



13 January 2022, MA/JS

Financial webinar

Questions during the financial webinar and their answers

Disclaimer

The document summarises the questions raised by applicants and the answers provided by the MA/JS at the Financial Webinar on 13.01.2022. Even the MA/JS made its best to answer all questions sufficiently, please be aware that the answers do not replace or overrule any relevant provisions set by the EU regulations, Programme Manual and/or applicable national law. The MA/JS cannot under any circumstances or for any reason whatsoever be held liable for completeness, correctness and up-to-dateness of the answers provided.

Question 1: As a Lead Partner, I'd like to subcontract external PMO (project management office) support as I don't have the internal capacity to do everything in this regard. If cost-sharing is not allowed, are there any possible options for contribution to these external costs by other partners outside the project finances?

Answer: A possibility to share the expenditure for PMO among project partners is a joint public procurement. The MA/JS would like to stress that this procurement procedure is complex and we experienced already a successful and unsuccessful example of this procurement type in our Programme. The lead partner is responsible for the project management and has to plan it in their own budget in case the joint procurement would not be an option.

Question 2: How will the templates for reporting staff costs look like?

Answer: The templates for staff costs are under development. Most likely it will be a PDF that first must be filled in and then uploaded to the BAMOS+ online monitoring system.

Question 3: Regarding the 15% flat rate for travel and accommodation costs in core projects: if we have a high staff involvement 15% could be more than what is needed. What if we do not need the full amount of the automatically calculated travel funds? Can we use it during the project implementation for staff costs or other costs?

Answer: The cost category "travel and accommodation" is a flat rate based on the planned staff costs. For travel costs, the MA/JS does not require any supporting documentation to prove the cost behind. Even if the calculated flat rate for travel will highly over-compensate a real travel cost, these funds remain for the disposal of the project partner.

Question 4: Can associated partners be subcontracted for a certain activity (= financed by one of the partners)?

Answer: Associated organisations are treated as third parties that do not belong to the project partnership. These organisations can be subcontracted by a project partner if the partner follows the rules of transparency and procurement.





Question 5: Even if a partner doesn't travel at all, they will receive funding for CAT 3 Travel and accommodation, right?

Answer: Yes, each project partner who planned staff costs will receive an automatic flat rate for travels consisting of 15% of eligible staff costs.

Question 6: In our organization, the hourly rate is higher than fixed for our country. How to plan and implement the project in this case?

Answer: The hourly rate for each country is fixed in our Programme and cannot be changed. This hourly rate results from the methodology approved by the Audit Authority. If your organisation hourly rate is higher than the one defined for your country by the Programme, you have to calculate the budget with the hourly rate defined by the Programme.

Question 7: Is the reimbursement of preparation cost is extra money, or is it deducted from the applied partner total budget?

Answer: Preparation costs in core projects is an additional fund under a cost category 0 (CAT0). It means that the total budget is composed of CAT0 for preparation costs and CAT1 to CAT6 for project costs. CAT0 does not decrease the total project budget but comes on top.

In small projects, the preparation costs are included in the total project budget, which is EUR 500,000 (in this case the preparation costs diminish the total possible budget of a small project).

Question 8: What does it mean: "full-time employee"? Full time working for the organisation or full-time working for the project?

Answer: In this example, a full-time employee means working full time for the organisation. To express the working time for the project we use percentage. Someone employed full time for an organisation, who dedicates entire working time to the project, would have 100% for the project. Someone employed full time for the organisation, who dedicates half of working time to the project would have 50% for the project.

Question 9: How the staff cost should be calculated if one employee is involved in several program projects? Is there any time control needed?

Answer: The project partner will report the working time of its employees, working on the Interreg BSR project using the report of hours. The MA/JS will require to submit the hours dedicated to Interreg BSR projects and total working time. We will not check the involvement of a person in other Programmes.

Question 10: Hourly rates are a bit unfair depending on the skill level of employees involved... Can you explain why this choice has been done?

Answer: The application of the single hourly rate has a certain advantage. The MA/JS did not want to define the hourly rates per position because we found it very difficult to properly describe the positions which are allowed to select as there is a large variety of them existing in different countries/institutions. At the same time by outlining



the positions, we would have to define how many positions are allowed per project partner, to avoid potential overuse of the funds (e.g. only one manager/assistant).

With a single hourly rate, the MA/JS gives project partners freedom to decide how many employees with which positions will work for the project. In addition, we believe that with proper planning, the involvement of the persons with lower salaries within an organisation will balance the involvement of people with higher salaries.

