

# ELIGIBLE COSTS, BUDGETING AND FINANCIAL PLAN

Applicant workshops 2019

Managing Authority

# Eligible costs

Basic requirements for eligibility are that the costs are:

- 1) in line with the project plan and budget
- 2) necessary for project implementation
- 3) incurred during the project implementation period
- 4) identifiable and verifiable, in particular recorded into accounting records and paid out
- 5) reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency

# Ineligible costs

The following costs are **not** eligible:

- costs incurred before or after the project implementation period (exception: costs related to making final report and final expenditure verification)
- costs that have been already financed by other sources, including other EU programmes
- duties, taxes, charges, fines, interest on debt.  
exception: unrecoverable value added tax (VAT)
- representational/entertainment expenses, costs of gifts etc.
- in kind contributions: any payment in kind, voluntary work

# Use of Euro

- Budgeting and financial reporting in euros. Managing Authority makes grant payments only in euros.
- All expenses incurred in any other currency shall be converted into euros by using the monthly exchange rates published by the European Commission (InforEuro -website)
- Conversion into euros by using the exchange rate of the month during which the expense was originally incurred.
- Note: currency exchange losses are not eligible

# Budgeting

- Prepare the budget along with the project plan:
  - ➔ What kind of resources is needed for implementation of each activity / work package?
  - ➔ What is needed to achieve the expected results and outputs in a cost-effective way?

Make sure that there is a clear link between the planned activities and budget: describe and specify the budgeted costs!


Read the Programme Manual and follow the instructions

# Budgeting

1. Each partner fills in its own cost estimate in excel
2. Budget for the project –table in excel shows automatically the total amounts of each cost heading
3. Applicant fills in the project budget in PROMAS (main headings of the whole project budget)

Note: columns “year 1, year 2, year 3” do not represent calendar years, they are cost estimates for 12-month periods from the start of the project. During project implementation, reporting periods are max. 12 months.

# EXAMPLE

COST ESTIMATE			 CBC 2014-2020 SOUTH-EAST FINLAND - RUSSIA								
Name of the Lead Partner:											
Project ID and Acronym:											
Costs	Unit	Total costs of the Lead Partner (EUR)	Year 1			Year 2			Year 3		
			# Units	Unit cost (EUR)	Costs (EUR)	# Units	Unit cost (EUR)	Costs (EUR)	# Units	Unit cost (EUR)	Costs (EUR)
<b>1. Staff</b>		<b>211 680</b>			<b>70 560</b>			<b>70 560</b>			<b>70 560</b>
1.1. Salaries of local staff		211 680			70 560			70 560			70 560
1.1.1 Technical staff	month	175 680			58 560			58 560			58 560
Project manager (full-time 100 %)			12,0	2 000	24 000	12,0	2 000	24 000	12,0	2 000	24 000
Researcher 1 (part-time 60 %)			7,2	1 800	12 960	7,2	1 800	12 960	7,2	1 800	12 960
Researcher 2 (part-time 40 %)			4,8	1 500	7 200	4,8	1 500	7 200	4,8	1 500	7 200
Assistant 1 (part-time 50 %)			6,0	1 500	9 000	6,0	1 500	9 000	6,0	1 500	9 000
Assistant 2 (part-time 30 %)			3,6	1 500	5 400	3,6	1 500	5 400	3,6	1 500	5 400
					0			0			0
					0			0			0
1.1.2 Administrative/support staff	month	36 000			12 000			12 000			12 000
Financial coordinator (part-time 50 %)			6,0	2 000	12 000	6,0	2 000	12 000	6,0	2 000	12 000
					0			0			0
					0			0			0
					0			0			0

# BUDGET FOR THE PROJECT



CBC 2014-2020  
SOUTH-EAST FINLAND - RUSSIA

Project ID: KS1234

Project acronym: CROSSBY

Costs	Total costs of the project (EUR)	Year 1	Year 2	Year 3
		Costs (EUR)	Costs (EUR)	Costs (EUR)
<b>1. Staff</b>	<b>400 000</b>	<b>145 000</b>	<b>155 000</b>	<b>100 000</b>
1.1. Salaries of local staff	400 000	145 000	155 000	100 000
1.1.1. Technical staff	280 000	100 000	100 000	80 000
1.1.2. Administrative/support staff	120 000	45 000	55 000	20 000
1.2. Salaries of staff working abroad	0	0	0	0
<b>2. Travel</b>	<b>80 000</b>	<b>30 000</b>	<b>36 000</b>	<b>14 000</b>
2.1. Trips abroad	65 000	25 000	30 000	10 000
2.1.1. Tickets (train, plane, bus), taxi expenses	19 500	8 500	8 000	3 000
2.1.2. Accommodation	36 000	12 500	17 000	6 500
2.1.3. Daily allowances	9 000	3 500	5 000	500
2.1.4. Visa costs	500	500	0	0
2.2. Local travel	15 000	5 000	6 000	4 000
2.2.1. Tickets, kilometre allowances, taxi expenses	6 000	3 000	2 000	1 000
2.2.2. Accommodation	7 500	1 500	3 500	2 500
2.2.3. Daily allowances	1 500	500	500	500
<b>3. Equipment and supplies</b>	<b>50 000</b>	<b>36 000</b>	<b>14 000</b>	<b>0</b>
3.1. Vehicles	0	0	0	0
3.2. Computer equipment, mobile phones, etc.	2 000	2 000	0	0
3.3. Machines, tools, etc.	42 000	30 000	12 000	0
3.4. Spare parts/equipment for machines, tools	6 000	4 000	2 000	0
3.5. Other	0	0	0	0



