

# 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 09.02.2022. 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.*

### Abbreviations

BAMOS - online monitoring system for project management and reporting

CAT - cost category

SCOs - simplified cost options

WP - work package

**Question 1:** Are there any %-limitations (in relation to the project's whole budget) in costs of goods and services?

**Answer:** Costs such as “external service” (= CAT 4), “equipment” (= CAT 5), or “infrastructure and works” (=CAT 6) do not have any percentage limitations in relation to the total project budget. However, these costs must be planned in relation to the corresponding project activities.

**Question 2:** Should the costs per WP1, WP2 and WP3 be planned separately or per project in total?

**Answer:** The costs for WP1, WP2 and WP3 should be planned in relation to the total project budget. The MA/JS asks in the application form for an indicative percentage split of the total project budget among: management activities, WP1, WP2 and WP3 (altogether 100%).

**Question 3:** How are staff budget and travel budget divided to the different project periods? Especially if staff hours are not reported. There is often more work and travelling in the end of the project life cycle?

**Answer:** Project partners should plan staff costs for the total project duration, later during the reporting (every six months) the amount of plan workload can be divided differently by project periods (a case that more staff hours are reported in the later stage of the project is fine). The costs for travel are depending on the reported staff costs, e.g. if no staff is reported, automatically no travel budget is granted. This works also in the other direction, if staff costs are reported, the project partner receives automatically the budget for travels even if no travel has taken place. Based on the planned staff costs amount, the project partner has an indication of how much travel costs can be covered. If the travels will be more at the beginning of the project or rather towards the end or divided equally during the whole project duration does not matter, as the budget for travels will be always 15% of the eligible staff costs.



**Question 4:** Does the hourly rate, in Finland 36€/h, include the additional indirect costs such as social security costs etc, which each organization has to pay?

**Answer:** The hourly rate per country covers gross-gross employment costs. It includes employer contributions such as social-insurance, taxes, etc.

**Question 5:** General and specific rules on VAT eligibility -please elaborate and provide the link to the relevant writing in the guidelines?

**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 under 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. Even if the single project partner budget is below EUR 5,000,000; but the total project budget is EUR 5,000,000 or more, the VAT is only eligible if it is non-recoverable under national legislation.

Written guidelines:

- Programme manual chapter D.3.2 Ineligible costs under <https://interreg-baltic.eu/gateway/>
- REGULATION (EU) 2021/1060 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 June 2021 Article 64 "Non-eligible costs"  
<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32021R1060#d1e6641-159-1>

**Question 6:** How detailed should be the descriptions of external services costs?

**Answer:** The field for the description of cost items under external services in the application form has 100 characters (one external service cost description). It should be rather short and brief.

**Question 7:** How co-finance is expected to be assured? Can it be the subject of conditionality? i.e. letter of intent of the provision of funds for the applicant from the financial agency of 20% or x amount after the positive decision of Interreg?

**Answer:** When submitting the application form, each project partner has to provide a signed partner declaration in which the partner confirms the amount of their own contribution to the project (in case of ERDF funding 20% of the partner budget will be own contribution). Once the project is approved and the project work can start, the project partner has to pre-finance fully the expenditure, report it to the Programme and get the reimbursement (80% Programme co-financing in case of ERDF funds).

**Question 8:** It would be extremely helpful to get an example of how state aid rules are implemented?

**Answer:** The Programme 2021-2027 has a risk-based approach to state aid. Project partners are not conducting any state aid self-assessment. By entering the details about each project partner into the application form, the system based on the provided data about the partner, assigns the partner to state aid or not. If a partner is classified as state aid relevant, the whole budget of this partner will be marked as state aid relevant.

**Question 9:** How to assess the level of state aid risk?



**Answer:** Project partners based on their profile and provided organisation data are assessed according to state aid risks group:

- a low risk of implementing State aid relevant activities,
- a medium to high risk for implementing State aid relevant activities,
- a high risk for implementing State aid relevant activities.

More details about each risk group are available in the Programme manual chapter P.1 What is State aid? and P.2 How to comply? under <https://interreg-baltic.eu/gateway/>

**Question 10:** For what can a project use the remaining budget from the travelling/accommodation flat rate if not so much budget has been used for travelling?

**Answer:** The case described in this question is describing underspending of costs (travel costs). Since the CAT 3 travel and accommodation costs is one form of the simplified cost options (SCOs), the MA/JS does not track the spending of this type of costs covered by a flat rate like CAT 3. The underspending (in this case) or overspending is a natural consequence of applying SCOs.

