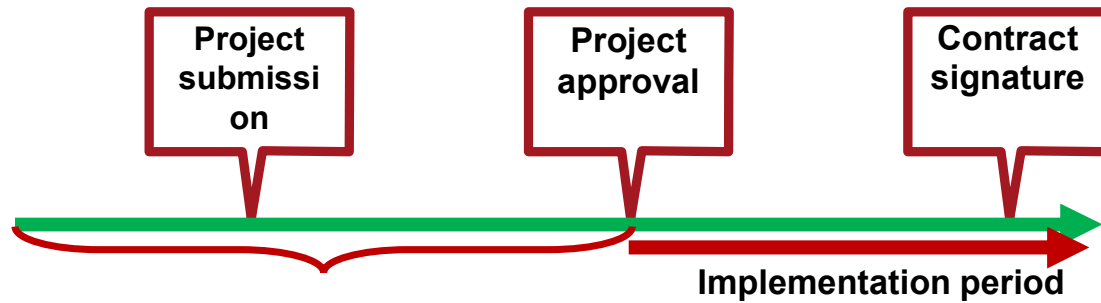
Large external input for investment projects, being a requirement for the eligibility of the project, i.e., feasibility studies, environmental impact studies
→ covered as implementation activity



Example – Lump sum for preparation costs (2/4)

Step 2: Setting the time frame

When is preparation and when is implementation?



Example – Lump sum for preparation costs (3/4)

Step 3: Setting the achievement

When is the preparation costs achieved?

Project
submissi-
on?

Project
approval
?

Contract
signature
?



Example – Lump sum for preparation costs (4/4)

Step 4: Calculating the amount

- Based on historic programme data (Σ of certified preparation costs of approved projects divided by the number of approved projects \rightarrow average real preparation costs
- Round up? Round down?
- Points of attention
 - To exclude outliers (which outliers?)
 - To exclude certain reported costs?



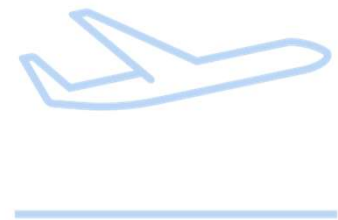
SCOs established using the draft budget method

Article
8.3.2,
point (d)