# Project Budget

Title Project budget

Programme Name South-East Finland - Russia CBC Programme 2014-2020

## Budget Details

Type of Cost	Year 1	Year 2	Year 3	Total
Staff	145 000	155 000	100 000	400 000
Travel	30 000	35 000	15 000	80 000
Equipment and supplies	35 000	15 000	0	50 000
Outsourcing costs, services	150 000	100 000	50 000	300 000
Infrastructure investments				0
Administrative costs (overheads)	25 000	21 300	11 500	57 800
<b>Total</b>	<b>385 000</b>	<b>326 300</b>	<b>176 500</b>	<b>887 800</b>
Project revenue				0
<b>Net eligible costs</b>	<b>385 000</b>	<b>326 300</b>	<b>176 500</b>	<b>887 800</b>

# Budget lines

1. Staff
2. Travel
3. Equipment and supplies
4. Outsourcing costs, services
5. Infrastructure investments
6. Administrative costs
7. Income - revenues

# 1. Staff

- Salary costs of project staff and employer's social security charges
- Full-time or part-time work, based on employment contract and actual working time for the project
- **Salaries must be at the level normally used in the organisation:** normal salary for project work in that position
- Salaries may not be raised or extra bonuses paid because of project has got extra funds in the budget.

# 2. Travel

- Travel costs of project staff, such as:
  - tickets (train, plane, bus)
  - accommodation costs
  - daily allowances
  - kilometre allowances, taxi expenses, visa costs
- Normal travel policy of the organisation shall be used, cost-efficiency as the leading policy.
- Tax free rates of daily allowances may not be exceeded (in accordance with the national legislation).
- Per diems are not allowed. Trips outside the programme area are exceptional, need to be justified.

# 3. Equipment and supplies

- Purchase or rent of equipment, supplies and materials directly needed for the project implementation
- Purchases need to be justified in the application
- Sustainability of project outputs is important: ownership and maintenance after the end of project!
- Investments may not exceed 50 % of the total costs in the budget.
- Purchase of land or buildings may not exceed 10 % of the eligible costs

# 4. Outsourcing costs, services

Based on contracts/written agreements and against invoices

- studies, surveys, trainings, evaluations
- information and visibility actions, publications
- project events: seminars, conferences, meetings
- translation, interpretation
- accounting/bookkeeping as an outsourced service
- financial services: costs of opening bank account for project purposes, charges of international financial transactions, bank guarantees, if needed

# 4. Outsourcing costs, services

- recommendation: 2,5 – 3 % of the total budget for expenditure verifications

National rules for public procurements and the guidance of programme manual must be followed!

- Subcontracting between partners is not allowed; project partners may not buy services from each other
- Project staff may not act as external experts or services providers in the project (conflict of interest)

# 5. Infrastructure investments

Cost heading 5 is mainly for the Large Infrastructure Projects (LIPs).

Common project purchases, such as computers, mobile phones etc. shall be budgeted under the heading 3 Equipment and supplies



# 6. Administrative costs

- Flat-rate based cost item: max. 7 % of the total direct costs
- Costs must be specified and justified!
- Flat rate shall cover the indirect costs related to project administration, such as:
  - office rent,
  - telecommunication, IT systems,
  - office consumables, postal services, archives
  - heating, electricity, water,
  - maintenance, cleaning, repairs, security

# 7. Income - revenues

- Cash inflows directly paid by users for the goods and services provided by the project
- Typical revenues: participation fees of project seminars, income gained from selling publications
- Will be deducted from the total eligible costs

# Financial plan

- Programme funding (grant) **max. 80 %** of the eligible costs
- Co-financing (own contribution) of project partners **at least 20 %** of the eligible costs
- Presented in PROMAS below the project budget

***Non-profit principle within projects! CBC-projects may not make a profit nor give competitive advantage to the beneficiaries (i.e. project partners)***

## EXAMPLE

### Financial Plan

Requested programme financing	<input type="text" value="700 000"/>	€ 78.85 % of total financing
Co-financing from the project partners	<input type="text" value="157 800"/>	€
Co-financing from other sources	<input type="text" value="30 000"/>	€
<b>Total Co-financing</b>	<b>187 800</b>	<b>€ 21.15 % of Net eligible cost</b>
<b>Total financing</b>	<b>887 800</b>	<b>€</b>

