

“Proposal Development for Horizon 2020”

# Budget Preparation

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# Costs and eligibility

- A grant is not the lottery.

You may need to contribute to the budget.

- All costs by partners.

- Only "Eligible" Costs.

- Costs have to be:

- Actual
- Real (not estimated)
- Borne by beneficiary
- During project duration
- Estimated in the budget
- identifiable and verifiable
- Compliant with national laws on taxes, labour and social security
- Reasonable & justified



# Understanding the Costs

## ELIGIBLE COSTS

### **DIRECT** (Actual)

- **Personnel costs** (incl. employer's costs)
- Travel
- Equipment (depreciation rules apply)
- Goods, works and services
- Subcontracting

### **INDIRECT** (25% on all Direct Exp. Subcontracting)

- Overhead

## INELIGIBLE COSTS

- Deductible VAT (Note: non deductible/non identifiable VAT is eligible)
- Losses due to fluctuation of exchange rates
- Interest owed
- Provisions for future losses or debts



# Direct Personnel Costs Categories

- Employee costs (or equivalent)
  - basic remuneration = basic salary (*incl. Salary, social Security, Taxes, other*) + complements (*13th Salary, night shifts, hazardous work complement, variable*)
  - for non-profit legal entities: additional remuneration ('bonus payments')
- natural persons working under a direct contract
- personnel seconded by a third party
- 'beneficiaries that are SMEs for their owners (or natural persons) not receiving a salary'



# What is person time? (PDays / Pmonths)

One Person working for 3 months (Full time)

=

3 Persons working for 1 month (Full time)

=

6 Persons working for ½ month

**ANY DURATION**

# Working Time Remuneration

- Only hours worked on the project can be charged.
- **Timesheets:** Working time recorded till the end.
- Real **productive** hours not estimations.
- Some activities **not** productive hours :
  - *Training (not project related)*
  - *Internal meetings (not project related)*
- Some activities not productive

{hourly rate \* number of actual hours worked on the project}

Example:

Hourly Rate = 40 €

1.600 Annual Prod. Hours: 800 h for this project

$40 * 800 \text{ h} = 32.000 + 2000 \text{ € (Additional Rem. as PM)} = 34.000 \text{ €}$

# Annual Productive Hours Calculation

1. **Fixed 1.720 hours** for persons working full time
2. **Individual Annual Productive hours:** total hours worked by the person in the year for the beneficiary  
{ annual workable hours (empl. contract, labour, national law) + overtime - absences (sick leave /special leave) }
3. **Standard Annual Productive hours:** Annual hours generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices

*Explained in detail in Annotated Grant Agreement (p.55)*



# Hourly Rate Calculation

$$\{ \text{Hourly Rate} = \text{Annual personnel costs} / \text{Annual productive hours} \}$$

- Calculated by **financial year** and has to be made always **on the basis of full financial years**.

*If at end of reporting period financial year not closed yet, figures of the last closed financial year available must be used to declare the costs for those months.*

01/10/2015

31/03/2017

## Reporting period (example)

<b>2015</b>	<b>2016</b>	<b>2017</b>
-------------	-------------	-------------

hourly rate for  
2016 used

Project with 1 reporting period of 18 months from 1.10.2015 to 31.3.2017. The beneficiary's financial year closes on 31 December of every year.

For the period from 1.10.2015 to 31.12.2015 - on the basis of year 2015

For the period from 1.01.2016 to 31.12.2016 – on the basis of year 2016

For the period from 1.01.2017 to 31.03.2017 - used the hourly rate from year 2016

# Persons Working Exclusively for the Project

*regardless if full-time or part-time employees:*

- **DECLARATION** (AGA, art.18) on exclusive work for the action, to confirm that the person worked exclusively for the action, either:
  - during whole reporting period or
  - during uninterrupted time-period, covering at least a full natural month within the reporting period.

*Sporadic or random periods of 'exclusive' dedication can NOT be subject of a declaration.*

*If a person worked randomly for the action after an uninterrupted time-period covered by a declaration, time records are needed for the period of random work.*

# SME Owners NOT receiving a salary

SME owners / natural persons / no salary

**YES:** owners compensated by other means than a salary (*e.g. dividends, service contracts between the company and the owner, etc.*)

**NO:** owners receiving a salary (*registered as such in the accounts of the SME*)

**HOW:**

Hourly Rate = { EUR 4,650 / 143 hours } X {country-specific correction coefficient}

*In TR = 86,6%*

[SEE: Annex 2a \(Additional information on the estimated budget\): V4.0 – 31.08.2016](#)



# Travel

- **Transportation**
  - Number of Trips
  - Destinations
  - Duration of travels
  - Number of people traveling
- **Flat Subsistence Allowance**
  - *eligible if in line with beneficiary's usual practices on travel*

See: [http://ec.europa.eu/research/participants/data/ref/fp7/89566/flat-rates-subsistence\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/fp7/89566/flat-rates-subsistence_en.pdf)

# Equipment

- Always verify specific rules
- Depreciation (not full cost)
- According to National Legislation

