

# CENTRAL EUROPE PROGRAMME 2007-2013



Lead Applicant Briefing  
**3<sup>rd</sup> Call for proposals**

**SUCCESS FACTORS FOR  
PROJECT DEVELOPMENT:**  
*Focus on Finances*

JTS CENTRAL EUROPE Programme

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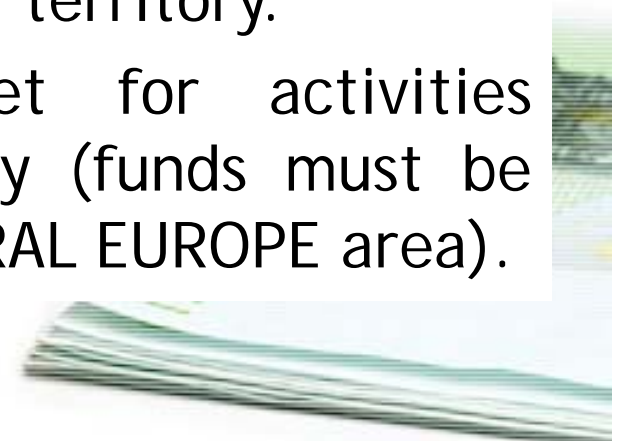


# 1. General principles



## Summary of financial features for CE projects

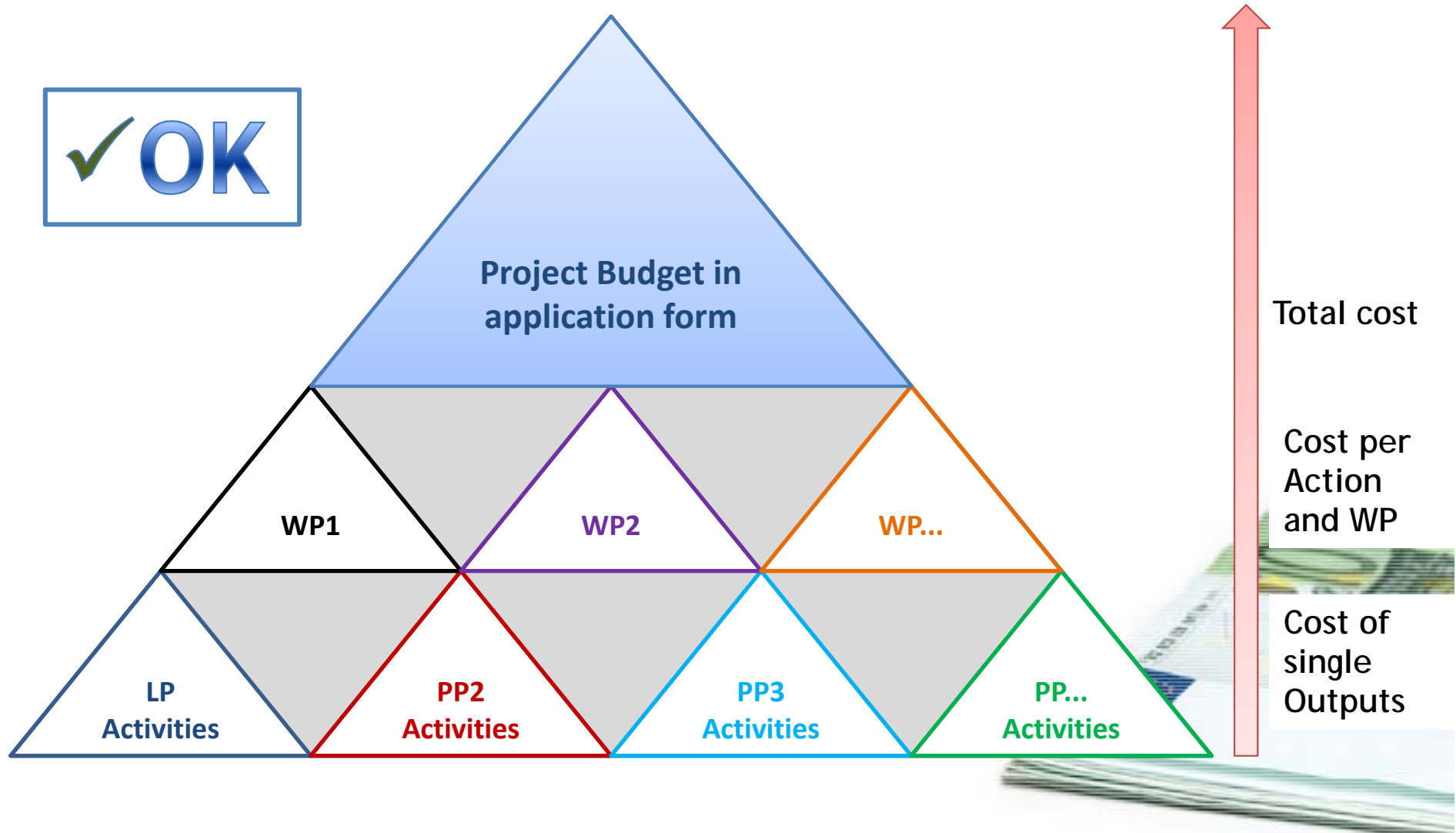
- ✓ Total budget per project ranging from **1 to 5 million EUR**.
- ✓ Rate of assistance: up to **85%** in the Czech Republic, Hungary, Poland, Slovakia and Slovenia, up to **75%** in Austria, Germany, Italy.
- ✓ **State aid** discipline (*de minimis* thresholds) applies to partners in relation to the activities to be implemented.
- ✓ Ceiling of **20%** of project budget for partners located outside CENTRAL EUROPE but in the EU territory.
- ✓ Ceiling of **10%** of project budget for activities implemented outside the EU territory (funds must be spent by partners located in the CENTRAL EUROPE area).