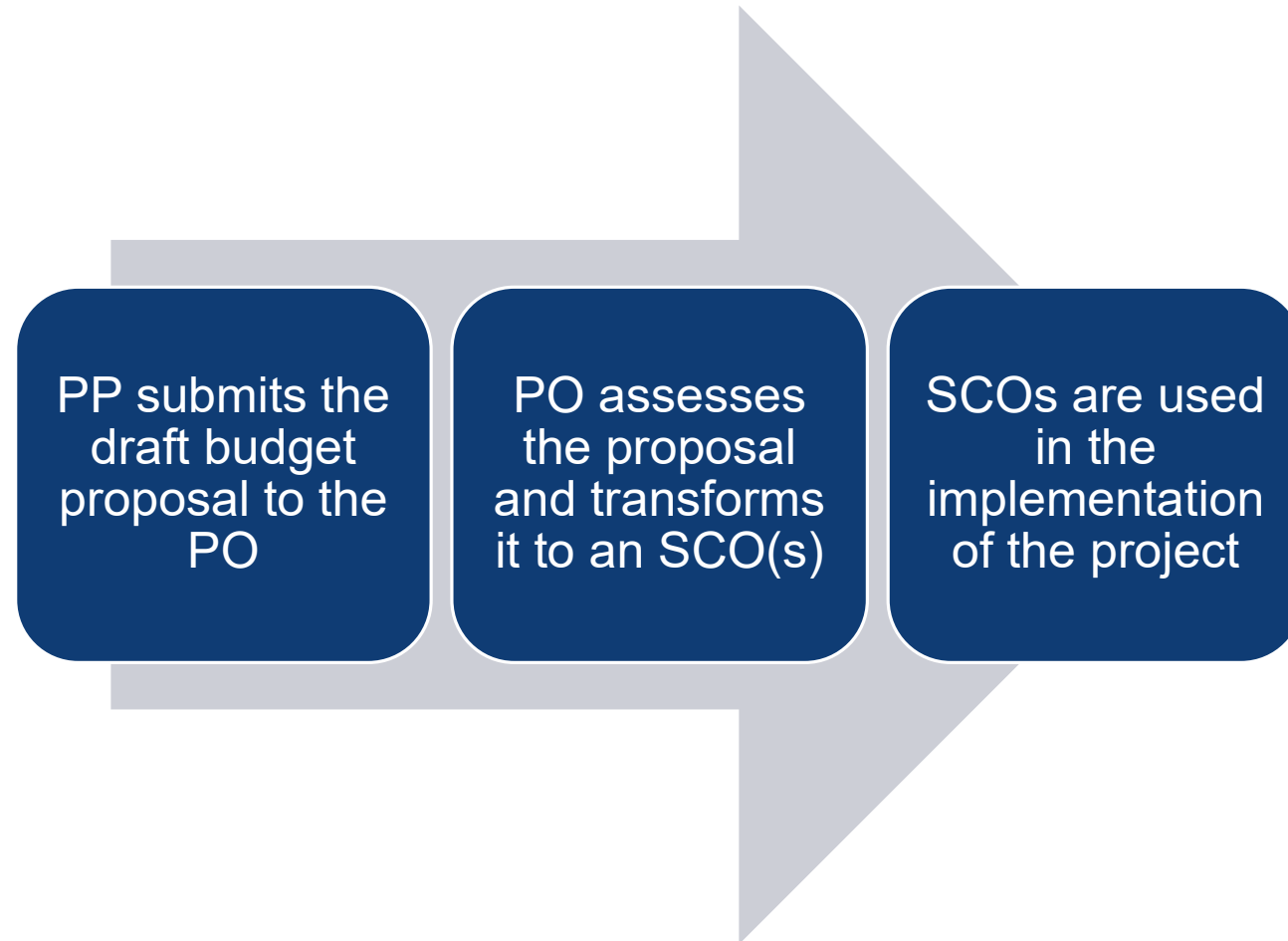


Draft budget method

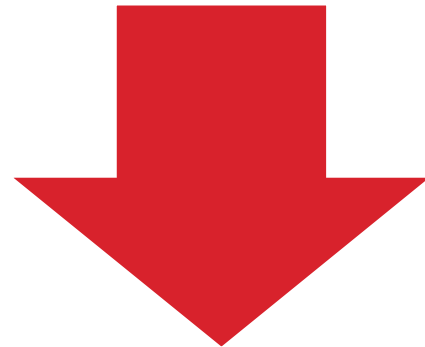
- Not an SCO itself (a calculation method)
- Any SCO can be established (lump sums are the most common)
- Bottom-up - proposed by the project promoter(s)
- Only for projects where the total cost of the project does not exceed **EUR 200,000 (small projects)**
- Suitable for heterogeneous projects (meaningful variety of activities, content, results)



How does it work?



Draft budget method - principles



A programme can prescribe specific SCOs to be used in the draft budget at the application stage (e.g., FR for indirect costs, FR for staff costs)

A programme can base SCOs entirely on the indicative real cost budget (after project application is selected for co-financing)



Draft budget method - how

Programme
(bears
responsibility)

- Defines criteria to establish the draft budget, incl.:
 - Eligibility rules (which costs can be included in the draft budget, expected activities),
 - Guidance on expected outcome of the project, timetable,
 - Examples of triggers for payment with clear definitions (what has to be fulfilled, evidence & documentation)

Applicant

- Provides a detailed draft budget,
- Methodology used to measure and calculation of amounts of each cost in the draft budget,
- Supporting documents to justify amounts, quantities, prices...



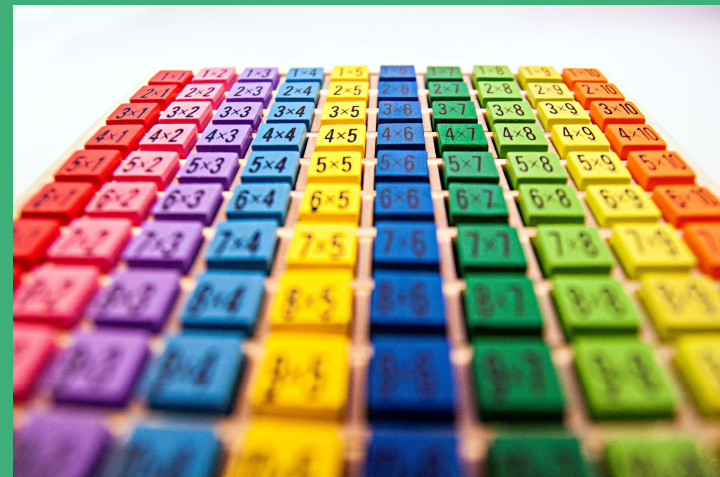
Draft budget method - how

- Each draft budget is assessed on a case-by-case basis!
- In the assessment, it's the same principles as for 'regular' projects (examples):
 - *value for money of proposed activities & proposed activities*
 - *coherence and proportionality of budget & activities*
 - *verification if costs in the draft budget follows eligibility rules*
 - *checking supporting documents and justifications for costs*
- Checks are limited to the agreed deliverables/ outputs, hence the project content and activities.
- Points of attention:
 - Respect rules for SCOs! If SCOs are established based on draft budget, the real costs cannot be checked!
 - Programme to ensure that deliverables/ outputs defined for the payment trigger(s) can be reported accordingly (templates)





