

# Exercise: unit cost in ESI project

- **Total cost = EUR 155 742**
- **20 trainees**
- **each one being trained for 1600 hours**
- **1 day has 8 hours**
- **Target : 75% of trainees into a job at the end of the training**
- **Devise a unit cost either :**
  - **a) process (input/output) based**
  - **or b) result based**
- **Discuss the PROs and CONs and possible countermeasures**

# SOLUTIONS

- **PROCESS BUT INPUT BASED**

- EUR 155 742/200= **EUR 778 EUR/DAY of TRAINING**

- **PROCESS BUT OUTPUT BASED**

- EUR 155 742/(1600\*20)= **EUR 4,86 EUR /HOUR/TRAINEE**

- **RESULTS**

- 20 trainees ; 15 is the target

- **EUR 155 742 /15 = EUR 10 382**

# Control and audit of unit costs

## Advantages and disadvantages of SCO

SCO chosen	+ PROs	- CONs	Countermeasures
<b>778 EUR*day training</b> (EUR 155742/1600/200)	Simple focus days of teaching. Relative admin burden (you need to justify 200 days)	No attention to trainees in room nor quality (substitution of senior by junior trainers?). Trainees registering and then leaving the day after	Safeguard quality by identifying minimum standards for inputs or outputs
<b>4,86 EUR*hour*trainee</b> (EUR 155742/1600*20)	Safeguard economic equilibrium: you pay in proportion of what you deliver/use Focus on <b>trainees</b> in the room making sure drop-outs are reduced	High adm burden/workload to control. Steering beneficiaries to quantity rather than quality. Cheating by doing more hours Tendency to pass from training to training without going into a job Risk of contractor adding extra trainee at any time	Combine with result based approaches as long as either you refer to different costs or different phases of the project
<b>10 382 EUR*successful trainee</b> completing and into a job (EUR 155742/15)	Simpler controls/Low admin burden/smaller number of items <b>Clear result impact orientation/measurement</b>	You incur costs but are not paid. Small versus larger contractors Risk of adverse economic cycles Creaming/Parking	Clear and measurable conditions Included milestones/intermediate results to counter risk of economic disequilibrium. Higher unit costs for trainees with lower chances of success. Targeted calls

# Exercise: proper application of SCO with art 53.2 CPR on mandatory SCO use?

Project A	€	Reimbursement method chosen
Direct staff costs	100.000	Real costs
Indirect costs	15.000	Flat rate 15%
Other direct costs	75.000	Real costs
Total costs	190.000	

Project B	€	Reimbursement method chosen
Direct staff costs	100.000	Real costs
Indirect costs	15.000	Flat rate 15%
Other direct costs	90.000	Real costs
Total costs	205.000	