**Question 11:** If research vessels are provided by an institute to do research for the project consortium can costs (and if yes which exactly) of ships be accounted for own contribution of the partner budget?

**Answer:** The staff costs (crew of the vessel) can be reported under CAT 1. When reporting staff costs, automatically the two flat rates CAT 2 and CAT 3 will be attached to the staff costs. Any other costs related to the vessel will be reported as real costs and supported by invoices. Fuel costs, maintenance costs, insurance, etc: could be reported as directly attributable to the project or as pro-rata shares (for example based on the project/non-project days at sea). Each of the different costs should be named in CAT 4 (external service) and in CAT 5 (equipment). Since the vessel cost might differ depending on the type of the ship and how it is used for project activities the MA/JS would provide a more precise answer based on the individual consultations.

**Question 12:** How to calculate personnel costs, if a person has a contract with a fixed number of days per month (e.g. 15 man-days/month), not the %. Shall the employment contracts need to be changed to reflect %?

**Answer:** Personnel contracts do not need to be adjusted. Each project partner should differentiate between their own staff costs rules based on the national law and the way how staff costs are reported to the Interreg BSR Programme 2021-2027. The Programme does not cover any more any real costs for staff, but operates with an hourly rate. This means that each employee provides the number of hours he/she worked on the project and not the number of fixed days per month (or fixed percentage) from a working contract. Project partners report productive hours worked on the project of their employees.

**Question 13:** Can we just monitor hours and 1 720 h maximum? We often do not set percentage, but pay for hours required by tasks each month?

**Answer:** Yes, partners can monitor productive hours worked on the project only and the annual limit of 1,720 h in order to report them to the Programme.



**Question 14:** Can flat rate be used to cover holidays, sick leaves etc what is now not eligible under staff costs?

**Answer:** Holidays and sick leave are included in the predefined hourly rate per country, this is why they cannot be reported as an extra to the Programme. Project partners can report only productive hours with the hourly rate (hours spent at work on the project).

The MA/JS does not monitor the spending of the automatically given flat rates to the staff costs (15% of staff for CAT 2 Office and administration and 15% of staff for CAT 3 Travel and accommodation). These flat rates are granted based on the eligible staff costs and are dedicated for the use of the project partner.

**Question 15:** Why only productive hours are eligible? Partner institutions cover leader, sick leaves etc. as well. Where does the rule come from?

**Answer:** The rule comes directly from the Interreg regulation. Based on the art 39 (5) of the Regulation (EU) 1059/221, for staff cost reimbursed based on the hourly rate, the hourly rate shall be multiplied by the number of hours actually worked on the operation based on a time registration system.

**Question 16:** Is it possible to do subcontracting?

**Answer:** Subcontracting is possible when applying the public procurement rules.

**Question 17:** Regarding an own contribution with the 20% - is it possible to contribute with a voluntary work and how it should be reported?

**Answer:** In core projects, unpaid voluntary work is not possible. Unpaid voluntary work is possible in small projects and can amount up to the amount of own contribution (20% in case of ERDF co-financing). Unpaid voluntary work in small projects can be reported in the same way as staff costs (productive hours multiplied by the hourly rate).

**Question 18:** Is there a flexibility rule for exceeding budget categories?

**Answer:** The budget flexibility rule is applicable to core projects only. Budget flexibility allows projects to overspend on one or more of their approved cost categories by 20% or EUR 40,000, whichever is higher.

**Question 19:** Is it still necessary to document the invested working-time, e.g. by filling-in time-sheets?

**Answer:** Yes, for the reporting to the Programme a document called report of hours will be needed. This document contains a timesheet that must be filled by each employee working on the project.

**Question 20:** Should costs for general project management, communication and dissemination be covered in the Work Packages 1-3?

**Answer:** Costs for project management should not belong to Work Packages 1-3. In the application form, only the indicative percentage split of the total project budget should be named for project management, WP1, WP2, WP3.



These four parts should make together 100%. Project management is a separate section in the application form, disconnected from the WPs 1-3.

**Question 21:** We don't use workload percentage but pay for hours spent each month. Workload may differ every month. How we then apply this 1 720 hours condition?