Examples of a draft budget method



Draft budget method

Example of the draft budget proposal submitted by the Project Promoter

Costs	Description	Amount (EUR)
Trainers and Facilitators fees	Compensation for professional trainers conducting skill development workshops (3 trainers, 3 workshops)	60,000
Venue and Equipment rental	Rental of spaces and equipment for training sessions and community meetings (10 meetings)	30,000
Workshops material	Materials, tools, and resources required for training and workshops	20,000
Mentorship Program Coordination	Costs related to organizing mentorship sessions and monitoring	15,000
Project Staff Salaries	Salaries for project coordinator and administrative staff	40,000
Monitoring and Evaluation (M&E)	Data collection, analysis, and reporting to assess project outcomes Data collection, analysis, and reporting to assess project outcomes	15,000
Total		180,000



Scenario 1. Whole project – a lump sum

The PO agreed with the PP that the following conditions need to be met for the payment of 180,000 euro to happen:

- 3 skill development workshops should be organised with a minimum of 100 young people to be trained;
- 10 community meetings;
- 15 young people should participate in the mentorship programme.

Payment triggers:

- for skills development workshops – participants list of minimum 100 young people from 3 workshops (cumulative), photos from the workshops;
- 10 publications in the local newspaper on the community meetings and their results;
- for mentorship programmes – 15 short reports from the participants on skills and lessons learned and future application of skills acquired.

Provided all the above is met, the project will be paid the agreed amount in the project's contract of 180,000 euro. Since it is a single lump sum and single payment, all 3 conditions have to be met. If some of them are not met at 100%, the payment should not be made.

To reduce the risk, it is possible to design 3 lump sums to cover this project (e.g., one for mentorship programmes, one for community meetings and one for skill development workshops) and link 3 payments to the delivery of these outputs. In that way, the risk for the beneficiary of not being paid at all is reduced as payments are associated with smaller outputs.



Scenario 2. Several SCOs

Unit costs per skill development workshop and a **unit cost per participant** in the mentorship programme and, for example, a **lump sum to cover community meetings**:

- a unit cost of 1,000 euro per workshop (total cost – $1,000 * 3 = 3,000$ euro);
- a unit cost of 150 euro per participant in the mentorship programme (based on the number of participants, the costs of the mentorship programme will be calculated as unit cost per participant multiplied by number of participants);
- a lump sum per community meeting or a single one for a certain number of meetings.

When combining SCOs it is important to remember that the same cost cannot be covered by different SCOs as double declaration of costs (double financing) is not permitted.

It is essential to clearly define the types of costs that are covered by different SCOs.



Methods to establish SCOs in FMs 21-2028



Off-the-shelf

Flat rates,
unit costs

DIY

Any type of
SCOs,
any cost
category

Union
policies

Anything in
place,
for similar
types of
projects

National
schemes
(BS/ DS)