# 1. General principles



Budget must be based on real costs...



## 2. Building the budget



### Structure of the budget

✓ The project budget is structured according to the following parameters:

- allocation per Budget Line;
- allocation per WP and action;
- allocation per Partner;
- Allocation per Reporting Period.

✓ These parameters are reflected in specific tables of the Application Form;

✓ The **budget template** has to give a breakdown per Budget Line and WP/Action and Partner and Reporting Period.



## 2. Building the budget



### General principles of eligibility

1. The expenditure is actually paid (proof of payment);
2. It refers to activities implemented within the scope of the project as approved by the Monitoring Committee;
3. Its amount is adequate for achieving the purpose of the project;
4. It has been incurred as from the eligibility starting date set in the subsidy contract;
5. It is not in contradiction to specific eligibility requirements as set by EU, Programme and national rules.

General principles of **sound financial management** (i.e., economy, efficiency and effectiveness) are respected

## 2. Building the budget



### Not eligible expenditure

- ✓ VAT which is recoverable by whatever means, even if it is not actually recovered by the partner;
- ✓ Interest on debt, fines, financial penalties, expenditure on legal disputes and foreign exchange losses;
- ✓ Costs for bank guarantees;
- ✓ Acquisition of land.



## 2. Building the budget



### Time wise eligibility of the expenditure

#### 1. Preparation costs

- ✓ Costs are eligible until the date of submission of the Application Form

#### 2. Implementation costs

- ✓ Costs are eligible from the start date until the end date of the project as indicated in the Application Form. At the earliest, from the day after the submission of the AF.
- ✓ Costs must be **paid out before the end date of project** implementation (exception for staff costs).

#### 3. Costs for project closure

- ✓ Costs for preparation of final report must be included in the last period of WP1.