**Answer:** The MA/JS does not monitor any conditions of the work contracts of employees at project partners. It is not a problem that the workload differs per month, project partner reports to the Programme the number of productive hours for each employee (if it is in one month 20 h and in another month 160 h, this is fine as long as the total number of hours per year does not exceed 1,720 h per employee).

**Question 22:** Is there a flexibility rule allowing to increase/decrease budgeted amounts in budget categories?

**Answer:** The budget flexibility rule is applicable to core projects only. Budget flexibility allows projects to overspend on one or more of their approved cost categories by 20% or EUR 40,000, whichever is higher.

**Question 23:** What we are allowed to do with the difference of amount we receive as staff cost units and what we actually spend. We have this problem in Erasmus+ projects. We need to monitor savings and manage to spend them in some way during the project. Or we may keep minor savings which appear at project end?

**Answer:** Staff costs will be reported as SCOs. SCOs can lead to undercompensation or overcompensation compared to the real costs. The MA/JS will not balance the difference caused by over- or undercompensation.

**Question 24:** How to divide the total budget per WP1, WP2, WP3? Per partner?

**Answer:** The total budget should be divided among: management activities, WP1, WP2 and WP3 as an indicative percentage share in core projects. Project partners plan their budget in EUR separately and the sum of all partners gives the total project budget (in small projects the total project budget cannot exceed EUR 500,000). To sum up, the division is per project partner and only estimated percentage split should be given among the project management activities and the WPs.

**Question 25:** Is cascade funding possible. For example, innovation voucher scheme for SME's. What is the funding rate? What is the flat rate %?

**Answer:** The Programme does not support any voucher schemes. Moreover, the Programme does not allow any funding to organisations who are not registered as project partners neither. Therefore, the cascade funding is not possible. The Programme has foreseen non-financial support to SMEs (like consultancy service) who are not project partners. Such support is understood as aid to third parties.

**Question 26:** is it possible to make changes in the project team within the project lifetime?



**Answer:** Yes, it is possible to make changes in the project team within the project lifetime.

**Question 27:** How to understand this evaluation question in practice: in practice is the budget appropriate in relation to the planned activities, outputs, results and involvement of partners? Please describe?

**Answer:** The budget adequacy will be evaluated within the assessment phase after submission of an application. The MA/JS will check the planned budget for staff and all other cost items included in the application form and compare this overview with the promised outputs and solutions.

**Question 28:** Is it right that for a German partner the controller has to be only paid for controlling CAT 4-6? If yes, the costs for the controllers would be much cheaper as in former project periods?

**Answer:** Yes, it is right that the costs for controllers will be rather lower compared to the Programme 2014-2020, since the controllers will conduct the management verification of real costs only (costs under CAT 4-6 in core projects). Moreover, the real costs (CAT 4-6) do not need to be reported in every progress report (occurring every six months), but they can be for example reported every second progress report (every 12 months), which would also reduce the number of controls by the designated controller. Nevertheless, the price for the controls (in countries with decentralized controller system, e.g. in Denmark, Germany, Lithuania and Norway) are subject of a contract between the project partner and the controller. In countries with centralized controller system, e.g. in Sweden, Poland, Latvia, Estonia and Finland project partners do not pay for the management verification by controllers.

**Question 29:** Are partners allowed to use their timesheets generated by their human resource management system if they contain required information? Will partners be obliged to submit also information on total hours worked by project staff, also the hours spend on other tasks than project?

**Answer:** No, partners are not allowed to use their timesheets. For reporting of productive hours to the Programme, the MA/JS will provide a unified template with report of hours in English the same for each country. The report of hours will be on daily basis and will include also hours spent on other tasks than the project.

**Question 30:** Will the split per WPs to be used in the reporting, so to be followed during the implementation? Will it have a binding effect?

**Answer:** The percentage split per WP is indicative and will not have a binding effect during the project implementation.

**Question 31:** Are businesses (SME or large, for-profit) eligible as partners?

**Answer:** Yes, private bodies as large companies or SMEs are eligible as project partners.



**Question 32:** In case we have savings in a result of applying unit costs - if actual expenses are lower than the amounts earned by unit costs- will the projects need to pay back these savings if they are not spent?

**Answer:** No, the MA/JS will not require to pay back any savings. Overcompensation or under-compensation related to the usage of SCOs is a natural consequence of them.

