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Experiences on implementing  
the lump sum (draft budget)  
cost option in Finland

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## Where are we now in implementing simplified cost options in soft aid measures

- SCO used in RDP Finland 2014-2020:
  - Flat rate 15 %
  - Flat rate 24 %
  - Lump sum (draft budget with case by case analysis)
  
- In investment projects **eligible costs actually incurred and paid** has been the only possible cost option until 2018
- Flat-rate cost options have simplified the development projects and most of the development projects (in other than Leader measures) are applied with **flat rate** cost option.
- Lump sum cost option projects are mainly funded by LAGs due to the regulations (maximum support 100 000 €)

# SCO in Finland

## ➤ Leader measures

Cost option	Projects	%
	<b>3736</b>	
Flat rate 15 %	247	7 %
Flat rate 24 %	695	19 %
Lump Sum (development projects)	7	0 %
Lump Sum (investments)	45	1 %
Eligible costs actually incurred and paid	854	23 %
Eligible costs actually incurred and paid (investments)	1888	51 %

## ➤ Other measures (M01,M07,M16)

Cost option	Projects	%
	<b>1249</b>	
Flat rate 15 %	206	16 %
Flat rate 24 %	720	58 %
Eligible costs actually incurred and paid	82	7 %
Eligible costs actually incurred and paid (investments)	241	19 %

# Story of Implementing lump sum in Finland

- The lump sum cost option was included in the Rural Development Program in Mainland Finland 2014 – 2020
- Finnish Food Authority launched the Hyrrä information system in 2014. Implementation of the lump sum was included in the application.
- 2016: implementation of the lump sum cost option was paused due to the challenges in interpreting the regulations.
- 2017: the Omnibus regulation: The lump sum implementation was legitimate
- 2018: Implementation of the lump sum option continued
- 11/2018 first lump sum project was funded
- Today over 150 projects are applied with lump sum cost option
  - 52 granting decision has been made

# Use of Lump Sum (in soft aid measures) in Finland

- The Lump sum cost option was eagerly expected, especially for the Leader projects
- Innovators and early adopters are adapting the lump sum right now, the majority will follow most likely on next period. Simplification is also a question of Image and Reputation
- The benefits and added value are appearing in paying process: **Easy, Simply and Fast**
- Experiences:
  - Importance of good planning, setting up the targets and quality of decision making
  - emphasis more on decision making
  - Importance and meaning of trust

# Still some Member States where SCO's are not implemented

- Fear of uncertainty, novelty
- Risk of inaccuracy in calculations --> fear of audit
- Inconsistency of EU-laws
- Changes in market and conditions
- Lump-sum is too risky (binary approach)
- Lack of best practices

➤ **A new mindset is necessary**



Applying and payment process of  
lump sum with draft budget



## Applying process:

- Planning the project does not actually differ from the project planning with eligible costs actually incurred cost option
  - Project plan must be plain and application form filled carefully
  - Project can be divided in several parts, that form clear entities
  - Number of parts are not limited
  
- Beneficiary must be sure to implement the project as planned
  - Changes are not possible in lump sum project
  
- Draft budget is evaluated case by case
  - Biggest difference to off the shelf –lump sum cost option
  
- The reasonableness of the costs are verified in the project application
  - Local authority (ELY) assess reasonableness of the costs in the decision making process
  - Discussion between decision and paying authorities in ELY



## Paying process:

- Short Application form for payments
- Grant may be paid in 3 installments
  - Every milestone/step is verified with spesific outcome (a picture etc.)
  - Number of the parts or order isn't limited in application of payments
  - You can apply the ones that has been finished
- Final report where the outcome is verified with pictures, youtube –links etc.
- The last installment may be paid when the last part is finished as planned



# Specific questions

## ↗ Reasonableness of Costs

- ↗ Reference costs

- ↗ Over 2500 € -> assessment of common price level

- ↗ Enough offers (3)

## ↗ State Aid

- ↗ In measures 1 and 16

- ↗ The decision making is based on predetermined support rates that take into account the State Aid rules