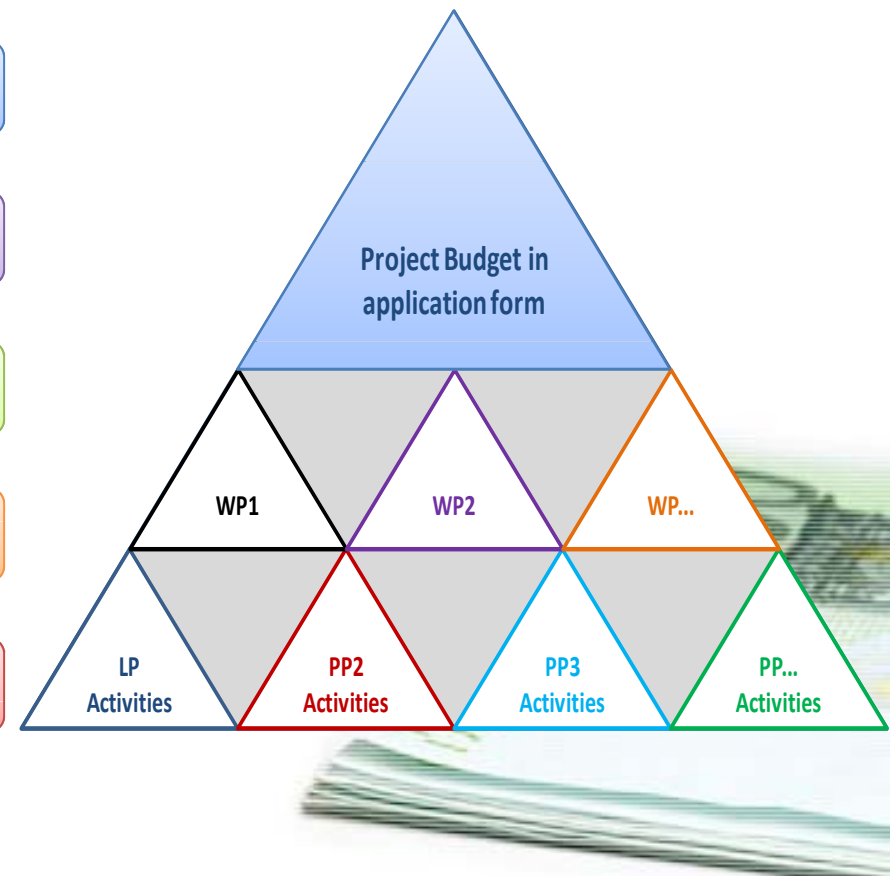
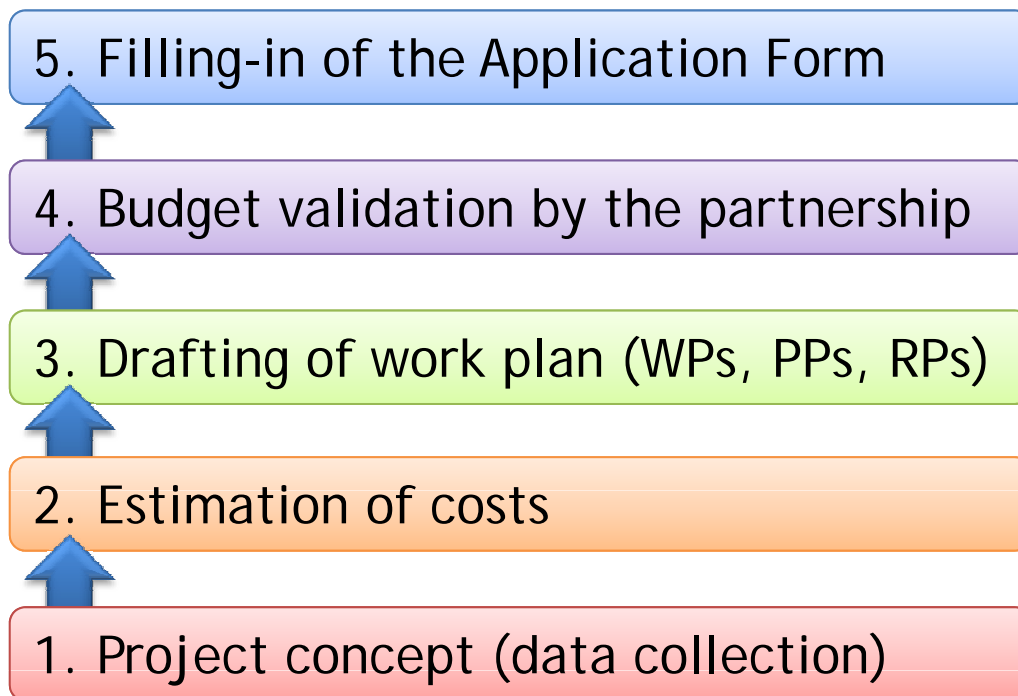


## 2. Building the budget



### The approach

Filling in the financial tables in the Application Form is the last step of the “**budget building**” process:



## 2. Building the budget



### 1. Project concept

The first step of the budget design consists in the **collection of technical data and information** on the basis of activities and outputs agreed among partners, e.g.:

- ✓ Human resources employed (needed) by the partners for realizing the expected outputs;
- ✓ External expertise and equipment needed;
- ✓ Travels, meetings and promotion activities to be carried out within the actions;
- ✓ No. and type of pilot actions to be implemented;
- ✓ Etc...

**Output:** an overall picture of the bulk of needed technical means (qualitative and quantitative)

## 2. Building the budget



### 2. Estimation of costs

The next step consists in **giving a value** to the needed technical means:

- ✓ Staff costs calculated on the basis of actual wages of the partners' personnel;
- ✓ Cost of supplies/external services must be based on market prices, keeping into consideration that prices may vary in the different countries involved;
- ✓ Benchmark with similar actions/outputs (e.g. for studies, pilot actions, etc.) not only within CENTRAL EUROPE!