### Investments included in total costs

Amount of investment	<input type="text"/>	€
Share from total cost	0.00 %	

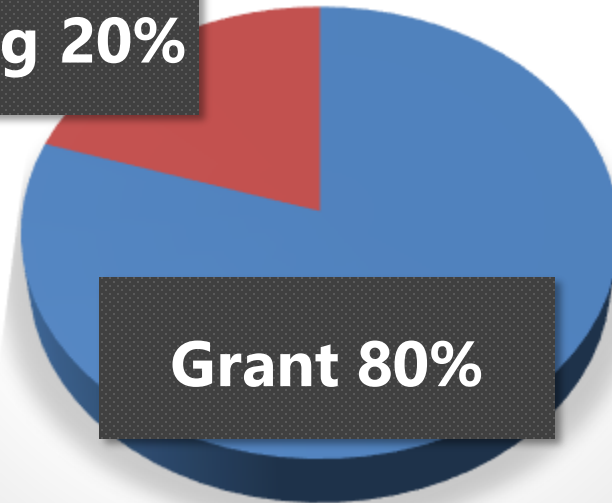
# Co-financing / own contribution

- Financed by lead partner / partners / other sources (donors)
- Confirmed in the partnership statements
- In kind contributions are not accepted (any payment in kind or voluntary work)
- Note the difference between co-financing and income
- Co-financing from other sources than project partners may be only cash, not fixed assets (equipment, vehicles, land, buildings)

# Co-financing / own contribution

**Total expenditure in the project's accounting records**

**Co-financing 20%**



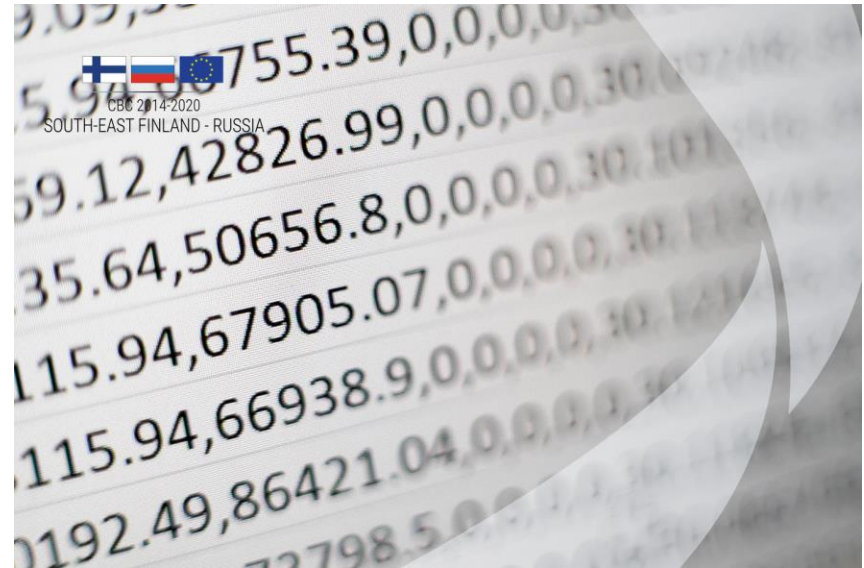
**Grant 80%**

# Cash flow of the project

- Pre-financing payments: max. 80 % of the grant for each 12-month period (note: 80 % of the grant, not budget)
- Part of the grant is paid afterwards
- Mandatory audits for each project partner after the reporting period.
- Submission to MA -> MA examines the report.
- In practice, the gap between the end of the reporting period and the next pre-financing payment is a few months.

# Before submitting the application...

- How to avoid rejection in the administrative and eligibility check?
- How to get high score for budget in the quality assessment?





# Reminders to applicants

- **Make a realistic budget with a clear link to the activities of project plan. Describe, specify and justify the costs.**
- Excel- budget form may not be modified and budget shall be attached to the application as an excel-file.
- Excel-budget must match with the budget in PROMAS.
- Total net eligible costs must match with the total financing.

# Reminders to applicants

- A separate accounting system is required: an own cost centre for the project or expenses recorded with a special project code
- Co-financing must be confirmed by partnership statements
- Requirements concerning euro account and payments: lead partner must be able to receive programme funding in euros and transfer it to the partners

# Reminders to applicants

- Risk mitigating measures: max. 50 % of the project's total budget can be directed to Russian SMEs.
- Financial capacity of each partner:

Ideally, annual turnover should be at least 3 times bigger than partner's yearly budget in the project

Financial ratio: Requested grant dependency:

$$\frac{\text{Requested grant} \div \text{project duration}}{\text{Total annual income}} \Rightarrow \text{ideally lower than 0.3}$$



# Thank you!