Question 11: Is it possible to co-fund an Interreg project with a national project? So, 80% from Interreg and 20% (or more to include all overhead costs)?

Answer: Public cash inflows (international, national, local funds) are possible up to the own contribution (20% in case of 80% Programme co-financing in our Programme). Private cash inflows (donation, sponsoring) are not acceptable to cover own contribution (20% in case of 80% Programme co-financing in our Programme). Furthermore, other EU funds cannot be used to cover their own contribution at all.

Question 12: Will it be possible for NGOs to use unpaid voluntary work for parts of their own contribution and to what extent?

Answer: Unpaid voluntary work is not eligible in core projects. In small projects, unpaid voluntary work is eligible up to an amount of own contribution and only in addition to regular employees (= employees receiving remuneration from a project partner or any other organisation cannot perform voluntary work).

Question 13: Do I understand correctly that 30% of the planned staff costs should cover travel and accommodation and office and administration supplies?

Answer: Yes, this is correct. 15% flat rate (of eligible staff costs) will be applied for “office and administration” and 15% flat rate (of eligible staff costs), for “travel and accommodation” which makes together 30% of eligible staff costs.

Question 14: Will there be a 'clarifications' phase after submitting the final report of the project? If yes, can any budget be allocated for this phase? During the past program, this was not possible, which was problematic, since the 'clarifications' definitely need some HR, especially from the Lead Partner.

Answer: Yes, there will be a clarification phase after submitting the final progress report. It is up to the lead partner and his partnership to submit the final progress report within the closure phase (before this phase will end or by end of this phase). If the final progress report is submitted before the final day of the closure phase, the costs for HR are still eligible. Any costs after the final date of the closure phase are not eligible.

Question 15: How are staff costs reported later on? Based on % of work time (in relation to 1720 hrs full-time) or based on actual incurred work time? Or can we choose? Are there similar staff costs model options as in the current funding period?

Answer: Staff costs will be reported based on productive working hours (actual hours spent at work; sick leave, holidays etc. do not count as productive hours) multiplied by the predefined hourly rate. This is the only cost model



for staff costs and it differs from the current Programme in which project partners selected a calculation method to report the staff costs based on the actual costs.

Question 16: De-minimis rules for companies, are they still relevant?

Answer: Yes, de-minimis rules for companies are still relevant. However, in the new Programme, the state aid instrument that will be mainly used is General Block Exemption Regulation (GBER) under Article 20a. In some minor cases, de-minis will be possible (de-minimis has more limitations than GBER).

Question 17: Are subcontracting costs eligible (for example for a feasibility study or technical analysis done by an external company)?

Answer: Yes, such costs are eligible under the cost category 4 - External service. Please remember that subcontracting of yourself (internal invoicing), own employees or other project partners is not eligible. In addition, for any subcontracting, the procurement rules must be followed.

Question 18: CAT3 flat rate is not fair for Poland, let's calculate 1/2FTE is 79k PLN per year it gives 12kPLN for travel costs - max 3-4 travels per year it is very unfair and twice or 3 times less than for other partners - travel costs are pretty much the same for all, even if labour costs might be different)?

Answer: The flat rate for travel costs is an off-the-shelf option provided by the Interreg regulation. This option was suggested by the MA/JS and approved by the Joint Programming Committee. According to the historical data of the travel cost reported by the project partners in the current Programme the spending budget for travels for any of the participating countries have not exceeded 15% of the reported staff costs even though the planning budget was in several occasions higher than that.

Question 19: Regarding volunteers and students: if paid students or volunteers on very small salaries (more pocket money) are involved, shall we still apply the rates for a flat rate? we understand "voluntary work" means totally not paid. How about low paid contract forms?

Answer: The involved volunteers (with salary) and students (small salary) are treated the same way as any other employee. Their staff costs should be planned with the predefined hourly rate. In this case, your real costs will be lower than the costs planned covered by the predefined hourly rate in the Programme, but this is a natural consequences of simplified cost option used for staff costs. Each employee – it does not matter if with low salary or high salary – is calculated according to the predefined hourly rate for your country in our Programme.

Unpaid voluntary work is not possible in core projects. In small projects, unpaid voluntary work is possible up to the amount of own contribution and only in addition to regular employees (employees receiving remuneration from a project partner or any other organisation cannot perform voluntary work).



Question 20: What are the most significant changes in budget planning and structuring compared to the last Programme?