**Question 33:** Can SME get financial support of projects without having links with other stakeholders?

**Answer:** SMEs can receive reimbursement of cost only if they act as a project partner. If SMEs are not a project partner, they cannot receive any financial support from project partners. SMEs can only receive non-financial support (like a consultancy) in form of an aid to third parties. Of course, SME can provide service to the projects based on the service contract resulting from the relevant procurement procedure

**Question 34:** Could part of the Interreg project (small) be supported by another EU Foundation, for the stable functioning of a small NGO in a partnership project?

**Answer:** The project cannot be supported by other EU funds. Another EU foundation would be understood as another EU fund, and only one EU fund (like ERDF fund) can be applied per project.

**Question 35:** Eligible costs categories, levels. Non-eligible costs. Guidelines?

**Answer:** All eligible costs and all ineligible costs are listed in the Programme manual available under <https://interreg-baltic.eu/gateway/>.

**Question 36:** When is the flat rate for CAT 2 and CAT 3 paid? Before or after the project?

**Answer:** Both cost categories CAT 2 and CAT 3 are linked to the eligible staff costs and are paid once staff costs are reported. If a partner report includes staff costs, the BAMOS system will automatically calculate 15% of it to CAT 2 and 15% of it to CAT 3. Both flat rates will be reimbursed together with the staff costs.

**Question 37:** No external services to project partners? Each partner composed his own budget? How is it expected to be compiled? By whom? In BAMOS+? Does PIF differs with application in Bamos+ and to which extent? Can we access both application forms in word and excel version asap, svp?

**Answer:** External services are possible in core projects under CAT 4. Each project partner should estimate his own budget for the planned activities. The budget per partner can be entered in BAMOS. Lead partner can give access to BAMOS to the other project partners or fill in the budget for the respective partner. PIF (Project Idea Form) is a short summary of the planned activities of your proposal, while the application form in BAMOS is much longer and detailed. Lead partner can apply for access to BAMOS already now <https://interreg-baltic.eu/gateway/bamos-account/> The application form is not available as word or excel version.

**Question 38:** Can we change a number of working hours of the employee every month / every milestone? involve other team members?





**Answer:** Yes, the number of hours can be changed every month if needed. The number of productive hours per month can differ per employee.

**Question 39:** What costs are to be reported? (edited: question from CAT4)?

**Answer:** Costs under CAT 4 (external service) that are necessary for project implementation can be reported such as external expertise, project management, design costs, costs for studies etc. Public procurement rules must be observed when selecting the service providers under CAT 4.

**Question 40:** Who will evaluate the budgets of the proposals - external experts?

**Answer:** The proposals including the planned budget will be evaluated by the MA/JS.

**Question 41:** What are cost limits for equipment?

**Answer:** There is no cost limit for equipment, but the planned equipment must be reflected in the planned project activities.

**Question 42:** Over or under-compensation possible for office costs and travel costs - please explain how it will be in practise, something like flexibility rule?

**Answer:** The MA/JS does not follow up or balance any differences related to overcompensation or undercompensation of SCOs (CAT 0, CAT 1, CAT 2, CAT 3, CAT 7).

**Question 43:** Regarding CAT3 costs, is it possible to transfer funds among employees?

**Answer:** CAT 3 is a flat rate covering travel costs. This flat rate should cover all travel costs of all employees who travel for project related activities. Any overcompensation or undercompensation will be not followed up by the MA/JS.

**Question 44:** Partner possesses new-tech equipment /product/ infrastructure equipment to be tested within WP2. This is his main input /technology/. What costs category/ies recommended if no servicing between partners?

**Answer:** The cost category dedicated to equipment is CAT 5. It is correct that project partners cannot contract each other.

**Question 45:** Is a part-time secretary handling the finances of the project in salary category or part of office costs?

**Answer:** The share of work dedicated to project finances for a part time secretary can be planned in the CAT 1 Staff costs.

**Question 46:** During the previous programming period, the VAT was ineligible, if there was a theoretical possibility of recovering the VAT. Has this principle now changed or does it still matter, how countries/institutions themselves interpret this?





**Answer:** This principle has changed, since in the Programme 2021-2027 the VAT is eligible if the total project budget is below EUR 5,000,000 under the condition that there are no other regulations prohibiting it on the national level. VAT in projects with total budget at EUR 5,000,000 or more is only eligible if it is not recoverable under the national legislation.