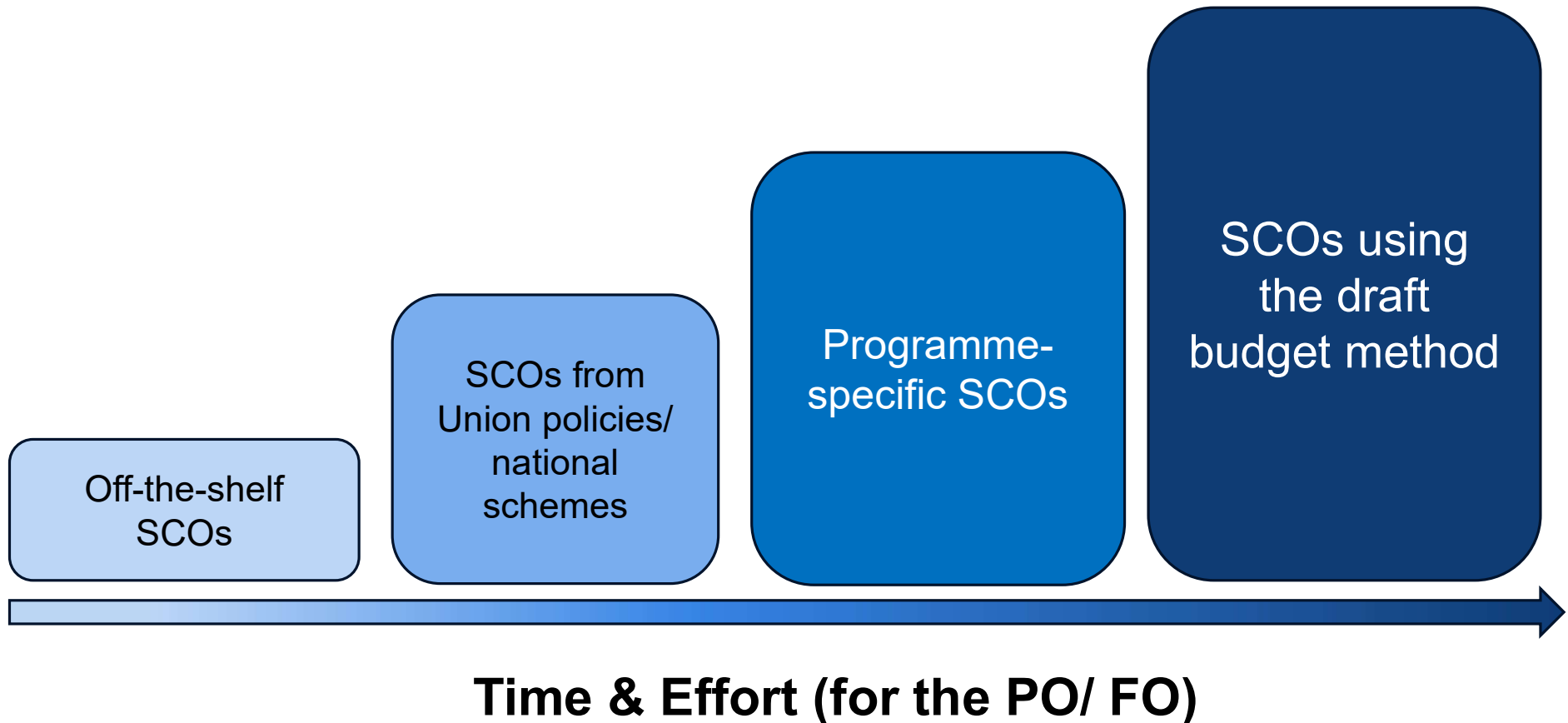
Within BS/
DS,
for similar
types of
projects

SCOs using
draft budget
method

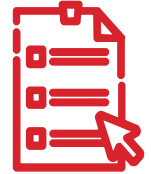
For
projects
with total
costs
EUR \leq
200,000



Methods to establish SCOs in FMs 21-2028



When and How? (1/2)



All forms of grants from Regulations (Article 8.3) should be available to the beneficiary (incl. all types of SCOs)

IF use of SCOs is limited by the POs (in **justified cases) in the PA/ calls for proposals, it should be **consulted** prior with the DPPs!**

The PA may include provisions on the programme-specific SCOs or any other specific rules regarding the use of SCOs under the programme.



When and How? (1/2)



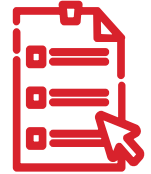
All SCOs from Regulations should be available to the beneficiary and defined **ex-ante** (before project contract is signed).

SCOs can be introduced during the programme implementation (via amendment of the PA). Equal treatment of beneficiaries should be ensured.

Defined units/ percentages/ amounts should not be changed to compensate for an increase in costs or underutilisation of the available budget during project implementation, unless adjustment methods over time are foreseen in the SCOs methodology and indicated in the call for proposals.



When and How?



SCOs (types, amounts/ %, methods) should be established in the project contract and partnership agreement!

IF use of SCOs is limited by the POs (in justified cases) in the PA/ calls for proposals, it should be consulted prior with the DPPs!



Q: Should calls say exactly how indirect costs are calculated and what SCOs are used?

- Yes, since we have 3 ways to calculate indirect costs using flat rates
- Can vary from call to call – if justified
- Not recommended to leave the choice to beneficiaries – extra burden and complexity
- Multiple options can be offered if there is a need for that



**Q: Management costs
– is it possible that
one programme uses
15% for indirect costs
and other uses 12%?
Or one uses SCOs
and another doesn't?**

- SCOs are available for management costs (same methods, same off-the-shelf)
- Yes, differentiated approach is possible and everything "up to X%" is okey
- Differentiated approach though needs to be justified
- Possible that one programme uses SCOs, another – real costs – depends on the specificity of the programme, nature of calls, nature of beneficiaries, etc.



Where's the simplification? Audit and control



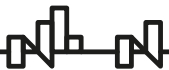
Checking SCOs – main principles



- Correct application of an SCO (control)
- Correct establishment of the calculation method (audit)
- Double financing – expenditure covered by an SCO is not reported as actual cost



- Real costs underlying the expenditure reported based on the SCOs!
- Accounting system of the beneficiary is not part of the audit and control and shouldn't be looked into!



