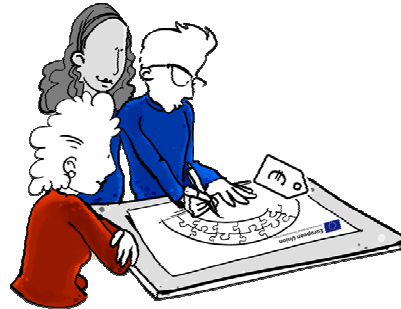


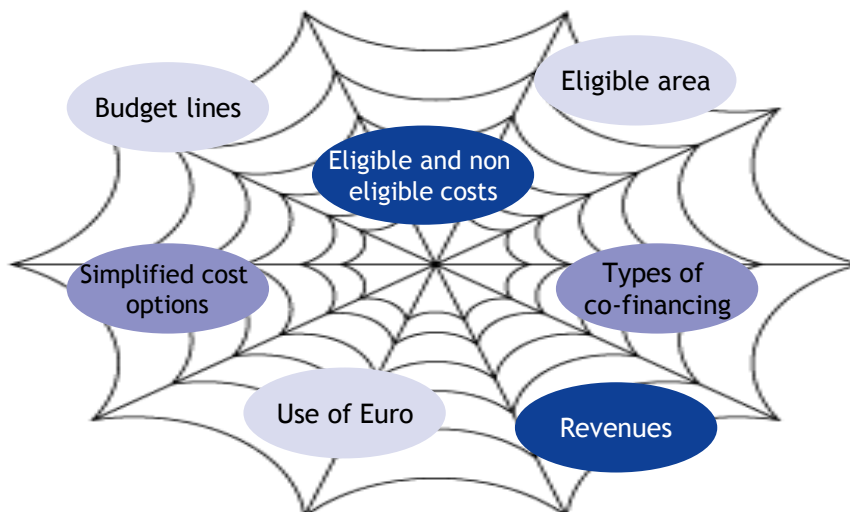


Project Budget and Eligibility Rules

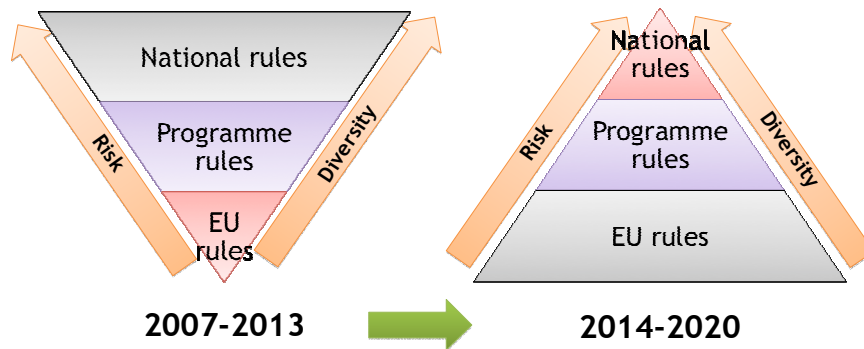


Interreg Project Management Camp
Prague, 10 March 2016

What the project needs to know ...



Hierarchy of rules (Art. 65 CPR and Art. 18 ETC Regulation)



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Hierarchy of rules

**Rules on
eligibility of expenditure!**

1. Rules defined in EU legal framework

- Common Provisions Regulation (EU) 1303/2013
- ERDF Regulation (EU) 1301/2013
- ETC Regulation (EU) 1299/2013
- Commission Delegated Regulation (EC) 481/2014 on eligibility of expenditure - *specific rules for cooperation programmes*

2. Programme rules

3. National rules

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Hierarchy of rules

1. Rules defined in **EU** legal framework
2. **Programme** rules
 - ✓ Established jointly by the Member States in the programme Monitoring Committee
 - ✓ Apply to the programme as a whole
 - ✓ Without prejudice to the rules on EU level
 - ✓ Stricter rules in areas not precisely regulated at the EU level or in areas prescribed by EU rules
3. **National** rules
 - ✓ For any other matters not covered by EU rules and programme rules

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Categories of expenditure = Budget lines

1. Staff costs
 2. Office and administration
 3. Travel and accommodation
 4. External expertise and services
 5. Equipment
- Categories of costs listed in Art 18, ETC Reg. 1299/2013
- Specific rules defined in the Del. Reg. 481/2014
6. *Infrastructure and works*
- General rules defined in CPR Reg. 1303/2013

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Eligibility of costs

What is the exercise?