Answer: The most important change is for sure the increased use of simplified cost options. In core projects, there are standard hourly rates in cost category 1 (staff), while cost category 2 - office and administration and cost category 3 – travel and accommodation, are based on flat rate, which is in both cases 15% of eligible staff cost. Small projects are implemented via simplified cost options exclusively – standard hourly rate for the staff and 40% flat rate for all other costs.

Question 21: Is there any limitation for external expertise / involvement of employees of the partner?

Answer: There is no budget limitation for external expertise or involvement of employees, however project partner has to pay attention to additionality and value for money.

Question 22: Is VAT an eligible cost now for all?

Answer: According to the Programme rules VAT is eligible for all project partners if the total budget of the project is below EUR 5,000,000. However, the MA/JS advice project partners to pay attention to the national rules in regard to VAT, which might prohibit reporting of VAT to the Programme if it can be recovered on the national level.

For projects with total budget at or above EUR 5,000,000; VAT is only eligible if it is non-recoverable under national legislation.

Question 23: Should there be a balance between the involved countries regarding budget? Or can one country for example receive 50% of the total budget?

Answer: There are no official limits of the financial involvement of the partners from different countries. However, it must be reasonable and according to the eligibility rules and planned activities of the partners involved. Any unbalanced project partnership will be subject of a consultation or clarifications.

Question 24: The hours in labour contract or time sheets can differ from planned hours as fixed unit costs in project? National rules require records of worked hours. Internal remuneration policies define different hourly rates for different positions?

Answer: The Programme will only reimburse the staff cost which are calculated as number of productive hours worked for the project multiplied by the hourly rate defined in the Programme manual. The hours must be reported only via the Programme templates. The MA/JS will not check, verify or follow-up on any additional internal/national regulations of project partner organisation or country, except of the employment contract (or equivalent).

Question 25: The actual costs, such as salaries, are very different in different BSR countries; how is this considered in the financial rules?



Answer: The actual salary differences between BSR countries were considered during the preparation of the methodology – as a result every country has a different hourly rate. The hourly rate was set based on the staff costs data from the still running Programme, the applied methodology for the calculation of the hourly rate was approved by the Audit Authority.

Question 26: Is the EUR 500,000 limit for small project for total budget or ERDF co-financing?

Answer: EUR 500,000 is the total budget of a small project (not the Programme co-financing).

Question 27: Is there any limitation for the investments budget (% of project total budget)?

Answer: There is no limit for investments, but the share of planned investments must be reflected in the described activities in the work plan.

Question 28: Did I understand correctly regarding external services and expertise? The partner has to contract following a transparent process like a tender?

Answer: Yes, this is correct for all external purchases. Project partners follow the public procurement rules. If there are no rules, the Programme rules specify at least bid-at-three rule for all contracts at or above EUR 10,000.

Question 29: In some cases, a full-time project worker is in Poland entitled to 13th salary by the law. This is not a productive h. Can this be covered by the project budget?

Answer: Since the 13th salary is not a productive hour, it cannot be included in our projects.

Question 30: Can the preparation costs be kept only by the lead partner?

Answer: Yes, the preparation costs can be kept only by the lead partner. Especially if the lead partner conducted the whole work on the application, it is justified then to keep the preparation costs as whole amount.

Question 31: Cost category 3 (travel and accommodation cost) however simplified it must be adjusted to the market costs of business travels which are approx. between EUR 500-1000 per travel - partners from PL or LT will give less to travel abroad than others with the same costs for tickets or accommodation?

Answer: The flat rate for travel and accommodation cost is the same for each country and it is 15% of the eligible staff cost.

Question 32: How does the same hourly rate for all project employees work in practice? Salary policies are different in different organisations - e.g scientists / project managers at university are paid according to the university salary policies etc.?



Answer: Project partner should differentiate between employment policy (e.g. as university) and the way how to plan staff costs in our Programme. Internal salary policy is a matter between the employer and the respective employee considering the national rules. However, in the staff costs planning in our Programme, the position of an employee does not play a role. The reporting is based on one country specific hourly rate for each employee regardless the position. If we take an example from Finland, it will be EUR 36 per productive hour for a research assistant and EUR 36 per productive hour for head of research.

Question 33: Because we don't know yet which ones and how many external organisations from the target group we will reach in work package 3 (transfer of solutions) with our activities: is it feasible to guess/estimate costs for certain transfer activities? And if we reach more than planned, are we flexible to increase cost category 4 (external expertise and services)?

