

BUDGET REDUCTION METHODOLOGY

The present Budget Reduction Methodology will be used in the evaluation procedure of the submitted project proposals under Interreg IPA Cross-border Cooperation Programme "Greece – Albania 2014 – 2020".

General guidelines:

The Costs in all budget categories should follow the rules and restrictions set by the Call for Proposals, the Programme and Project Manual as in force, the respective documents of the Call package and should be fully justified. Any amounts that exceed the limits, the restrictions set and are not fully justified, should be reduced accordingly.

Special Categories of costs

❖ Preparation costs

- Must not exceed **20.000,00€**.
- The related activities must have been implemented:
 - For Greek beneficiaries from 1st of January 2014 until the date of submission of the Application
 - For the Albanian beneficiaries from 22nd of September 2014 until the date of submission of the Application.
- Must show direct connection to the approved project and must be included in the Application Form.

Preparation Costs should fall under the following cost categories:

- Staff Costs
- Travel and Accommodation Costs
- External Expertise and Services Costs

❖ **Management costs**

- Should not exceed **10%** of the total beneficiary's budget. Preparation costs and any potential costs for external auditors are not calculated in the 10% limit.
- Should be strictly included in WP1. Management costs included in other WPs will not be considered as eligible.
- Project and coordination meetings should be relatively limited and included in the Project Management & Coordination work package (WP1). The number of the required meetings should be proportionate to the duration of the project and the size of the partnership (number of beneficiaries). The maximum number of project/coordination meetings per year that can be accepted are two (kick off and close out meetings are not included).

❖ **Financing of activities located outside the Programme area**

In principle, all activities of a project should take place **within** the eligible Programme area. It is possible for a project to finance activities or events outside the eligible Programme area in the context of cooperation Programme and in duly justified cases, provided that Article 44(2b) of Regulation (EU) No.447/2014 is respected. According to the Programme: *"The total budget allocated to beneficiaries outside the Programme area together with the total budget allocated for activities outside the Programme area cannot exceed **20%** of the budget of the Programme. Beneficiaries located outside the programme area are not allowed to implement activities outside the programme area"*.

Budget Categories

❖ **Staff costs**

Staff costs cannot exceed **50%** of the total Beneficiary's Budget, regardless of the calculation option selected. Staff costs should consist of gross employment cost of staff employed by the beneficiary in one of the following ways:

- a. Full-time; (i.e. Person employed by the Beneficiary organisation and working fully on the project;)
- b. part-time with a fixed percentage of time worked per month; (i.e. Person employed by the Beneficiary organisation, working partly for the project on a fixed percentage;)

- c. part-time with a flexible number of hours¹ worked per month (i.e. Person employed by the Beneficiary organisation, working partly for the project on a number of hours per month) or
- d. on an hourly basis (i.e. Person employed by the Beneficiary organisation, who does not have a fixed number of hours per month and is paid at an hourly rate).

The Albanian beneficiaries' staff costs with no additionality should not exceed 15% of the beneficiary's total eligible budget.

The following options for calculating staff costs are available in this Programme:

1. Staff costs calculated on a **flat rate up to 20%** of direct costs other than staff costs.

Direct costs linked to public procurement contracts that constitute the biggest part of the project should be excluded from the calculation, which the flat rate is to be applied on.

In any case the beneficiaries should justify their choice of the flat rate cost option and indicate the budget categories of costs that the beneficiary has selected for the flat rate cost option. During the project evaluation process, the calculation method of flat rate costs declared by the beneficiaries will be checked and will be subject to revision, in cases where the procurement of works, goods or services with significant effect on the project is taken into consideration in the calculation of the staff costs.

2. Staff costs calculated **on a real cost basis**

According to Article 67(4) of the Common Provision Regulation 1303/2013, a project implemented exclusively through public procurement of works, goods or services can use only the real cost calculation of staff costs.

Each beneficiary will have to provide the rationale of the staff costs estimations in the Specification of Budget Cost document regardless of the calculation option selected and according to the respective legislation in

1 The Hourly rate shall be calculated either by dividing the latest documented Gross Annual Employment costs by 1720 hours or by dividing the monthly gross salary by the time worked per month.

force. The amount charged for the project must be linked to specific deliverables.

❖ **Office and administration costs**

The office & administration costs **should not exceed 4%** of the total Beneficiary's budget, regardless of the calculation option selected.

In addition, if the flat rate calculation method is adopted, Office and Administration Costs **should not exceed 15% of staff costs**.

Office and administration expenditures should follow certain conditions:

- They should be clearly related to the implementation of the project,
- They should be charged to the project proportionately
- They should be calculated on a fair and duly justified distribution method

Failing to comply with the aforementioned conditions may lead to reduction.