- Which costs are eligible?
- To which budget line should costs be allocated?

Calculation methods

Real costs	➤ Rules defined in the Del. Reg. 481/2014
Simplified cost options	<ul style="list-style-type: none"> ➤ Options applied in 2007-2013 ➤ Options defined in the Regulations CPR 1303/2013 and ETC 1299/2013 ➤ Ex-ante calculation, based on a fair, equitable and verifiable method

- Flat rate
- Standard scale of unit cost
- Lump sum (max EUR 100.000 public contribution)



Benefits of using simplified cost options

For beneficiaries:

- Better understanding of rules and greater certainty regarding the eligibility of project expenditure.
- Much easier and faster calculation and reporting of project costs.
- Less supporting documents required.
- More resources to focus on delivering projects of higher quality.



Staff costs

Eligible costs:

- Full-time and part-time work on the project
- Salary payments and other costs linked to salary payments (employment taxes, social security) not recoverable by the employer
 - ✓ All costs fixed in the **employment document/law**
 - ✓ Salaries related to responsibilities specified in the **job description**



Staff costs

Reimbursement options:

- **Option I: Real costs** (payslips and proof of payment required)
- Simplified cost options:
 - **Option II: Standard scale of unit costs**
 - **Option III: Flat rate of up to 20% of direct costs** other than the staff costs (Art. 19, Reg. 1299/2013)

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Staff costs (I) - Real costs

- **Full-time assignment on the project**
Staff costs = total gross employment cost
 - ✓ **No time registration** required
- **Part-time assignment on the project**
 - **Fixed % of time on the project per month**
Staff costs = fixed % of gross employment cost
 - ✓ **Document setting out the %** of time on the project
 - ✓ **No time registration** required
 - Time on the project **varies every month**
Staff costs = part of gross employment cost depending on the number of hours worked on the project
 - ✓ **Time registration covering 100% working time**
- **Contracted on an hourly basis**
 - ✓ **Hourly rate** defined in the employment document
 - ✓ **Time registration**

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Staff working part-time on the project - number of hours varies every month

- Hourly rate calculation based on:
 - 1) Monthly gross employment cost and monthly working time (number of working hours) **OR**
 - 2) Latest documented annual gross employment cost and a standard number of 1720 hours/year
- Hourly rate is multiplied by the number of hours actually worked on the project.

Time registration system: 100% of the working time.

Working time does not include time reserved to holidays, illness, etc.

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Part-time: hourly unit cost

(Art. 68.2, Reg. CPR 1303/2013)

$$\text{Hourly staff cost} = \frac{\text{Latest documented annual gross employment cost}}{1720}$$

Guidance on simplified cost options for ESI (EGESIF_14-0017)

- The numerator documented through accounts, payroll reports, etc.
- Reference period of last 12 consecutive months
- Real salary of the particular employee or an average employment cost of a group of employees
- Hourly staff cost updated on a regular basis or fixed for the entire project duration

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Staff costs IV – Real costs

Standard number of 1720 hours / year

Example: annual gross employment cost 34.400 EUR			
OPTION	Working time fixed in the contract		Standard 1720 hours/ year
MONTHLY <u>working hours</u>	160	140	143,33
Working hours a YEAR	1920	1680	1720
Hourly rate	$34.400 / 1920 = 17,9$	$34.400 / 1680 = 20,5$	$34.400 / 1720 = 20$
Hours on the project	10 hours	10 hours	10 hours
STAFF COST	$17,9 \times 10 = 179 \text{ €}$	$20,5 \times 10 = 205 \text{ €}$	$20 \times 10 = 200 \text{ €}$

Working time does not include time reserved to holidays, illness.
Time registration system: 100% of the working time.