What to provide on the beneficiary side

- Deliverables (lump sums, unit costs)
- Pre-agreed evidence to justify units (unit costs)
- Nothing, except for correct calculation (flat rate)



Verification of a flat rate

- Verification of the "basis costs" to which a flat rate is applied
- Verification that the correct % is applied
- Verification that expenditure covered by the flat rate is not reported as actual costs

15% flat rate to calculate indirect costs (overheads)

- Eligibility of basis costs – staff costs (depending on the reimbursement method used)
- Verification that 15% is applied
- Verification that overheads costs are not included in other budget headings



Verification of a unit cost

- Verification of the number of units
- Verification that the amount declared is justified by the quantities
- Verification that expenditure covered by the unit cost is not reported as actual costs

A unit cost of EUR 100/ hour for training provided

- Verification of number of hours delivered
- Verification of correct multiplication
- Verification that expert costs are not included in other budget headings

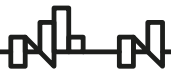


Verification of a lump sum

- Verification of the relevant deliverables/ outputs
- Verification that the criteria for the payment of the lump sum are fulfilled
- Verification that expenditure covered by the lump sum is not reported as actual costs

A lump sum of EUR 25,000 for a closing event of a project

- Verification that the closing event took place (being that signature list, or publication of the event, or photos....)
- Verification that costs included in the lump sum are not reported as actual costs (e.g., costs of venue, translation, catering, etc.)



Typical situations when using SCOs (1/2)

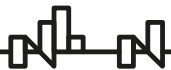
- Costs reported under an SCO do not match the actual expenditure registered in the bookkeeping of the beneficiary
 - A direct and accepted consequence of the use of SCOs!
 - Actual amounts in the bookkeeping records of a beneficiary linked to an SCO are not relevant for the verification of the SCO!
 - Although not checked, SCOs do not lift eligibility rules and organisational rules of a beneficiary!



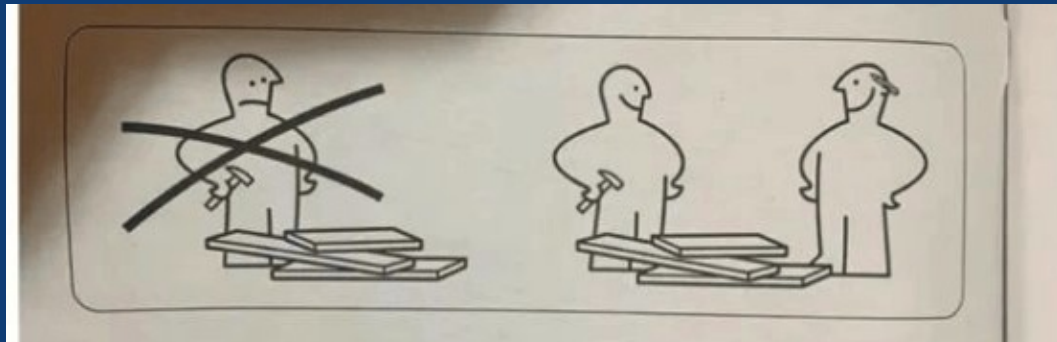
Typical situations when using SCOs (2/2)

Is a beneficiary required to provide any evidence that the amount received for an SCO was actually spent on expenses that were supposed to be covered by an SCO? Can or should auditors request such an evidence?

- NO! Verification of expenditures declared using SCOs should be limited to the verification of the existence of the relevant cost category, the calculation method and its correct application.