## ↗ Public procurement

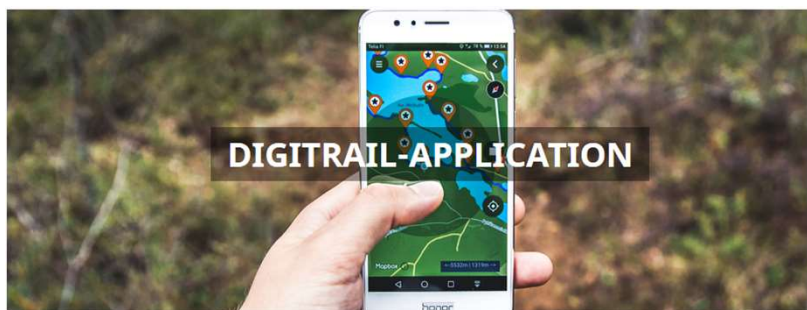
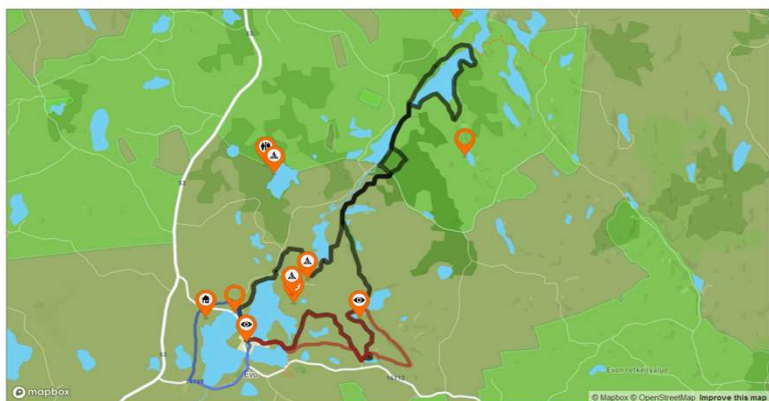
- ↗ Rarely occurs in Lump Sum projects (100 000€ limit)

- ↗ A part of the projects may be implemented through public procurement



Examples

# Lasten liikunnan tuki ry: Luontoliikuntakeskus: digitaalisuus toiminnan tukena



- Earlier project: DigiTrail
  - 3 different length of trails, including digital activities
- This Lump sum project: purchase 15 tablets and a movable monitor
- Project aim: make possible for everybody to use and have access to DigiTrail and its digital activities
- Aid granted: 5000 €
- The project consist one part, payment applying in one installment
- Verification: when project is ready, with pictures
- <https://gotavastia.fi/digitrail/>

# Municipality of Sonkajärvi: Cultural- and outdoor trail of Sukeva

## Sonkajärven kunta: Sukevan pakoraitti, Sukevan kulttuuri- ja ulkoilupolku



- Many development project completed before
- Project aim: better use of trails by purchasing infosings, and making two small bridges
- Aid granted: 5150 €
- The project consist one part, payment applying in one installment
- Verification: when project is ready, with photograph and short rapport



- <https://retkipaikka.fi/sukevan-pakoraitti/>

# Kyrönmaan sydänyhdistys ry: Vanhusparkki "Outdoor Gym for Elderly"



- Project: building a outdoor gym for elderly and other locals.
- Project aim: Health promotion without indoor air problems
- Aid granted: 5150 €
- The project consist one part, payment applying in one installment
- Verification: when project is ready, with pictures of the outdoor gym equipments





# Key learning experiences

- Lump sum is not suitable for every project: complicated building- and renovating projects are safer to run with cost option that allows changes in project plan.
- LAG's Leader advisor is a key person in implementing the lump sum cost option: the applicants trust their expertise and advice to help to choose the right cost option for their project
- New cost option and way to run a project may intimidate the applicants, therefore activation, advising and persuasion is needed
- Beneficiaries benefit from low bureaucracy in applying the payments
  - the enthusiasm to run yet another project will remain





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