

Knowledge and  
Innovation Consultants



Budget Planning and  
Development  
Greek Magistral Lesson  
Izmir, 28/06/2011

# Agenda

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**Budget Planning Issues**

**A scheme that works**

**An example ...**

**Details**

# Budget Planning and Development

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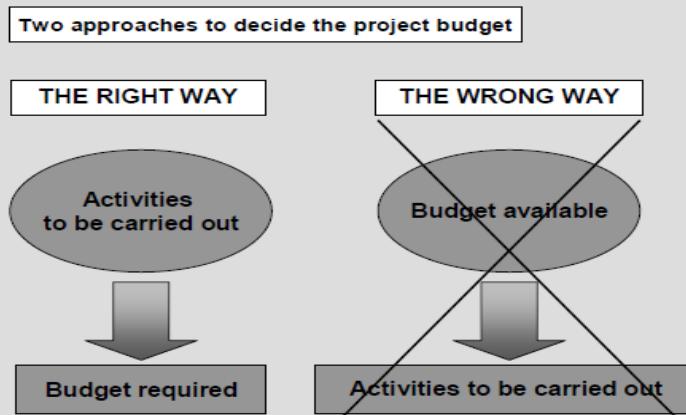
It is important that projects consider financial issues from the very beginning. This approach requires the **involvement of all partners** in the preparatory work and planning meetings during the development phase of the project application. Time invested prior to the submission of the application results in strong partnerships with clear responsibilities and well-justified budget allocations. Good preparation is fundamental to ensuring a prompt start to the project's activities after approval, as well as smooth project implementation thereafter.

It is certainly useful to estimate the funds potentially available and to take into account the recommendations for a reasonable project budget provided by the **Programme's rules**. The overall budget has to be **reasonable** compared to the activities planned, the project's duration and the number of partners involved. In particular, this implies that the detailed budget is always prepared on the basis of the activities needed to meet the project's objectives and the resources required to carry out these activities within the time allowed.

# Budget Planning and Development

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## Cost budgeting



(Source: Interact Point Qualification and Transfer: "Financial Management Handbook"; 2006; p. 80)

1. The first step of project development should be dedicated to precisely defining the theme tackled, the objectives to be reached and the main activities required to achieve these objectives.
2. Once the Lead Applicant has a clear overview of the main activities and outputs by component and by semester, it should decide in cooperation with its partners who will be responsible for which activity / output.
3. When the allocation of activities / outputs per partner is clear, the budget elaboration can start. It is advised to:
  - a) identify the resources needed by each partner to complete the activities by component
  - b) approximate the related cost and forecast the payment date
  - c) organise these figures by budget line.
4. This leads to the detailed budget by partner, component, budget line and six-month period.
5. By aggregating the detailed budgets of partners, the Lead Applicant gets the total estimated amount per budget line, component and six-month period for the whole partnership for the application form.

Source: INTERREG  
IVC Programme  
Manual

# Budget Planning and Development

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Preparing a well-thought out project budget can make all the difference between the successful completion of a project or can result in costly overruns. Project managers seeking to complete a project on time and without spending more than was allocated to their budget can do so provided they make the necessary effort to carefully plan their project budget.

A poorly planned project budget risks creating overruns in project expenditures as well as increasing the amount of time required to complete the project. A properly developed project budget, however, provides managers with a specific actionable plan to complete a project.

# Budget Planning and Development

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It is very important for a project leader to be aware of the rules imposed by the funding programme and by the call for proposals to which the project leader responds. Even if there are common fiscal rules, collected in the financial regulation, the call text will clarify important criteria, such as the maximum rate of co-financing, the grant amount that can be claimed or even the specific eligibility of certain expenses.

## Main difficulties during the stage of budget development

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Two aspects are especially difficult: to offer a realistic and accurate budget and to develop a budget that, generally, involves many transnational partners. To prepare a detailed budget, the project leader must anticipate and gather information, such as salary wages, quotes etc. It is even more challenging when the consortium consists of many partners and the leader has to ask them to provide him with their own **budgetary information**.