Communicating SCOs to different stakeholders

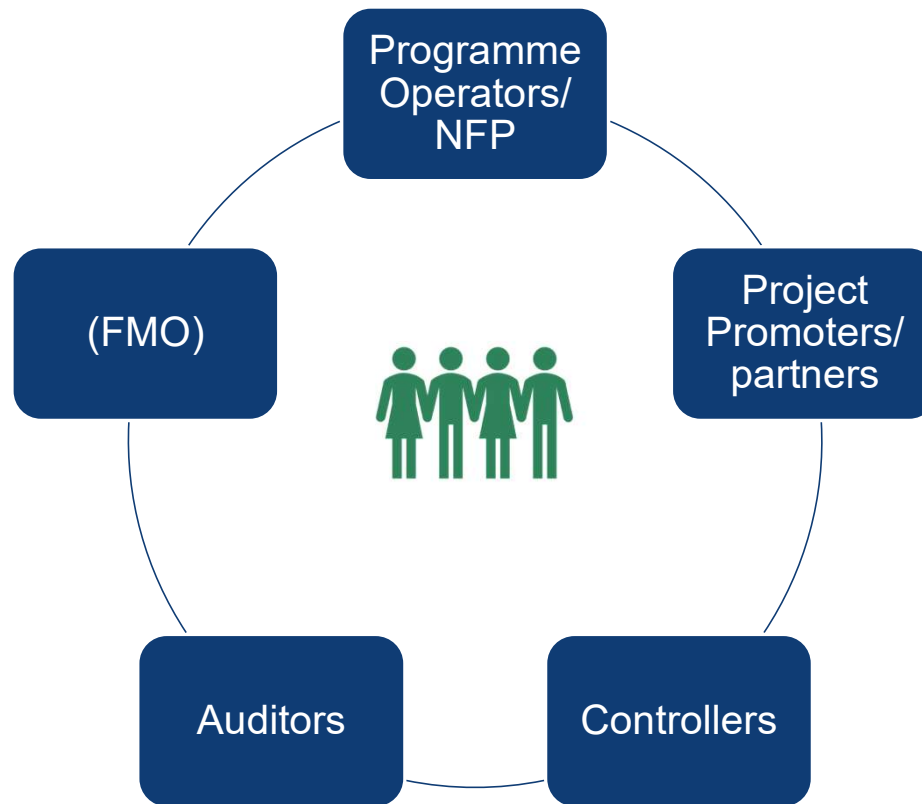


Communicating SCOs – Why?

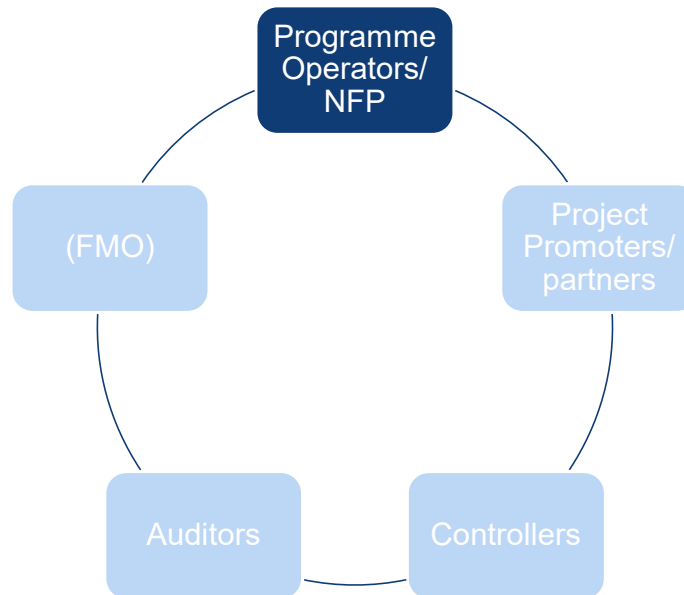
- Nobody likes change!
 - SCOs mean ex-ante vs ex-post
- Nobody likes to change!
 - SCOs means letting go of known & established practices (comfort zone)
- Communicating with stakeholders allows
 - valuable input
 - ownership & agreement
 - validation (& testing)



Communicating SCOs – Who?



Communicating SCOs – Who?



PO/ NFP:

Your responsibility

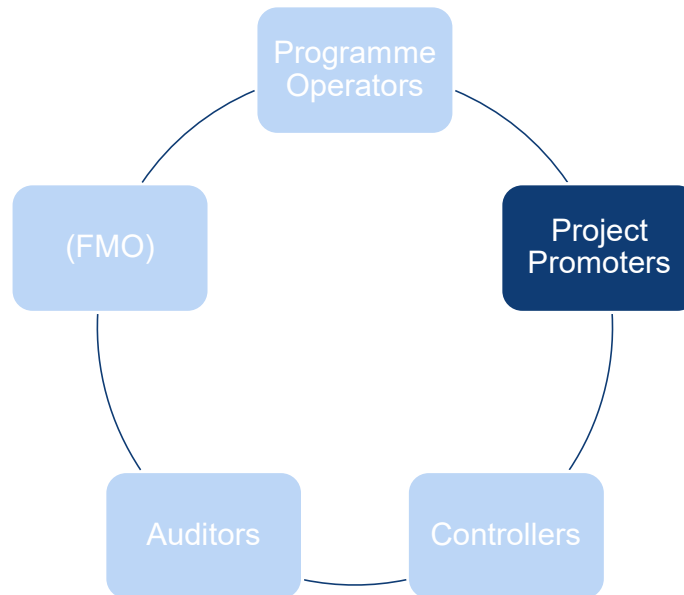
Involve all relevant people at programme level

- Finance
- Content (!!)
- Communication

Consider a working group for regular feedback loops & (further) developments



Communicating SCOs – Who?