**Output 1:** cost of each output obtained within the project

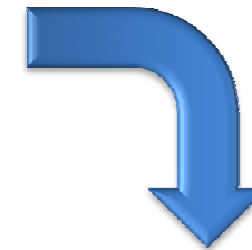
**Output 2:** draft cost breakdown per budget line and partner

## 2. Building the budget



### 2. Estimation of costs (example)

Proposing partner	Description	Budget Line	Units	Quantity	Price	Cost
LP	Geological analysis	External Exp.	no.	1	€ 15.000,00	€ 15.000,00
PP2	Server for database	Investments	no.	1	€ 2.300,00	€ 2.300,00
PP2	Software for database	Investments	no.	1	€ 1.500,00	€ 1.500,00
PP2	Database engineering	External Exp.	M/D	20	€ 400,00	€ 8.000,00
PP3	Data collection for database	Staff	M/D	60	€ 170,00	€ 10.200,00
PP4	Data collection for database	Staff	M/D	60	€ 150,00	€ 9.000,00
PP5	Data collection for database	Staff	M/D	60	€ 160,00	€ 9.600,00
PPx	....					
<b>Totals</b>						<b>€ 55.600,00</b>



Proposing partner	Staff	Admin costs	Ext. Exp.	Travel and acc.	Meetings events	Promotion	Equipment	Investments	Totals
LP			€ 15.000,00						€ 15.000,00
PP2			€ 8.000,00					€ 3.800,00	€ 11.800,00
PP3	€ 10.200,00								€ 10.200,00
PP4	€ 9.000,00								€ 9.000,00
PP5	€ 9.600,00								€ 9.600,00
PPx									€ 0,00
<b>Totals</b>	<b>€ 28.800,00</b>	<b>€ 0,00</b>	<b>€ 23.000,00</b>	<b>€ 0,00</b>	<b>€ 0,00</b>	<b>€ 0,00</b>	<b>€ 0,00</b>	<b>€ 3.800,00</b>	<b>€ 55.600,00</b>



## 2. Building the budget



### 3. Drafting of the workplan

The drafting of the workplan is the most delicate (and difficult) part of the process. The aim is:

- ✓ to link the **project activities** organized in WPs and actions to the foreseen costs;
- ✓ to allocate the budget to the **partners** in relation to their activities in the WPs and actions;
- ✓ to distribute the budget among **reporting periods** in relation to the ability of the partners to perform the activities and pay the related costs.

**Output:** a draft budget table with the breakdown per Partner and WP and budget line and rep. period

## 2. Building the budget



## 3. Drafting of the workplan (example)

From the allocation per WPs and actions...

Description	Partner resp.	Budget Line	Units	Quantity	Price	Cost
<b>WP3 - Action 3.1</b>						
Data collection for database	PP5	Staff	M/D	60	€ 170,00	€ 10.200,00
Data collection for database	PP8	Staff	M/D	60	€ 150,00	€ 9.000,00
Data collection for database	PP10	Staff	M/D	60	€ 160,00	€ 9.600,00
Server for database	PP3	Investments	no.	1	€ 2.300,00	€ 2.300,00
Software for database	PP3	Investments	no.	1	€ 1.500,00	€ 1.500,00
Database engineering	PP3	External Exp.	M/D	20	€ 400,00	€ 8.000,00
<b>Total action 3.1</b>						<b>€ 40.600,00</b>
<b>WP3 - Action 3.2</b>						
Geological analysis	LP	External Exp.	no.	1	€ 15.000,00	€ 15.000,00
....						



## 2. Building the budget



### 3. Drafting of the workplan (example)

...to the overall budget table, suitable for filling-in the Application Form.

		Reporting Period 1											
WP	Action	Staff	Admin costs	Ext. Exp.	Travel and acc.	Meetings events	Promotion	Equipment	Investments	Total RP1	Staff	Admin costs	Ext. Exp.
<b>LP</b>													
1	1.1	€ 6.000,00		€ 10.000,00						€ 16.000,00			
	1.2	€ 4.000,00	€ 150,00	€ 25.000,00				€ 2.000,00		€ 31.150,00	€ 4.000,00	€ 150,00	
	1.3	€ 1.000,00				€ 3.000,00	€ 1.000,00			€ 5.000,00	€ 1.000,00		
	1.4	€ 2.000,00	€ 75,00	€ 1.000,00						€ 3.075,00	€ 2.000,00	€ 75,00	€ 1.000,00
<b>Total LP</b>		<b>€ 13.000,00</b>	<b>€ 225,00</b>	<b>€ 36.000,00</b>	<b>€ 0,00</b>	<b>€ 3.000,00</b>	<b>€ 1.000,00</b>	<b>€ 2.000,00</b>	<b>€ 0,00</b>	<b>€ 55.225,00</b>	<b>€ 7.000,00</b>	<b>€ 225,00</b>	<b>€ 1.000,00</b>
<b>PP2</b>													
1	1.1									€ 0,00			
	1.2	€ 2.000,00	€ 60,00	€ 3.500,00						€ 5.560,00	€ 2.000,00	€ 60,00	€ 3.500,00
	1.3	€ 1.000,00			€ 800,00					€ 1.800,00	€ 1.000,00		
	1.4	€ 1.000,00	€ 30,00	€ 1.000,00						€ 2.030,00	€ 1.000,00	€ 30,00	€ 1.000,00
<b>Total PP2</b>		<b>€ 4.000,00</b>	<b>€ 90,00</b>	<b>€ 4.500,00</b>	<b>€ 800,00</b>	<b>€ 0,00</b>	<b>€ 0,00</b>	<b>€ 0,00</b>	<b>€ 0,00</b>	<b>€ 9.390,00</b>	<b>€ 4.000,00</b>	<b>€ 90,00</b>	<b>€ 4.500,00</b>
<b>PP3</b>													
1	1.1									€ 0,00			