Answer: Yes, similarly to the current Programme, project will have possibility to have budget reallocation between cost categories and among project partners.

Question 34: Is it possible to employ new person to be fully involved in the project?

Answer: Yes, it is possible to employ a new person who will be fully involved in the project. The staff cost of this person should be planned as for any other involved employee working on the project, e.g. based on the predefined hourly rate for your country.

Question 35: Could you approve this: each partner employees have to report hours at 3rd week to the accounting and then accounting pays rate x hours?

Answer: No, we cannot approve this suggestion. You will have time after each reporting period (1 reporting period consists of 6 months) to prepare your partner report, which will be included into the progress report of a project.

Question 36: Is the staff per hour cost in national currency (Poland) fixed for all the project period, or is it calculated due to Euro exchange rate each reporting period?

Answer: The hourly rate for Poland (like for any other country) is fixed for all project periods. The amount of staff costs reported to us is converted into euros (in case of Poland and other countries with a currency different than euro) by using the EU Commission monthly exchange rate (the month of submission of the partner report will count as the date for exchange rate).

Question 37: In the Project Idea Form the work plan is not displayed correctly, what shall I do?

Answer: The templates for the project idea form have been corrected and exchanged and are available under <https://interreg-baltic.eu/gateway/consultations/>

Question 38: Small projects: Will the preparation cost be added to EUR 500,000 or is the CAT1&7 total?



Answer: Cost category 0 (preparation costs) and cost categories 1 (staff) and 7 (other costs) together make the total budget of a small project that is up to EUR 500,000. CAT0 is not added to that, but included within the total budget of a small project.

Question 39: How is voluntary work calculated and how will it be reported?

Answer: The calculation of unpaid voluntary work in a small project (unpaid voluntary work is not possible in core projects) is calculated exactly the same way as for any other staff costs. You take the hourly rate for your country (example of Finland would be EUR 36 per productive hour) which you multiply by the number of productive hours dedicated to the project.

Question 40: Can we expect that the reporting process of small projects will be quicker? There's nothing to check, audit or verify, so it should be very fast?

Answer: The reporting process of small projects will be quicker, because in small projects you do not need a national controller for the cost verification. The reported staff costs are verified directly by the MA/JS.

Question 41: Could you still clarify, so it is not possible to use fixed-% when reporting staff costs/hours worked for the project? Only actual hours worked, which may vary on different months?

Answer: It is not possible to use the fixed % calculation method for staff costs. Only the productive hours (hours spent at work) can be reported and they may vary in different months per employee.

Question 42: In small projects "other costs" (= CAT7) are 40% of salaries. Is the resulting amount for other costs fixed or does it vary according to the actual reported salaries (hours) in when it comes time for reporting? What happens if a project spends the whole other costs budget but not the whole salary budget?

Answer: Cost category 7 (other costs) in small projects is not fixed, but it is 40% of the reported eligible staff costs. If you report less staff costs than planned in the application form, then the amount of CAT7 will be accordingly lower.

Question 43: Manual says that reporting can be every 6 months. Can you confirm this?

Answer: Yes, the lead partner is supposed to submit the progress report to the MA/JS every six months.

Question 44: Question related to the small projects budget example. In Finland the maximum hours per year is really lower than 1720. Perhaps approximately 1600 or even less. Should we use that instead of 1720 because a Finnish partner will never be able to report 1720 hours per year? Or does it matter?

Answer: If the internal rules allow to have 1,600 h per year, then project partner should calculate with maximum 1,600 hours per year. In general, project partner can plan the maximum number of hours which is allowed by its institution or country, but not more than 1,720 h per year (the Programme limit).



Question 45: What was the difference in staff cost calculations of small projects compared to the calculations for core projects?

Answer: There is no difference, the calculation of staff costs for core projects and for small projects is the same.

Question 46: Is the hourly rate fixed also in terms it cannot be lower per person involved in the project than the given gross rates and should be paid by the organisation one is employed by? There are institutional regulations where monthly salary for certain positions are often lower than these rates.

Answer: The actual staff costs are independent from the hourly rates set by the Programme. Sometimes there will be over-compensation of costs (like in this question), another time under-compensation will occur compared to the actual costs.

Question 47: What if there's more work to do for smaller group of people involved in the project and the 40% flat rate for other costs is not enough? I.e. the amount of work is doable for 1 person but it requires bigger budget to be implemented? It's not always symmetrical.