Staff costs (II) - Standard scale of unit costs

Ex-ante calculation based on:

- ✓ A fair, equitable and verifiable method
- ✓ Mostly historical data from a justifiable period of time
- ✓ A sample of programme beneficiaries can be used

Example		
Category	Annual gross employment cost	Hourly rate (annual gross employment cost / 1720)
1	Below EUR 19.999	11,63
2	EUR 20.000 - 49.999	20,35
3	EUR 50.000 - 74.999	36,34
4	EUR 75.000 - 99.999	50,87
5	Above EUR 100.000	65,41

Data: NWE area, all MS, 5 projects from 2007-2013, 18,5 mln ERDF, 51 beneficiary organisations, 297 employees



Staff costs (III) - Flat rate

Art. 19, ETC Reg. 1299/2013

Staff costs of an **operation** may be calculated at a flat rate of up to 20% of the direct costs other than the staff costs of the operation

- can apply on individual **beneficiary level**
- **beneficiaries do not need to provide any supporting documents for the expenditure on staff costs (but for direct costs)**

Each beneficiary can decide on the reimbursement option, unless applicable options set at the programme level.



Office and administration

• Eligible cost:

- Operating and administrative expenses of the beneficiary organisation that support delivery of the project activities
- **Exhaustive list** of expenditure elements defined in the Del. Reg. 481/2014 (list of examples in Matrix of costs)

• Reimbursement options:

- **Option I:** Real costs
- **Option II:** Flat rate (Art. 68.1, CPR Reg. 1303/2013)



Office and administration - Flat rate

Indirect costs may be calculated at a flat rate of:

- Up to **15% of eligible direct staff costs** - **no calculation** method required from the programme
 - applicable at the beneficiary level
 - beneficiaries do not need to provide any supporting documents

Staff costs calculated at a flat rate can still form the basis for calculation of indirect costs at a flat rate of (up to) 15% of staff costs.

- Up to **25% of eligible direct costs** - established based on a fair, equitable and verifiable **calculation method**



Travel and accommodation

- Eligible cost:
 - Travel and accommodation costs of staff of the beneficiary organisation that relate to delivery of the project
 - **Exhaustive list** of expenditure elements defined in the Del. Reg. 481/2014 (list of examples in Matrix of costs)
- Travel and accommodation of experts external to the project partnership under **External expertise and services**
- Maximum daily rates for hotel and subsistence should be respected, in line with national legislation or internal policy of the partner organisation
- Costs related to travel outside the Union part of the programme area (Art. 5, Del. Reg. 481/2014)



Travel and accommodation - EC scale of maximum rates

Maximum eligible rates (in EUR) for hotel and daily subsistence allowance according to Council Regulation (EC, Euratom) No 337/2007 of 27 March 2007

Country	Hotel ceiling	Daily subsistence
Austria	130	95
Belgium	140	92
Bulgaria	169	58
...
Spain	125	87
Sweden	160	97
United Kingdom	175	101

Extract of data.



External expertise and services

Eligible costs:

- External expertise and services provided by a public or private body or a natural person other than the beneficiary
- **Non-exhaustive list** of expenditure elements defined in the Del. Reg. 481/2014 (list of examples in Matrix of costs)



Equipment

Eligible cost:

- Equipment **purchased, rented or leased** by a beneficiary, necessary to achieve objectives of the project. This may include costs of equipment **already in possession** by the partner and used to carry out project activities
- **Non-exhaustive list** of expenditure elements defined in the Del. Reg. 481/2014 (list of examples in Matrix of costs)
 - ✓ *...; other specific equipment needed for operations*



Equipment

- Full purchase cost of equipment is eligible, provided:
 - Equipment used solely for the project
 - The total economic and depreciable life-time falls within the period of support
- If not, consider pro-rata use or depreciation
- Purchase of second-hand equipment may be eligible (under conditions, Del. Reg. 481/2014), if so decided by the programme



Equipment

Pro-rata use

- Equipment partially used for the project (degree of use for the project).
- Share has to be calculated according to a justified and equitable **method**.

Depreciation

- Costs relate to the period of support for the project (period of use).
- Equipment purchased before the project approval and used for the project purpose may be eligible (Art 69.2, Reg. 1303/2013)
- Cost calculated in line with **legislation or general accounting principles** of the beneficiary organisation.