## 2. Building the budget



### 4. Validation of the budget by the partners

- ✓ Before “closing” the budget, all the partners should **accept** the budget.
- ✓ Acceptance means also **understanding** the budget, in order to avoid problems in the further implementation phase of the project.
- ✓ A **final meeting** before the submission of the Application Form is a good practice for explaining in detail and validating the budget.

**Output:** a final budget table with the breakdown per Partner and WP and budget line and rep. period

## 2. Building the budget



### 5. Filling-in of the Application Form

#### Section 3

- ✓ Costs per action and total of each work package.

#### Section 4

- ✓ Budget of each partner according to allocated sources.

#### Section 5

- ✓ Breakdown by work packages and budget lines.
- ✓ Breakdown by work packages and reporting periods.
- ✓ Breakdown by work packages and partners.
- ✓ Specification of budget lines External Experts, Equipments, Investments, Others.

#### Chapter 2.5

- ✓ Detailed description of Investments.



## 2. Building the budget



### 5. The Application Form - WPs and actions (Section 3 and 5)

- ✓ Section 3 is a primary source of financial data with regard to:
  - Cost per action and WP
  - Spending targets per reporting period
- ✓ Quantitative information of the budget support the description of project activities.
- ✓ Financial data of Section 3 are automatically cross-checked with table 4 of Section 5.



## 2. Building the budget



### 5. The Application Form - WPs and actions (Section 3 and 5)

Title of action		Start month of Action	End month of Action	Total costs of Action
1.1.	Fulfillment of start up requirements			
1.2.	Day to day project management, coordination and internal communication			
1.3.	Steering and monitoring of the project implementation			
1.4.	Financial management, certification of expenditure			
Total costs of the work package				0.00 €

Outputs				
	Title of output (max. 75 characters)	Month of av.	Qualitative description (max. 250 characters)	Quantitative desc. (max. 75 characters)
1.1.	1.1.1			
1.2.	1.2.1			

### Section 5: Project budget

Table 4: Budget break down #1

	WP 0	WP 1	WP 2	WP 3	WP 4	WP 5	WP 6	Total eligible	%
Staff costs								0,00 €	0,00%
Administration cost								0,00 €	0,00%
External expertise		0,00 €	0,00 €	0,00 €				0,00 €	0,00%
Travel/accommodation								0,00 €	0,00%
Meetings and events								0,00 €	0,00%
Promotion costs	X							0,00 €	0,00%
Equipment	X	0,00 €	0,00 €	0,00 €				0,00 €	0,00%
Investments	X	X	X	0,00 €				0,00 €	0,00%
Other	X	0,00 €	0,00 €	0,00 €				0,00 €	0,00%
Total		0,00 €	0,00 €	0,00 €				0,00 €	
WP Reference Total		0,00 €	0,00 €	0,00 €				0,00 €	
%		0,00%	0,00%	0,00%					

## 2. Building the budget



### 5. The Application Form - Partners (Section 4 and 5)

- ✓ Financial data of the partners to be filled-in in Section 5 reflect their involvement in each WP.
- ✓ Where State Aid is applicable, the budget may be limited to *thresholds of de minimis regime*.
- ✓ Financial data of Section 4 are automatically cross-checked with table 6 of Section 5.