PP:

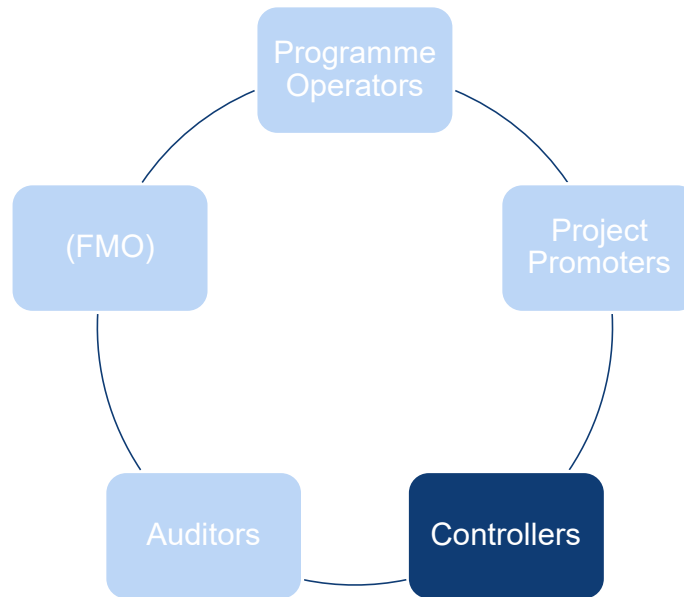
Most concerned, explaining & showing is crucial (!!)

Involvement early in the process (public consultations, workshops) (!!)

BUT, you will never make everybody happy



Communicating SCOs – Who?



Change of mindset!

- Early-stage involvement, they know a lot and have seen almost everything (!!!)
- Work with them (don't expect them to simply go with the flow)

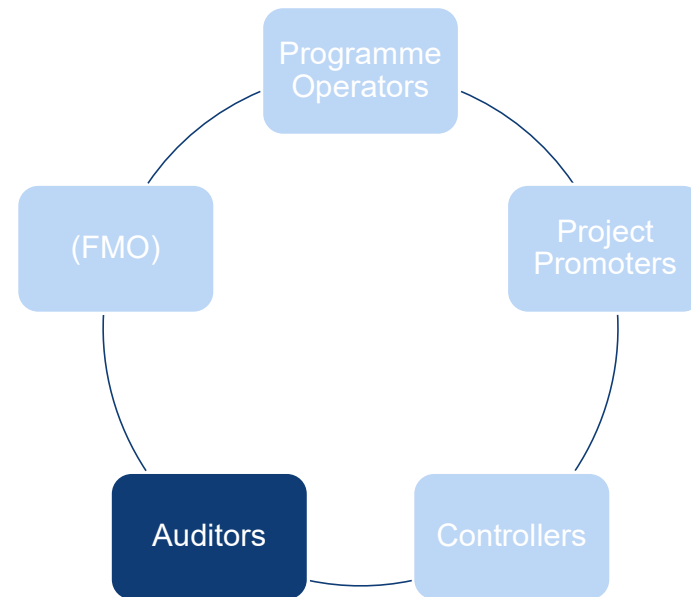


Communicating SCO(s) – Who?

AA

Change of mindset!

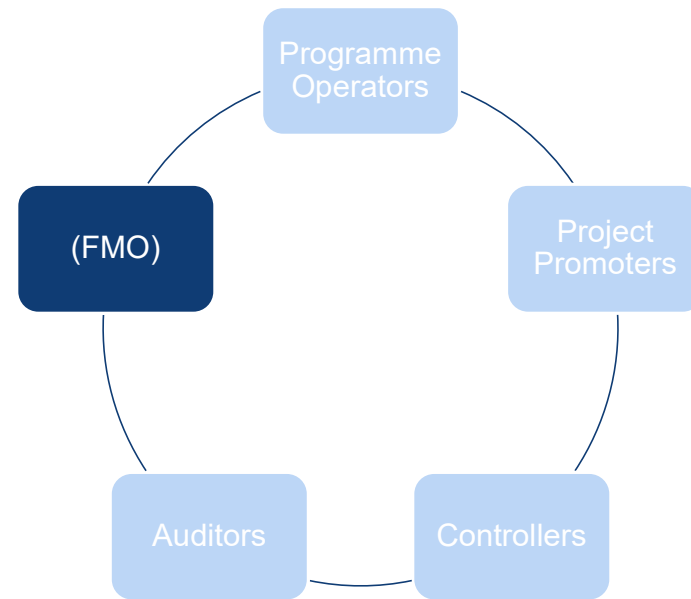
- Keep them in the loop (formal or informal exchanges)
- Documentation towards them is the key (manuals, fact-sheets)
- AA will ultimately assess your programme-specific methodology (legal requirement) & check application of the SCO(s)



Communicating SCOs – Who?

