



WORKSHOP ON PROJECT BUDGETING

Bologna 2013

FINANCIAL MANAGEMENT

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General Information



FR Title VI, Chapter II – Principles of grant

- **Co-funding rule:** external co-financing from a source other than EC funds is required (own resources or financial contributions from third parties, project income)
- **Non-profit rule:** the grant may not have the purpose or effect of producing a profit for the beneficiary
- **Non-retroactivity rule:** only costs incurred after the starting date stipulated in the grant agreement can be co-funded
- **Non-cumulative rule:** only one grant can be awarded for a specific action carried out by a given beneficiary

Eligible costs



- **Connected** with the subject of the GA and included in the Technical annex and in the budget description
- **Necessary** for the performance of the action
- **Reasonable and justified** “good housekeeping”
- **Generated** during the lifetime of the action
- **Actually incurred** by the beneficiaries, using applicable accounting principles
- **Identifiable and verifiable**, in particular being recorded in the accounting records of beneficiary

Non-Eligible costs



- Return on capital
- Debt and debt services charges
- Provision for losses or potential future liabilities
- Interest owed, doubtful debts
- Exchange losses
- VAT (Unless the beneficiary can prove that is unable to recover it, public bodies cannot claim VAT as eligible cost)
- Cost declared by a beneficiary and covered by another action funded by a EC grant
- Contribution in kind

Roles and Responsibilities



Contractual relationship

- Contribute at least 50% costs
- Carry out the project
- Obtain EU contribution
- Own project results

Coordinator & associates

Project

EU Commission / EAHC

- Contribute up to 50%
- Have no costs
- Establish conditions for the use of EU funds
- May use the project results

Collaborators:

- Do not contribute financially
- Have no costs
- Provide excellence of scientific knowledge

Subcontractors:

- Do not contribute financially
- Services provided are invoiced with profit margin
- Do not coordinate the project

Financial Donors:

- Provide funds / Share costs
- Do not invest expecting something in return
- Do not undertake any action in the project



Budget Structure



Direct Costs

1. Staff
2. Travel Costs and subsistence allowances
3. Equipment
4. Consumables and supplies linked to the project
5. Subcontracting costs
6. Other costs

Indirect Costs

7. Overheads – flat rate of 7% of total direct costs



- **Staff = employment contract** with one of the partners
 - *Cost claimed: salary + social security + statutory charges*
 - *Costs cannot be claimed: bonus, overheads allocated to staff cost*
- Public officials = an official of a public administration, directly remunerated by the budget of the State or a local authority, contract is based on applicable legislation on status of public officials.
- Non-public officials = other staff, employed by the beneficiary under a standard employment contract.
- Consultants, self-employed and experts **paid based on an invoice** should be declared under **Subcontracting**.



- **Only for staff assigned to the action** and mentioned under Staff category.

Travel & subsistence for **other participants** shall be claimed

- *Subcontracting* for staff belonging to subcontractors (experts, consultants, trainers – amount to be included in the invoice)
 - *Other costs* for collaborating partners, external invited experts, volunteers, trainees, speakers
- Most economic and direct way
 - Subsistence = **accommodation + daily subsistence allowance**
 - *1.5 day meeting = 1 day at hotel + 1.5 or 2 x daily allowance*
 - **Experience:** this budget line is generally **over-estimated!!**

Equipment



- Specific equipment (software, PC, laptop, fee for licence, etc.) necessary to the action
- Equipment is **registered as an "asset"** in the books of the organisation, rental fees for equipment (e.g. for a conference) is under Other cost
- Only the **portion of the equipment's depreciation cost** corresponding to the project may be taken into account
 - *Date of purchase, amount of purchase (excluding VAT)*
 - *Planned duration to use the equipment*
 - *Depreciation rule (straight line, etc.)*
 - *% allocation of the equipment (is the equipment shared with other project?)*
- Common software (Microsoft Office, Excel, Word,) should be covered by "Overheads"

Consumables



- Items should be **directly linked to the action** and identifiable in the books of the partner
- **Eligible items are (example):**
 - *Letter-head paper*
 - *Business cards*
 - *Promotional material for a conference / meeting,*
 - *Laboratory items*
 - *Cost of postage / delivery*
 - *Cost of Audio / Video Conference*
- In general: water, heating, insurance, office supplies costs should be claimed under “Overheads”.

Subcontracting



- Contracts awarded to cover the execution of a limited part of the project (40% of the total direct cost as a general rule).
 - *Service contract*
 - *Invoice (including travel & subsistence, if necessary)*
- Core elements and **technical / financial management** of the project **cannot be subcontracted**.
- Tasks subcontracted are set out in Technical Annex.
- Requirement of **competitive tenders** with relevant supporting documentation.