❖ **Travel and Accommodation costs**

In the category "Travel and Accommodation" attention should be given to the number of trips and to their necessity taking in to account the number of beneficiaries and the actions of the project. The trips should be adequately justified and should be calculated according to the National and/or European Guidelines (per diem). In cases that the number of trips or their costing is not adequate or duly justified, they will be reduced. More specifically, the Greek beneficiaries have to respect the National law, which sets the ceilings for all types of costs included in this category:

For national travels:

- Cost for accommodation may not exceed 60,00€:
 - with an additional 20% for Athens/ Thessaloniki
 - with an additional 20% for the months July - September
- Cost of daily allowance may not exceed 40,00€

For international travels:

- Cost for accommodation may not exceed 160,00€
- Cost of daily allowance may not exceed:
 - 80,00€ for countries within the EU (except from those below)
 - 60,00€ for Estonia, Latvia, Lithuania, Armenia, Hungary
 - 50,00€ for Albania, FYROM, Bulgaria, Romania

In case of the use of private/beneficiary car (where eligible) the cost may not exceed 0,15€ per km.

The Albanian beneficiaries will have to respect and apply the following limits for travels:

- For national travels the total per diem may not exceed 70,00€ for both accommodation and daily allowance.
- For international travels the total per diem may not exceed 200,00€ for both accommodation and daily allowance.
- In case of the use of private car (where eligible) the cost may not exceed 0,22€ per km.

❖ **External Expertise and Services costs**

The most important issue is that there should be extensive analysis of the justification of budget for the deliverables included in the project. There is no budget limit for this cost category.

It must be noted that whatever is described in this category should follow a tender procedure applied in each case, according to the budget limits set by Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012 and of Chapter 3 of Title II of Part Two of Delegated Regulation (EU) No 1268/2012. The potential reductions will depend on the type of the projects and expertise required.

In the case of studies, researches and the use of experts in general, the respective costs should be analyzed in depth including at least:

- the number of people occupied,
- the respective man-months
- the experience required

in order to conclude on the final amount.

Market prices for analogous services should be taken into consideration.

In the case of websites, portals and respective IT tools and applications, the market prices have been significantly reduced. Hence, the maximum amount for a website/portal may not exceed **5.000,00€**, including those with databases. Higher prices should be extensively analyzed and justified. In order for the deliverables of this group to be eligible, the availability of access to people with disabilities shall be explicitly mentioned.

In the case of vocational training projects, the number of the proposed trainings should be examined, as well as the number of trainees and the cost

of the trainers, with regards to the institutional frameworks governing the vocational training in Greece and in Albania. The vocational training programmes should focus on specific needs of their implementation area. These needs should be justified in the Application Form. Failing to provide appropriate justification, the respective costs will be subject to reduction. Special attention should be paid to the studies and researches that the vocational training projects suggest, keeping in mind the following conditions:

- They should be related to the needs of the project
- They should prove that their results will be applied

In the case of activities under the Information & Publicity (Work Package 2), the following conditions should be taken into consideration:

- Events: The events included in the project should be limited to those necessary for the project as stated in the Information and Publicity Guide of the Programme. Additional events should be accepted in duly justified cases.
- Participation in exhibitions or other similar events should be duly justified in terms of the necessity for the project objectives and according to the expected benefits. In any case they should not exceed two (2).
- Leaflets/brochures: The analysis of these deliverables should include the cost of the design, the cost of the production (number of units) and where it will be distributed. In favor of the environmental protection, the production of printed material should be reduced to that obligatory by the I&P Guide of the Programme.
- Promotional material: The analysis of the cost of the promotional material should include the cost for the design of logos, the type of material, the cost per material and the number of units to be produced per type of material.

Justification of the necessity and expected benefit of each material should be provided.

Studies for soft activities or technical studies should be fully justified in terms of the necessity for the project implementation and of the expected benefits. The cost for studies should include the appropriate breaking down (i.e. number of experts, man-months, amount and experience of researchers, bill of quantities) or should present market prices. Not justified studies, in terms

of the necessity, or not justified costs are subject to a budget reduction. In case of technical studies, the National legislations should be followed.

❖ **Equipment costs**

Equipment costs are eligible under the condition that equipment is absolutely necessary for the project implementation and is foreseen in the approved application form. Technical specifications for the equipment and the number of units should be clearly stated and justified. Total cost should not exceed the generally accepted market price. The market prices for equipment shall be supported by appropriate documentation (e.g. offers by suppliers). The necessary equipment for the management and coordination of the project (eg. Desktops, laptops, etc) must be purchased at the beginning of the project implementation. If this kind of equipment is planned to be purchased at the end of the project implementation then the cost can be considered ineligible.

❖ **Infrastructure and Works**

If the infrastructure projects include preliminary or final studies officially approved by the respective body of the beneficiary they will not be reduced. Technical specifications, number of material required, quantities and other relevant details should be clearly presented. Amount foreseen should be justified, related to specific deliverables and in accordance with respective studies.

Finally, the project officers can ask for further clarifications via e-mail concerning the allocation of budget categories and the justification of costs, when it is necessary and after consultation with the JS Coordinator.