



# P-BA How to ...? Measure's total cost estimation

## Article 8.3(d) EFRD

(d) set out the total estimated costs of the measures together with information on existing or planned Union financing where relevant, backed up by appropriate justification and by explanations of how it is in line with the principle of cost efficiency, sound financial management and commensurate to the expected economic and social impact;

2. Methods for Costing Exercises		
01 - Historical and Verifiable Data	02 - Data Already in the Programme	03 - Public Expenditure Savings
<p><b>BASIS</b></p> <ul style="list-style-type: none"> <li>Historical datasets</li> <li>Administrative data</li> <li>Market survey</li> <li>Other reliable and verifiable sources</li> </ul> <p><b>KEY LOGIC</b></p> <ul style="list-style-type: none"> <li>Use past or objective data to estimate realistic costs</li> <li>Supports a robust costing exercise</li> </ul> <p><b>EXAMPLE - Education Reform FNLC</b></p> <ul style="list-style-type: none"> <li>Mapping activities to outputs, results and duration</li> <li>Identification of required resources (HR, procurement, obligated tasks)</li> <li>Cost estimation using internal/external data, expert judgement, bottom-up costing, EU unit costs</li> <li>Aggregation into total operation cost</li> <li>Annual cost distribution (with mid-period peak)</li> </ul>	<p><b>BASIS</b></p> <ul style="list-style-type: none"> <li>Programme output and result indicators</li> <li>Pre-agreed targets at Specific Objective level</li> </ul> <p><b>KEY LOGIC</b></p> <ul style="list-style-type: none"> <li>Indicators used not only for monitoring, but also as payment triggers</li> <li>Amounts derived from: Programme allocative amounts</li> <li>Division of allocation by indicator targets</li> <li>Ensures alignment with programme design and sound financial management</li> </ul> <p><b>EXAMPLE</b></p> <p>FNLC scheme targeting marginalised communities: monthly subsidy per community defined based on programme indicators and financial allocation.</p>	<p><b>BASIS</b></p> <ul style="list-style-type: none"> <li>Expected savings or financial benefits generated by results</li> </ul> <p><b>KEY LOGIC</b></p> <ul style="list-style-type: none"> <li>Payments linked to avoided or reduced public expenditure</li> <li>Forward-looking, results-based approach</li> </ul> <p><b>KEY REQUIREMENTS</b></p> <ul style="list-style-type: none"> <li>Clear causal link between results and savings</li> <li>Robust evidence on economic models</li> <li>Data to quantify public expenditure savings (e.g. reduced subsidies, social benefits, unemployment support)</li> </ul>

### Factors to consider

#### Reliability data

- Verify that historical data is still reliable and representative
- Check if other sources are available and applicable
- Check for significant changes in market conditions (e.g. inflation, wages, prices)
- Ensure cost structures have not materially shifted – repetitive actions

#### Auditability

- Maintain full documentation of the methodology
- Clearly describe data sources, calculation methods, assumptions used
- Ensure traceability for audit purposes

#### Compliance

- Ensure compliance with the principle of cost efficiency and sound financial management

#### Approval

- Consider if approval is needed from the MA, AA or EC
- Ensure the methodology is auditable by relevant control bodies
- Be prepared for review by Audit Authority / European Commission

#### Flexibility

- Set a number of smaller intermediate targets spread throughout the duration of the operation
- Allow for a safety margin to achieve the final target – incorporate a "failure buffer"
- Allow for an amendment of M&Ts

#### Proportionality

- Ensures that financial value is assigned in a balanced way, reflecting the relative importance, scale, and effort of each milestone or target
- Consider cash outflows VS EU reimbursement amounts – avoid "frontloading"



### Quotes:

*'Cooperation between content and finance closer than ever'*

*'Putting money on indicators changes everything. Work simultaneously on costing & indicators with audit trail in sight'*

*'Don't forget to build in your safety net'*

*'Access to relevant data is a must'*