Other Costs



- Other additional costs not falling within any of the five previous cost categories may be claimed, if they
 - *are directly related to the joint action*
 - *can be clearly identified and justified by the accounting rules and principles of the partners*
 - *satisfy the criteria of direct eligible costs.*
- **Examples**
 - Dissemination of information,
 - Specific evaluation of the project,
 - Audits, translations, reproduction
 - Travel & subsistence allowances for collaborating partners or external invited experts or trainees
 - Conference fees
 - Bank charges (cost of transfers to partners)
 - Cost of financial guarantee

Income Funding sources



- **Co-funding from the EC budget:** Financial contribution granted by European Union.
- **Contribution pertaining to public officials** = considered as contribution from the Member States
- **Applicant's financial contribution:** Own financial contribution provided by main or each associated applicants.
- **Income generated by the project:** Revenues linked to or generated by the action itself (e.g. admission fee to a conference, sale of publications, etc.)
- **Other external resources:** Other grants allocated at international / European / national / regional / or local level and/or financial transfers received from donors/sponsor.

Budget structure



To be prepared by each partner

Total Eligible Cost

1. Staff (public/non-public)
2. Travel & Subsistence
3. Equipment
4. Consumables
5. Subcontracting
6. Other
7. Overheads
(7% of sum of items 1-6)

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Funding Sources

1. Income pertaining to costs of public officials
2. Third party sponsors
3. Project income

? %

4. EC contribution

5. Own contribution

Example



EC contribution is 50%

| | Expenditures | EUR | Income | EUR |
|----|---|------------------|--|----------------------|
| E1 | Staff | 450 000 | Cost of public officials | 400 000 |
| | <i>Public officials</i> | 400 000 | 3rd party sponsorship | 80 000 |
| | <i>Non-public officials</i> | 50 000 | <i>(e.g. Ministry support to NGO)</i> | |
| E2 | Travel & Subs | 220 000 | Project Income | 30 000 |
| E3 | Equipment | 30 000 | <i>(e.g. Conference fee to participants)</i> | |
| E4 | Consumables | 20 000 | Total | 510 000 > 50% |
| E5 | Subcontracting | 150 000 | | |
| E6 | Other Cost | 65 000 | EC Contribution | 490 000 |
| | Total Direct Eligible Cost | 935 000 | Applicants own contribution | 0 |
| E7 | Overheads | 65 000 | | |
| | <i>(7% of Total Direct Eligible Cost)</i> | | | |
| | Total Eligible Expenditures | 1 000 000 | Total Income | 1 000 000 |



Budget Planning

- **Plan for each Work Package separately**
- **Identify:**
 - SMART objectives for the WP
 - Activities necessary to achieve objectives
 - Cost elements (and cost category) of each activity
 - Partners participating in a given activity
- **For simplicity use EC rules (see guideline)**
 - EUR 500 per roundtrip flight + EC rules on subsistence
 - Depreciation rules for equipment (straight line, 36 months for software / computers and 60 months for other items)

Example



Exercise per WP and per Partner

| Work package No 1 | Staff | T & S | Equip. | Consum. | Subcontr. | Other |
|------------------------|-------|-------|--------|---------|-----------|-------|
| Project management | | | | | | |
| Project coordinator | X | | | | | X |
| Steering committees | | X | | X | | X |
| Project Website | X | | X | | X | |
| Financial coordination | X | | | | X | X |
| Reporting | X | | X | | | X |



- **Website – questions to be considered for the budget**
 - Person with IT background?
 - Special software?
 - Engage third party to deliver part of website?
 - Licences to be paid?
 - Partners involved?
- **Steering Committee – questions to be considered for the budget**
 - Meetings per year – travel & subsistence for participants (collaborating partners?)
 - Cost related to the organisation (room rent, equipment rent, catering)?
 - Documents of the meeting (reports, etc.)?
 - Experts attending?



Tips and observations of past experiences



- **Double-limit to the budget** – ~~the~~ lower is paid
 - *Absolute amount of the grant based on the Award Decision*
 - *Co-financing percentage of total eligible costs*
- **Own rules** have precedence in all budget categories
 - *T & S, Equipment, Subcontracting*
 - *Tendering procedure*
- Number of associated partners
 - *All partners with specific knowledge crucial to the action*
 - *Too many – difficult to manage*
- Avoid obvious **over / under estimation**
 - *Over-estimation may lead to decrease of final EC contribution*
 - *Under-estimation: objectives are not achieved*
 - *T & S is over, Staff is under estimated*

Tips cont.



- Confusion of Staff & Subcontracting
 - *Consult HR department*
- Partnership / Consortium Agreement
 - *Signed by each partner*
 - *Internal project management*
 - *Roles and responsibilities of partners*
- “**Project management**” minded staff at main partner and WP leaders, **Financial manager** at main partner
- Read the grant agreement
- Send documents in time! Delay of 1 partner delays the whole action



Thank you for your attention!

Questions?

Useful links



Executive Agency EAHC Website

<http://ec.europa.eu/eahc/index.html>



Public Health Portal

<http://ec.europa.eu/health-eu/>



European Commission DG SANCO

http://ec.europa.eu/health/index_en.htm