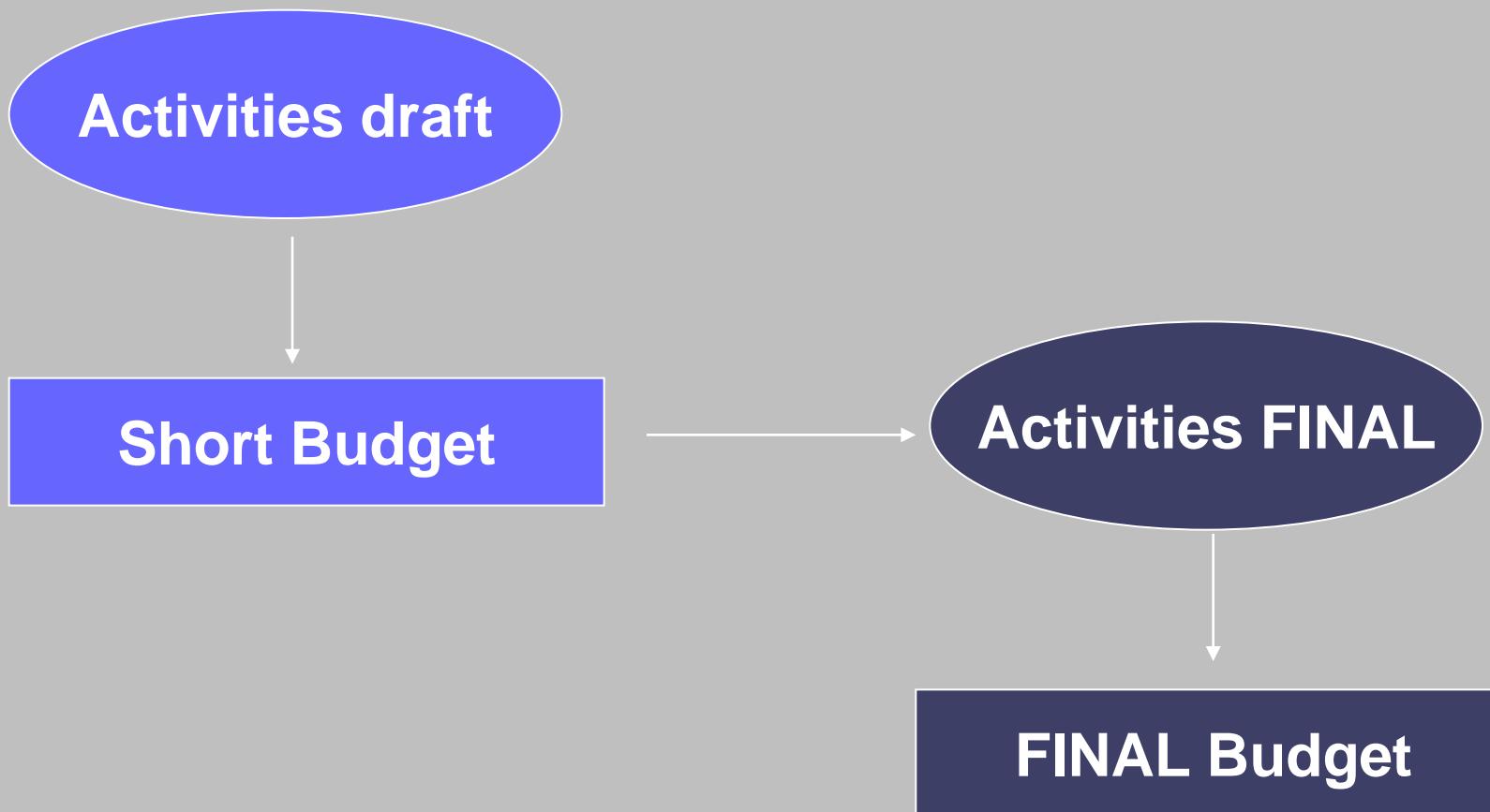
## Main difficulties during the stage of budget development

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Another problem is that, since the European grant is only a co-financing, it is essential to ensure the availability of **additional financing**, the contribution of the other partners and its own cash flow.

# A scheme that works ...

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# Budget Lines

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1. Staff Costs
2. Durable Goods
3. Consumable Goods
4. Travel and Accommodation
5. External Expertise and Services
6. Promotion, Information and Publication
7. Overheads

# Staff Costs 1/3

This category concerns **all Staff costs (including salary, tax, employer's and worker's social contribution, bonus, etc. – following the national legislation)** based on regular employment contracts used in the respective partner institution. Salaries must be coherent with national averages.

The staff budget line involves personnel costs for the time that the partner organisations' staff spends on carrying out the project activities in accordance with the application form (full-time or a certain percentage of total working time).

The persons whose staff costs are budgeted and later on reported must be **directly employed** and paid by the partner organisations officially listed in the application form (e.g. internal project coordinator, internal financial manager, internal independent financial controller; in compliance with country specific control requirements).