## 2. Building the budget



### 5. The Application Form - Partners (Section 4 and 5)

Financial contribution		
Location of partner	Source of funding	Amount
EU partner within CENTRAL EUROPE	ERDF	0,00 €
	Total Budget	
	- out of which for activities in 3 <sup>rd</sup> Countries (total costs)	
Rate of ERDF co-financing		0,00%

Table 6: Budget break down #3										
	WP 0	WP 1	WP 2	WP 3	WP 4	WP 5	WP 6	Total eligible	Partner Ref.	%
Lead Partner								0,00 €	0,00 €	0,00%
Partner 2								0,00 €	0,00 €	0,00%
Partner 3								0,00 €	0,00 €	0,00%
Partner 4								0,00 €	0,00 €	0,00%
Total		0,00 €	0,00 €	0,00 €				0,00 €		
WP Reference Total		0,00 €	0,00 €	0,00 €				0,00 €		
%		0,00%	0,00%	0,00%						



## 2. Building the budget



### 5. The Application Form - Reporting periods (Section 5)

- ✓ The reporting periods run on a 6-monthly basis.
- ✓ Costs must be based on **actual payments** in each period.
- ✓ If applicable, activities and related payments shall be allocated to different periods.
- ✓ Artificial splitting of total costs must be avoided.
- ✓ If spending targets are not reached, a reduction to the budget of already approved projects may occur (**decommitment of project funds**).



## 2. Building the budget



### 5. The Application Form - Reporting periods (Section 5)

- ✓ Distribution among periods cannot follow an even pattern during the entire project lifetime.
- ✓ Take into account **potential start-up delays** but be ready for an early launch.

**Table 5: Budget break down #2**

	WP 0	WP 1	WP 2	WP 3	WP 4	WP 5	WP 6	Total eligible	%
Preparation phase		X	X	X	X	X	X		
Month 01-06	X							0,00 €	0,00%
Month 07-12	X							0,00 €	0,00%
Month 13-18	X							0,00 €	0,00%
Month 19-24	X							0,00 €	0,00%
Month 25-30	X							0,00 €	0,00%
Month 31-36	X							0,00 €	0,00%
Month 37-42	X							0,00 €	0,00%
Month 43-48	X							0,00 €	0,00%
Total		0,00 €	0,00 €	0,00 €				0,00 €	
WP Reference Total		0,00 €	0,00 €	0,00 €				0,00 €	
%		0,00%	0,00%	0,00%					



## 2. Building the budget



### 5. The Application Form - Reporting periods (Section 5)

✓ The budget is organized according to **9 Budget Lines**:

- Staff costs
- Administration costs
- External expertise
- Travel and accommodation
- Meetings and events
- Promotion costs
- Equipment (for office use)
- Investments (equipment and works)
- Others

- Refer to:
- Application Manual
  - Control & Audit Guidelines



## 2. Building the budget



### 5. The Application Form - Budget lines (Section 5)

- ✓ Information on the description and on how to allocate costs to the different budget lines is provided in the **Application Manual** and **Control & Audit Guidelines**.
- ✓ In case of doubt, especially if amounts are considerable, feel free to consult the JTS.
- ✓ There are no predefined thresholds or percentages in the allocation among budget lines.
- ✓ A wrong allocation of costs among budget lines has **long-lasting negative effects** on the project implementation (needing of further project changes).



## 2. Building the budget



## 5. The Application Form - Budget lines (Section 5)

### Section 5: Project budget

Table 4: Budget break down #1

	WP 0	WP 1	WP 2	WP 3	WP 4	WP 5	WP 6	Total eligible	%
Staff costs								0,00 €	0,00%
Administration cost								0,00 €	0,00%
External expertise		0,00 €	0,00 €	0,00 €				0,00 €	0,00%
Travel/accommodation								0,00 €	0,00%
Meetings and events								0,00 €	0,00%
Promotion costs	X							0,00 €	0,00%
Equipment	X	0,00 €	0,00 €	0,00 €				0,00 €	0,00%
Investments	X	X	X	0,00 €				0,00 €	0,00%
Other	X	0,00 €	0,00 €	0,00 €				0,00 €	0,00%
Total		0,00 €	0,00 €	0,00 €				0,00 €	
WP Reference Total		0,00 €	0,00 €	0,00 €				0,00 €	
%		0,00%	0,00%	0,00%					



## 2. Building the budget



### 5. The Application Form - Budget lines (Section 5)

The tables 7, 8, 9, 10 allow to provide detailed information on External Expertise, Equipment, Investments, Others.