FMO

- Keep us in the loop
- Make use of know-how
- Work with us, comprehension, communication 😊





Group work



Finding answers

1. Programme authorities and beneficiaries are used to real costs. Why reinvent the wheel and introduce something new?
2. Benefits of SCOs are not so obvious. Seems a lot of work before the actual project starts!?
3. Reimbursement based on SCOs does not match real costs. How to account for that? How, then, to explain SCOs' benefits to beneficiaries?
4. Legal uncertainty surrounds SCOs. A high risk/ fear of (systemic) errors in the calculation methodology and/ or in the implementation phase makes SCOs unattractive for us.

1. SCOs are not suitable for my/this programme. SCOs contradict existing methods in BSs (national/ regional level). National rules do not allow SCOs or cancel out the simplification effect (by still requiring evidence of real costs).
2. Programme staff does not have the sufficient knowledge and/or capacity to design new SCOs.
3. SCOs block creativity of programmes and limit implementation options (especially if SCOs are the only available option and not a choice).
4. We should offer SCOs as an option (beneficiaries are free to choose between real costs and SCOs). This will make all our stakeholders happy.



Group work



Group work

STEP 1 (10 mins)

In pairs

Discuss your main concerns/ challenges re SCOs

Note 2-3 points



STEP 2

Bring them up!

Altogether - Address the identified challenges and try to find solutions.



Summing up



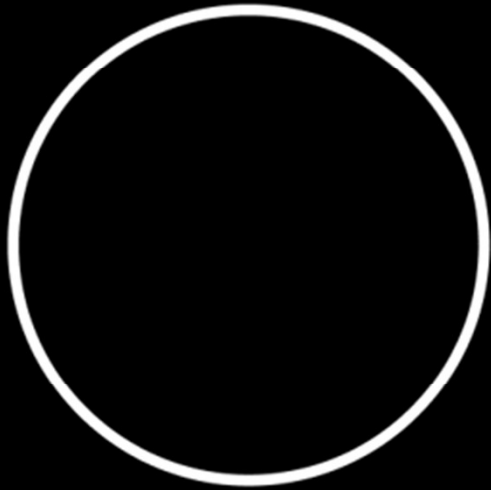
Further reflections

- Change of mindset – it **might** WILL take time
- Start with ready-made (off-the-shelf) SCOs
- Involvement of **all** relevant stakeholders
- Harmonisation potential?!
- Not a magic
- Is it really about SCOs?
- Capacity building
- Get in touch – we're happy to work with you!

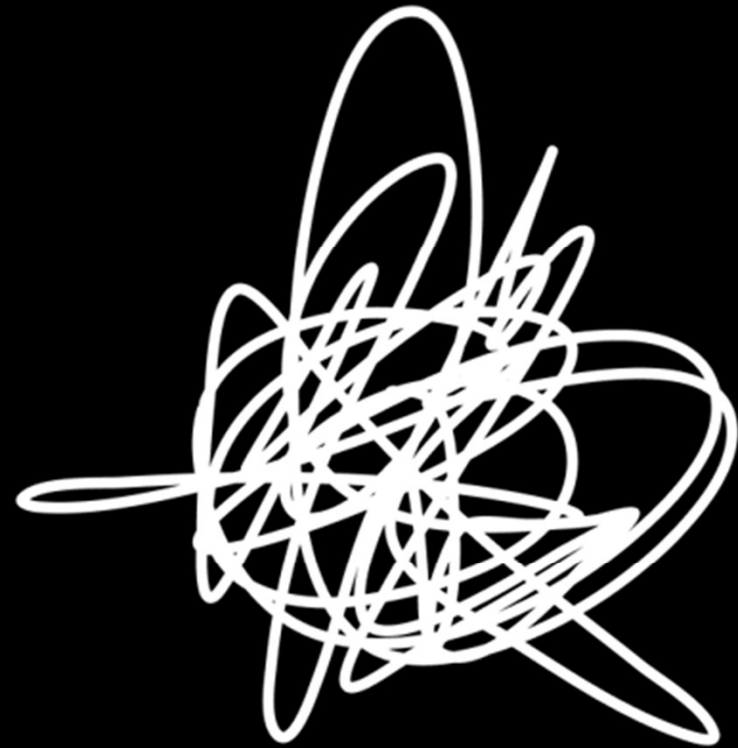


To be continued...





EXPECTATION



REALITY

Check-in

- 1. How well do I understand what SCOs are? (1 – not much; 2 – average; 3 – more than average)**
- 2. How optimistic/ skeptical I am about SCOs? (1 – skeptical; 2 – average; 3 – great optimist)**





Thank you!