# Staff Costs 2/3

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The categories, in which the staff that will be involved in the project can be divided, differ according to each funding Programme.

Example 1:

- Senior Expert
- Expert (Type 1)
- Expert (Type 2)
- Junior Expert

(Intelligent Energy Europe Programme)

Example 2:

- Project Director
  - Project Manager
  - Administrative staff
- ( MED Programme)

# Staff Costs 3/3

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## Calculation of staff costs →

Example:

- Monthly Salary before tax: 2,000.00 EUR
- Hours worked for the project: 116
- Hours worked outside the project: 60
- Hours worked in total: 176
- Hourly rate:  $2,000 \text{ EUR} / 176 = 11.36 \text{ EUR}$
- Project related personnel costs:  $116 \times 11.36 \text{ EUR} = 1,318.18 \text{ EUR}$
- Eligible costs: 1,318.18 EUR

# Durable goods

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The declaration of the expenditure engaged for the use of the durable goods is subject to the countable standards on depreciation. Consequently, the cost allocation engaged for the durable goods will have to take account of the percentages of depreciation, highlighted (e.g. worksheets etc) by typology of goods.

The full cost of durable goods can be charged on the project only when it is clearly demonstrable and it is evident that durable goods are absolutely necessary to correctly carry out the activity foreseen by the project and that it would be impossible to reach the objectives of the project without the concerned durable goods.

# Consumable goods

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The expenditures concerning consumable goods relates to the purchase of any good prone to a duration not exceeding one year.

# Travel and accommodation

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This cost category refers to the travel and accommodation costs of employees of the partner institutions officially listed in the application form and relates to their participation in meetings, seminars, or conferences taking place within the EU. The trips are justified by the project's activities as foreseen in the application form. Trips outside the territory of the EU are possible if they are explicitly mentioned and justified in the application form.

Travel and accommodation costs should be budgeted taking account of the national and/or internal rules of the respective partner organisation for reporting these costs later on. Daily allowances for travel and accommodation are possible as long as the allowance is actually paid by the partner body to the employee and this is in line with the national or institutional conditions set for this partner body.

# Services

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- This category relates to the services which cannot be carried out by the partners of the project and which require the contribution of an external service provider.
  
- This expenditure is acceptable if within the partnership there are no necessary competences for the provision of the aforesaid services. The rules of public procurement must be respected during the selection of the company providing the external services.

# External expertise 1/2

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- This category relates to the expertise, analyses, studies, reports, which cannot be carried out by the partners of the project and which require the contribution of experts or specialist bodies.
  
- This expenditure is acceptable if within the partnership there are no necessary competences for the provision of the aforesaid activities. The rules of public procurement must be respected during the selection of the body, company or individual providing the external expertise.

# External expertise 2/2

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Expenditures related to the realisation of the **audits** of the project, when they are carried out by external auditors, are included in this category. If audits are carried out by an internal auditor, the expenses will have to be budgeted and entered in the budgetary heading “Staff costs”.

**Travel and accommodation** expenses held by the external experts must be included in this budget line.

In most Programmes there is a limited acceptable percentage of the total eligible budget of the project, for the costs of external expertise category.

# Promotion, information and publication

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- This category includes expenditures made to increase the visibility of the project towards the partners, general public or institutions. For example:
  - website design and hosting
  - drafting, lay out, printing and dissemination of publicity materials
  - organisation of external events
  - interpretation / translation
  - ...

If the partnership needs services providers, the related expenditure is acceptable if within the partnership there are no necessary competences for the realisation of the aforesaid services. The rules of public procurement must be respected during the selection of the company or the person providing the external expertise.

# Overheads 1/2

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Pursuant to the article 52 of the regulation (EC) 1828/2006, overheads shall be eligible provided that they are based on real costs attributable to the implementation of the project concerned or on the average real costs attributable to operations of the same type.

- The overheads include:
- Telephone, fax, internet
- Office supplies
- Photocopying
- Mailing
- Office rent
- Heating, electricity
- Other administrative expenditures absolutely necessary for the implementation of the project

## Overheads 2/2

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In the case of indirect expenses, they must be affected in proportion with the project according to an equitable and duly justified method. These costs must be directly necessary for the activities and the realization of the project.

Usually, overheads (or administration costs as they are named in another Programmes) can reach a specific percentage of the overall budget of the project. This percentage depends on the Programme, within the framework of which the proposal is being submitted. For example in MED Programme overheads duly justified can be refunded until a maximum of 7% of the total eligible budget of the project.