Lump sums

- One-time payment for an activity or group of activities with a measurable output/ delivery.
- The project can include several lump sums but the maximum limit is 100.000 EUR per project.
- No supporting documents have to be provided for the actual expenditure.
- Lump sums can be used for (if programme allows):
 - Project preparation costs (if part of the total project budget)
 - Costs of project activities resulting in a concrete output (e.g. trainings during project implementation)
 - Small projects / People-to-people projects

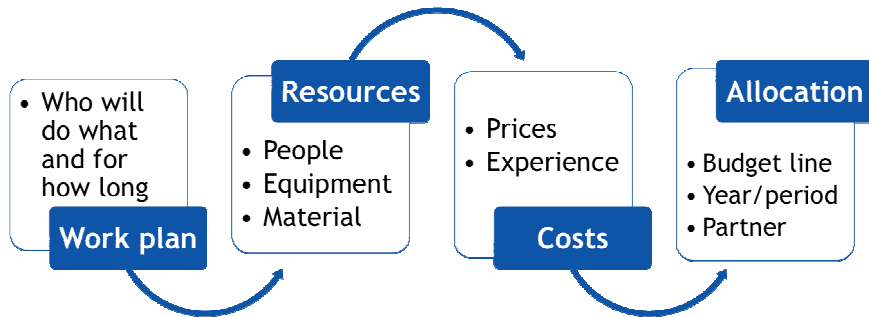
Ineligible expenditure: non-exhaustive list

- **Art 69.2, Reg. 1303/2013**
 - Interest on debt
 - Purchase of land not built on and land built on in the amount exceeding 10% of the total eligible expenditure for the operation concerned
 - Recoverable VAT
- **Del. Reg. 481/2014**
 - Fines, financial penalties and expenditure on legal disputes and litigation
 - Costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information
 - Costs related to fluctuation of foreign exchange currency

Financing sources

<p>Programme co-financing</p> <ul style="list-style-type: none"> •ERDF, IPA II, ENI •ERDF equivalent 	<p>The programme financial support to the project. Depending on the programme, this entails support from EU funds (ERDF, IPA II, ENI) and ERDF equivalent (e.g. Norwegian fund, Swiss fund, etc.).</p>
<p>Co-financing rate (%)</p>	<p>The maximum rate of programme co-financing (separate for EU funds and each ERDF equivalent).</p>
<p>Contribution</p> <ul style="list-style-type: none"> •public •private 	<p>Counterpart to programme co-financing secured by the partners (paid by the partners from their own resources or paid to the partners from external sources).</p>
<p>Automatic public contribution</p>	<p>Public funding automatically allocated to a project partner from national/regional sources, external to the partner organisation.</p>

Budget planning steps



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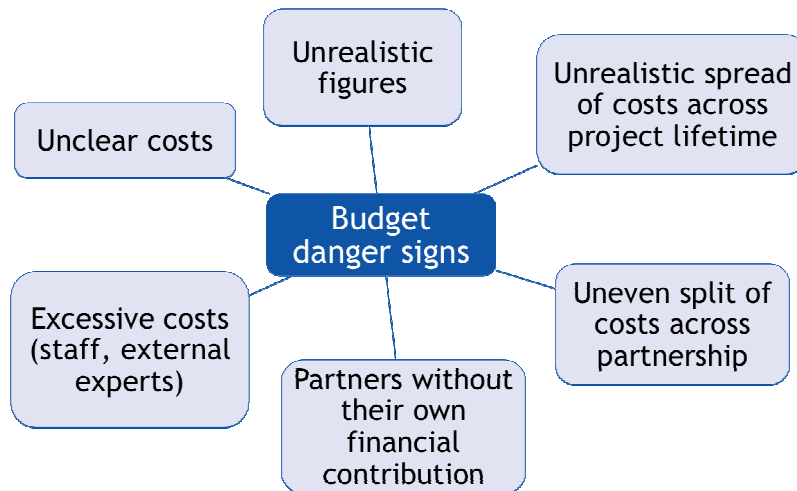
Project budget planning

What is the exercise?

- Identify costs necessary for the implementation of the project activity 1 and 2.
- If possible allocate an amount.
- Indicate to which budget line should each cost be allocated.

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Project budget danger signs



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Budget planning tips

- Be realistic; check real costs.
- Project budget should reflect project partners' involvement in the activities planned.
- Tell partners how to plan the budget and what is possible/eligible.
- Make sure that partners' internal accounting systems are able to provide information on the programme's budget lines.
- Be aware that budgeting takes time. Start early enough.
- Realistic approach to the inevitable delays at project start.
- Guess based budgets are dangerous.
- No shortcuts and no standard budgets are available.

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Thank you for your attention

Please do not hesitate to contact us for any further information
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