## *Example:*

- Every item has an economic life (e.g. 4 years according to National Legislation in Greece)
- After 4 years its value = 0
- Losing 25% of its value every year
- If the project lasts 4 years you can charge the full cost



# Other Direct Costs

- Travel and Subsistence
- Equipment (only Depreciation)
- Purchase of Goods and Services



## Durable Equipment

Spectrum Analyser	Purchase Cost:	40,000.00	Euro
	Depreciation Period:	3	Years
	Annual Depreciation:	13,333.33	Euro
	Project Start:	01 January 2015	
	Project End:	31 December 2017	
	Equipment bought:	01 July 2015	
	Cost Claim Project Year 1:	6,666.67	Euro
	Cost Claim Project Year 2:	13,333.33	Euro
	Cost Claim Project Year 3:	13,333.33	Euro
	<b>Total Cost claim:</b>	<b>33,333.33</b>	<b>Euro</b>

## Durable Equipment

Spectrum Analyser	Purchase Cost:	40,000.00	Euro
	Depreciation Period:	3	Years
	Annual Depreciation:	13,333.33	Euro
	Project Start:	01 January 2015	
	Project End:	31 December 2017	
	Equipment bought:	01 January 2014	
	Cost Claim Project Year 1:	13,333.33	Euro
	Cost Claim Project Year 2:	13,333.33	Euro
Cost Claim Project Year 3:		Euro	
Total Cost claim:		26,666.67	Euro

# Other Costs

- Short Consultancies
- Catering
- Printing services
- Etc.

*Some times these can go to subcontracting*

**ALL MUST BE DETAILED AND  
JUSTIFIED**



# Subcontracting

- Always check specific rules
- Business Conditions
- Only small amount  
( $<15-20\%$  of the partner's budget)
- Avoid it if you can

## ANNEX 1:

Description of Tasks, Costs Estimation, Need justification

## ANNEX 2: Estimated Costs

EXAMPLES: *Contract for part of the research //*  
*Contract for Test and analysis of a new product*

# Indirect Costs (Overheads)

- Necessary for every functioning organisation
- Connected to productive personnel
  - Utilities
  - Office costs
  - Communications
- How to determine the % ?
  - FLAT 25% of ALL Direct costs (*except Subcontracting*)
- They do NOT have to be justified



# Budget Flexibility

- At reporting costs may differ from estimated eligible costs.
- Budget Transfer between Beneficiaries or between budget categories without Amendment

*If incurred costs < estimated, difference to another partner or budget category.*

*If significant change in planned work, amendment is needed*

# Funding Limits

- One project = one rate for all activities
- 100% of the eligible costs for **Research Actions (RIA)**
- Maximum of 70% for **Innovation actions (IA)**  
(*non-profit organisations – maximum of 100%*)
- 100% for **Coordination and Support (CIA)**
- Defined in the Work Programme

# Phases of Budget Building

1. Define the total cost
2. Partner distribution draft
3. Prepare WBS and PM / WP
4. Determine Personnel Costs
5. Define Other Costs
6. Circulate budget to partners
7. Negotiate and finalise



# Define the Final Budget

- Make a rough evaluation
- Based on restrictions
  - Call budget
  - Previous Projects
  - Ask your NCP about competition
- Must be realistic
- Start moderate so you can increase it during preparation
- Negotiate early with partners
  - Distribute your proposal in the beginning
  - Even if you have not all the partners, you know the roles

# Personel Costs

Start from Work Breakdown Structure (WBS)

	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	WP9	Total
<b>COORD</b>	17,0	3,0	26,0	0,0	2,0	0,0	8,0	0,0	2,0	<b>58</b>
<b>1/HB</b>	1,0	4,0	12,0	10,0	3,0	1,0	0,0	14,0	1,0	<b>46</b>
<b>2/DOT</b>	2,0	2,0	0,0	0,0	0,0	0,0	32,0	0,0	6,0	<b>42</b>
<b>3/FU</b>	3,0	1,0	0,0	0,0	17,0	17,0	2,0	0,0	2,0	<b>42</b>
<b>4/PE</b>	1,0	0,0	0,0	3,0	10,5	9,0	5,0	0,0	5,5	<b>34</b>
<b>4/JMU</b>	2,0	21,0	2,5	1,0	2,0	0,0	2,0	4,5	4,0	<b>39</b>
<b>5/PMT</b>	1,0	0,0	2,0	0,0	0,0	0,0	0,0	0,0	12,0	<b>15</b>
<b>6/TM</b>	1,0	2,0	2,0	5,0	2,0	0,0	2,0	4,0	2,0	<b>20</b>
<b>7/HS</b>	2,0	0,0	6,0	18,0	0,0	0,0	2,0	2,0	2,0	<b>32</b>
<b>Total</b>	<b>30,0</b>	<b>33,0</b>	<b>50,5</b>	<b>37,0</b>	<b>36,5</b>	<b>27,0</b>	<b>53,0</b>	<b>24,5</b>	<b>36,5</b>	<b>328</b>