**Table 7: Specification of budget line "External Expertise"**

<b>Work package 0: Preparation</b>			
Description of "External expertise" to be subcontracted (max. 300 characters)	No of corr. output	Contracting partner	Amount
<b>Subtotal WP0</b>			0,00 €
<b>Work package 1: Management</b>			
Description of "External expertise" to be subcontracted (max. 300 characters)	No of corr. output	Contracting partner	Amount
<b>Subtotal WP1</b>			0,00 €
<b>Work package 2: Communication</b>			
Description of "External expertise" to be subcontracted (max. 300 characters)	No of corr. output	Contracting partner	Amount

### 3. Expectations to be met: the financial assessment



#### Assessment criteria

- ✓ The project assessment is based on 5 criteria and several sub-criteria:
  - Relevance
  - Partnership technical and operational capacity
  - Implementation and Methodology
  - Quality of the outputs and Sustainability of the achieved results
  - Budget and cost effectiveness.



- ✓ "Budget and cost-effectiveness" is only one category of the assessment...
- ✓ ...but **it can make the difference!**

### 3. Expectations to be met: the financial assessment



#### Sub-criterion 1: Value for money

The budget has to refer to a **realistic estimation of costs**:

- ✓ value of single outputs;
- ✓ value of the overall project in relation to its objectives.



The guiding principle is the **"three E" principle**, which is checked not only within the project assessment but also throughout the whole project implementation.



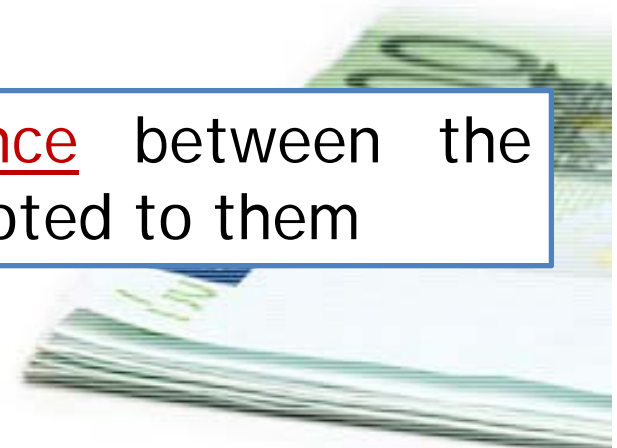
### 3. Expectations to be met: the financial assessment



#### Sub-criterion 2: Coherence with the work plan

- ✓ clear coherence between the described activities and outputs and the financial tables;
- ✓ proper distribution of the budget between budget lines;
- ✓ analytical breakdown and description of costs for External Experts, Equipments, Investments, Others.
- ✓ allocation of costs per reporting periods based on payments.

The guiding principle is the coherence between the foreseen activities and the resources devoted to them



### 3. Expectations to be met: the financial assessment



#### Sub-criterion 3: Partners' contribution

- ✓ The budget of each partner should reflect its responsibilities in the work packages.
- ✓ Partners should aim at defining a fair distribution of activities and their related costs among the entire partnership (no artificial splitting).



The guiding principle is the transnationality and the budget should reflect the active participation of all partners (max. 50% of the project ERDF can be allocated to the LP).



## 4. Other financial issues



### Basics on state aid

- ✓ While building the workplan it is necessary to ensure the respect of State Aid discipline.
- ✓ Application of State Aid rules are beyond the private sector: undertakings or economic operators may also be public authorities and public equivalent bodies.
- ✓ This may have repercussions on the budget of the partners and on the **overall project feasibility.**



Application of State Aid rules **depends on the specific activities** developed within the proposed project application.

## 4. Other financial issues



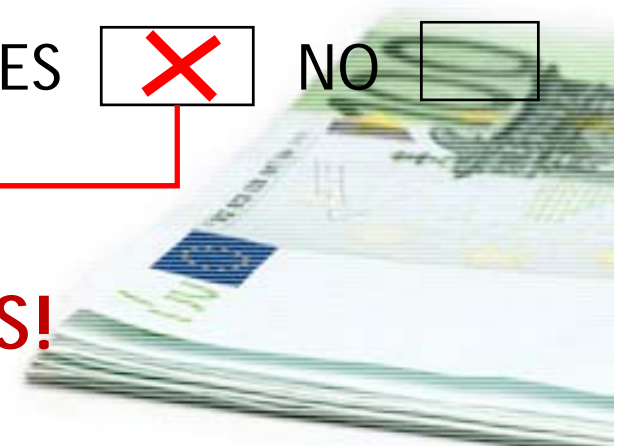
### The state aid declaration

It is a self declaration concerning compliance of the activities each partner intends to perform with the State Aid discipline.