Answer: Cost category 7 (Other costs) in a small project is always a flat rate of 40% of staff costs regardless the actual costs behind it.

Question 48: What is the reference for other costs in small projects: the eligible staff costs or the actual staff costs that will be paid for the employing institution? I.e. 100.000 EUR is eligible, but due to internal limitations one would be paid only 80.000 EUR max. Which budget should I refer to when planning 40% rate?

Answer: The flat rate of 40% for "Other costs" refers always to the reported staff costs under cost category 1 in small projects in the Programme. If a project partner planned EUR 100,000 for staff under CAT1, but reported at the end of the project only EUR 80,000, the flat rate for "Other costs" will be 40% of EUR 80,000.

Question 49: Is there a rule for budget flexibility between partners? I.e. one spends less, the other one more?

Answer: There is no automatic budget flexibility among project partners. Budget reallocation among partners would be possible based on the official budget change procedure.

Question 50: What does the reporting actually mean if there are no real costs but only simplified cost options involved in small projects? Do we still need to calculate the real costs or not?

Answer: Project partner does not need to calculate and report any real costs in small projects.

Question 51: What will be your policy on the small project budget limit, EUR 500,000 and the currency exchange rate? What if the amount will be exceeded due to changes in exchange rates at the end?

Answer: The maximal budget of a small project is EUR 500,000 and cannot be exceeded due to the exchange rate.



Question 52: If the salary unit cost is higher than the actual one, can a person work more for the project than the % being reported?

Answer: The MA/JS does not monitor the actual salaries but the productive hours only. Project partner does not need to employ the person based on the hourly rate we offer. The hourly rate is the instrument we use in the Programme. Your internal employment policy might differ from our hourly rate in the Programme. If the unit cost is higher than your actual costs, your costs will be overcompensated and this is a natural consequence of applying simplified cost options. We will not balance any differences between the simplified cost options and your actual costs.

Question 53: The "real costs" besides the flat rate for the simplified ones is a category that applies only to the core projects, is that right? No "real costs" for small projects?

Answer: There are no "real costs" in small projects. Small projects consist of simplified cost options only. It is cost category 1 (staff) as unit costs and cost category 7 (other costs) which are 40% of staff. Real costs are present only in core projects for cost categories 4 (external service), 5 (equipment), 6 (infrastructure and works).

Question 54: How in practice will the process of reimbursement look like? How often payment claims can be submitted? How long can it take to verify them? Please answer both for core and small projects?

Answer: Both project types, core projects and small projects will have 6 months reporting periods. Then, for both project types, the project will have one month for submission of costs under simplified cost options (in case of core projects for cost categories 1, 2, 3 and in case of small projects for cost category 1, 7). In core projects, the real costs (cost categories 4, 5, 6) must be submitted to national controllers for a verification. The controllers have 3 months for the verification of this expenditure. The MA/JS has 80 days for the payment.

Question 55: How quickly the first refund can be paid to the company after first incurring expenses (e.g. in October 2022 - right after the financing is granted)?

Answer: If the first expenses occur in October 2022 (within the contracting phase which takes 3 months), then you add to that the first reporting period of 6 months (which will end in June 2023, if the contracting phase started in October 2022). If the progress report will be submitted in July 2023, then the first refund can be calculated approximately in September 2023 (about 1 year after the project has started).

Question 56: Lower salaries in PL, LT & LV are a fact. Making the travel budget dependent on staff costs in the form of a flat rate 15% is a kind of social dumping. Travel costs in EU, accommodation and meals on the spot are the same regardless of the country of origin. Is there a chance that this might be changed?

Answer: We have experienced in the still running Programme 2014-2020 that project partners very often overestimate the budget for travel costs and accommodation. At the end we had very frequent the situation that the travel budget was reallocated to staff costs or other costs, because the costs for travels were less than planned. In the new Programme 2021-2027, the travel costs category is a flat rate, because the calculation of historical data proves that the travels on average have not exceeded 15% of the project partner staff costs. Moreover, in the after COVID times (if they finally come), it might be also the situation that virtual meetings will still play a role as a replacement of real travels and the frequency of travels might not reach to same level as of before COVID times.



Question 57: Will the partners' financial situation be examined when admitting to participate in the project? If so, what are the criteria?

Answer: The financial situation will be checked during the assessment phase by MA/JS and it will apply to all private project partners. Also, large partners falling under the state aid with a budget above EUR 0.5 million will be examined in more detail.