# Horizon 2020 Personnel Cost Model

Average Person Month Cost = weighted mean value of the different profiles




Profile	PM Cost	PM	Total
Director	8.000,00 €	2	16.000,00 €
Senior Researcher	5.000,00 €	8	40.000,00 €
Junior Researcher	2.500,00 €	10	25.000,00 €
		<b>20</b>	<b>81.000,00 €</b>
	<b>AVERAGE COST:</b>		<b>4.050,00 €</b>

*Taken into account only for Proposal Phase. During Project Implementation you need actual costs.*

# Why is it important ?

- Wrong assumptions lead to problems
- Poor planning creates uncertainty
- Practical Example

# Completing the Budget table

Participant	Country	(A) Direct personnel costs/ €	(B) Other direct costs/ €	(C) Direct costs of subcontracting/ €	(D) Direct costs of providing financial support to third parties/ €	(E) Costs of in kind contributions not used on the beneficiary's premises / €	(F) Indirect costs/ € (=0,25(A+B-E))	(G) Special unit costs covering direct and indirect costs	(H) Total estimated eligible costs/ € (A+B+C+D+F+G)	(I) Reimbursement rate	(J) Max.grant/ € (=H*I)	(K) Requested grant/ €
												
	Total											



# How to use the template (Columns A, B)

	PM Rating	(A) Direct Personnel Costs	Travel costs	Equipment	Other	(B) Other Direct Costs	(B)/(A) %
1/COORD	4.500,00 €	261.000,00 €	21.600,00 €	1.500,00 €	5.000,00 €	28.100,00 €	10,77%
NOVI	7.872,00 €	362.112,00 €	28.800,00 €	1.500,00 €	5.000,00 €	35.300,00 €	9,75%
PAR3	3.500,00 €	147.000,00 €	19.200,00 €	1.200,00 €	1.500,00 €	21.900,00 €	14,90%
PAR4	4.000,00 €	168.000,00 €	16.000,00 €	1.500,00 €	4.500,00 €	22.000,00 €	13,10%
PAR5	4.500,00 €	153.000,00 €	18.000,00 €	2.000,00 €	1.500,00 €	21.500,00 €	14,05%
PAR6	4.516,00 €	176.124,00 €	19.575,00 €	3.400,00 €	2.000,00 €	24.975,00 €	14,18%
PAR7	4.060,91 €	60.913,61 €	18.000,00 €	2.900,00 €	3.400,00 €	24.300,00 €	39,89%
PAR8	4.500,00 €	90.000,00 €	18.000,00 €	2.000,00 €	1.500,00 €	21.500,00 €	23,89%
PAR9	7.500,00 €	240.000,00 €	20.000,00 €	2.000,00 €	1.500,00 €	23.500,00 €	9,79%
Total		€ 1.658.149,61	€ 179.175,00	€ 18.000,00	€ 25.900,00	€ 223.075,00	

# How to use the template (Columns C – I)

(C) Direct Costs of Subcontracting	(D) Direct costs of providing financial support to 3rd parties	(E) Costs of in-kind contributions not used on the beneficiary's premises	(F) Indirect costs 0.25*(A+B-E)	(G) Special unit covering direct & indirect costs	(H) Total estimated eligible A+B+C+D+F+G	(I) Reimbursement rate	Max grant H*I	Requested Grant
0,00 €	0,00 €	0,00 €	72.275,00 €	0,00 €	361.375,00 €	100,00%	361.375,00 €	361.375,00 €
0,00 €	0,00 €	0,00 €	99.353,00 €	0,00 €	496.765,00 €	100,00%	496.765,00 €	496.765,00 €
0,00 €	0,00 €	0,00 €	42.225,00 €	0,00 €	211.125,00 €	100,00%	211.125,00 €	211.125,00 €
0,00 €	0,00 €	0,00 €	47.500,00 €	0,00 €	237.500,00 €	100,00%	237.500,00 €	237.500,00 €
0,00 €	0,00 €	0,00 €	43.625,00 €	0,00 €	218.125,00 €	100,00%	218.125,00 €	218.125,00 €
0,00 €	0,00 €	0,00 €	50.274,75 €	0,00 €	251.373,75 €	100,00%	251.373,75 €	251.373,75 €
0,00 €	0,00 €	0,00 €	21.303,40 €	0,00 €	106.517,02 €	100,00%	106.517,02 €	106.517,02 €
0,00 €	0,00 €	0,00 €	27.875,00 €	0,00 €	139.375,00 €	100,00%	139.375,00 €	139.375,00 €
0,00 €	0,00 €	0,00 €	65.875,00 €	0,00 €	329.375,00 €	100,00%	329.375,00 €	329.375,00 €
€ 0,00	€ 0,00	€ 0,00	€ 470.306,15	€ 0,00	€ 2.351.530,77		TOTAL	€ 2.351.530,77

*Certificate on the Financial statements (Audit): Requested Grant > 325.000 €*



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Teşekkür ederim!

Thank you!



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