**Question 47:** Are there guidelines how much costs could be allocated to a laptop?

**Answer:** No, there are no limits set for that. A laptop can be purchased and reported as full costs, as depreciation costs, as rent cost etc. The chosen cost method (full costs, depreciation, rent) should reflect the value for money principle, which will be assessed when evaluating the submitted project application.

**Question 48:** Will there be possibility during the application phase to ask questions about the project budget formation/calculation, for example regarding specific CAT6?

**Answer:** Yes, lead partners can reach out to the MA/JS during official consultations. Moreover, lead partners or project partners can reach out to the MA/JS via e-mail [info@interreg-baltic.eu](mailto:info@interreg-baltic.eu) to receive an answer to the budget calculation or any other question.

**Question 49:** If we plan something new and in project need short term other specialists involvement apart from staff, what is the correct way of involving this specialist? Is work contract for specific task and hours appropriate in this situation?

**Answer:** Project partner can either employ such an expert based on a work contract or equivalent and report productive hours under CAT 1. Or project partner can procure such an expert as an external contract by obeying public procurement rules and report these costs under CAT 4.

**Question 50:** As partners need to cover 20% of project budget by their own contribution, is it possible to cover this with external private funding or similar?

**Answer:** Only public cash inflows (international, regional or local funds) can be used to cover own contribution. Private cash inflows are regarded as donation and sponsoring, these cannot be used to cover own contribution.

**Question 51:** Can one partner cover co-financing of another partner?

**Answer:** Each project partner has its own budget. The MA/JS advice to approach us directly for a clear feedback if one partner could cover the own contribution of another partner in case the covered amount is treated as public cash inflow.

**Question 52:** Can we attach an Annex to explain the budget cost categories (external services), because the space in the form is limited?

**Answer:** No, such annex is not foreseen. The limited space for the cost items' descriptions under external services (CAT 4) should be sufficient to explain the type of service.



**Question 53:** The 40% overhead in small projects is problematic if mostly staff costs (say 400-450 K) but no significant expenditure (office etc.) is needed. How to solve this? Just plan less staff hours and use the flat rate on the extra hours internally to "make it fit"?

**Answer:** This can be solved by balancing the overcompensation in CAT 7 (Other costs) with an undercompensation in CAT 1 Staff costs. The SCOs offer flexibility here.

**Question 54:** When planning total partner's cost in CAT 1 in national currency in BAMOS+ should it be converted in EUR? Then is the amount in EUR binding for whole project implementation/reporting periods? We cannot report more event if in line with the rules?

**Answer:** The planned amount should be entered in EUR to BAMOS and it would be better to round up the figures in order to cover any differences of the exchange rate. The planned amount is not binding as you might have a difference between the planned amount and the actually reported amount later on during the reporting. If project partner reports at the end less than originally planned, this would be possible, if project partner reports more than originally planned, only the amount up to the approved project budget can be reimbursed by the Programme.

**Question 55:** How to understand "ineligible project partner structures" for small grants? term used for evaluation?

**Answer:** During the quality assessment the MA/JS assesses if there are any ineligible project partners in a partnership. Especially, the MA/JS pays attention to any umbrella structures in a project, meaning that one organisation collects funding for other organisations who are not registered as project partners (an example would be a company applying for funding of its subsidiaries who are not included as project partners in a project).

**Question 56:** Is every project that lasts no more than 24 months and budget below EUR 500,000 automatically a small project? What is the basis for differentiating small and core project?

**Answer:** The difference between a core project and a small project is mostly recognisable from the content point of view. A core project consists of three predefined WPs, it requires outputs, pilots and solutions to a set challenge. A small project has only one WP (it can be defined by the project) and must provide at least one output. Pilots are not obligatory in a small project, as small projects have more experimental character. The total budget limit of small project with EUR 500,000 would be hardly sufficient for a core project with three WPs including piloting activities in it. Moreover, partners should be aware of the call they are applying to. If you apply to a call for core projects, your budget will be planned with SCOs (CAT1, CAT 2, CAT 3) and real costs (CAT 4, CAT 5, CAT 6). If you apply to a call for small projects, your budget will be consisting of SCOs only (CAT 1, CAT 7).

**Question 57:** Can one organisation be part of more than one BSR project applications / projects?

**Answer:** Yes, once organisation can be involved as project partner/or lead partner (if requirements fulfilled) in more than one application.

**Question 58:** Can private company be a partner for small grants?

**Answer:** Yes, a private company can be project partner in a core project and in a small project.