If one of the following questions is a YES:

- Am I an undertaking?: YES  NO
- Are my activities market-oriented?: YES  NO
- Do they distort trade?: YES  NO

**Then, STATE AID APPLIES!**



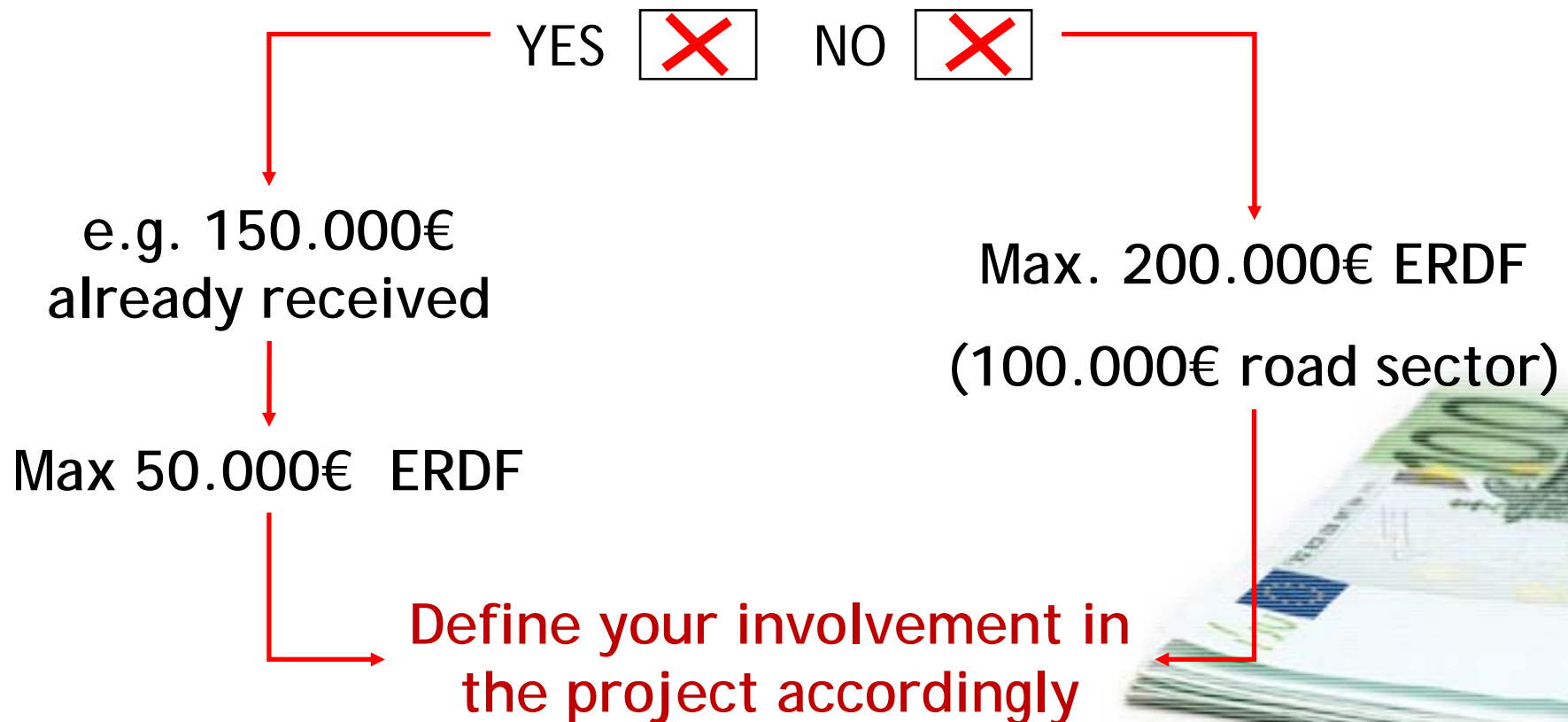
## 4. Other financial issues



### The state aid declaration

If state aid applies:

- Have I already received aid under the *de minimis*?:



## 4. Other financial issues



### Revenues

- ✓ No estimation of revenues is requested in the AF.
- ✓ Generation of revenues will be subject to control during project implementation.
- ✓ If applicable, ERDF will be reduced accordingly.
- ✓ If your project activities and/or investments may and/or will generate revenues even after the project closure, they will be calculated over a period of time largely exceeding project lifetime.



## 5. Summary



### Summary of requirements of a good budget

- ✓ Budget must be based on **real costs**.
- ✓ Budget must refer only to **eligible expenditure** (including the national co-financing).
- ✓ Budget has to be **transparent**, with a clear distribution into budget lines, reporting periods and partners.
- ✓ Budget has to be closely **linked to the work plan**.
- ✓ **Project-relation** and **project-relevance** of all costs has to be clearly demonstrated.



# CENTRAL EUROPE PROGRAMME 2007-2013



## THANK YOU!

