

HOW TO PLAN PROJECT BUDGET

9 May 2024

Gints Pipikis, Project Manager of the Joint Secretariat

Interreg  Co-funded by
the European Union

Latvia – Lithuania

Content

1 Main principles

2 Cost categories

3 Budget planning

4 Recommendations

Main principles



Main principles

- **ERDF support up to 80%** of all eligible project expenditures; the remaining part ($\geq 20\%$) covered by the project partners' own funds (own contribution)
- **National co-financing** could be possible: **10%** of total partner's budget
- **No advance payments**
- **Eligible VAT** (Value Added Tax)
- **Expenditures** envisaged in the budget should **correspond** to the planned **activities** of the project
- **Sound financial management** (Economy, efficiency & effectiveness)

Main principles

- **Costs** must be **incurred** by PP and **paid out** “gone out of the **PP** bank account” within the project duration

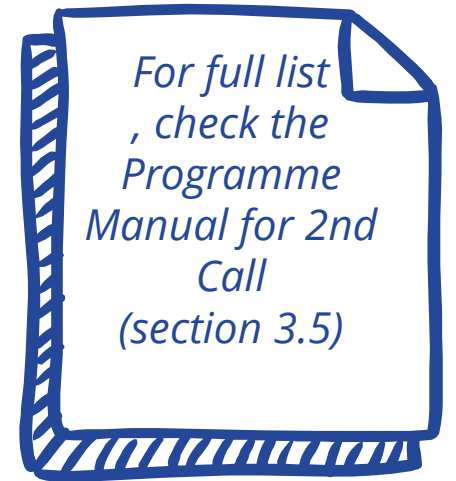
Main principles

- No subcontracting other LP/PPs, themselves, own or LP/PPs' employees
- Zero tolerance towards the existence of a conflict of interest
- No double financing
- No cost sharing
- No in-kind costs



Ineligible activities

- investment increasing the capacity of facilities for the treatment of residual waste,
- purchase of luxury goods,
- construction of roads,
- purchase of not specialized cars,
- preparation of the technical documentation for (re)construction works,
- political and religious activities,
- creation/improvement of the long-term care services,
- investments in infrastructure and equipment outside the Programme territory,
- creation of stand-alone logos or designs for projects use of which is limited to the lifetime of the project,



Cost categories



Cost categories

CC1	Staff costs
CC2	Office and administration costs
CC3	Travel and accommodation
CC4	External expertise and services
CC5	Equipment
CC6	Infrastructure and works

**Preparation costs lump sum does not belong to any cost category
and shall be planned under section E1. of AF**

Preparation costs

Preparation costs lump sum is **5 000 EUR** (4 000 EUR ERDF) and it could be **split** between project partners

A project can **receive reimbursement** for the preparation costs of the project based on the following preconditions:

- PPs plan preparation costs in the Application Form
- LP requested reimbursement of the preparation costs in the Partner report for 1st reporting period



Cost category 1– Staff costs

Only two options are possible:

- ❑ SCO **flat rate** method: **15%** of real costs (CC4, CC5 & CC6)
- ❑ SCO **standard scale of unit cost** method: **17 EUR hourly rate**



Cost category 1– Staff costs

- Each PP can choose **only one** appropriate reporting method
- **LP/PP cannot change the Staff costs method** during the project implementation!

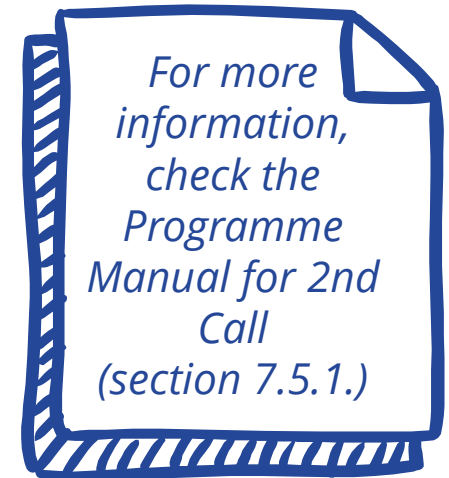
Both methods do not require to provide documents to Programme bodies that expenditure has been paid out.



Cost category 1 – Staff costs / Flat rate

SCO **flat rate** method: **15%** of total eligible real costs (CC4, CC5 and CC6)*

- **If LP/PP chooses the flat rate method, external project management costs** (project manager, coordinator, assistant, financial managers, procurement and public relation specialists, etc.) **are ineligible and cannot be planned under CC4.**
- The calculation is done automatically.



**Flat rate method is mandatory for projects with total eligible project budget below 200 000 EUR!*

Partner Budget Options

Staff costs flat rate: 15 % (fixed rate)

Cost category 1 – Staff costs – Unit rate

Calculated by multiplying standard unit cost (**17 EUR/h**) with **number of units** (hours)

- The hourly rate **is standard for all employees** regardless of their position
- **Only productive hours** can be planned and reported
- This **rate is not affected by real rate** of remuneration used within LP/PP institutions (it can be higher or lower)
- The rate already **includes all taxes**

Cost category 1 – Staff costs – Unit rate

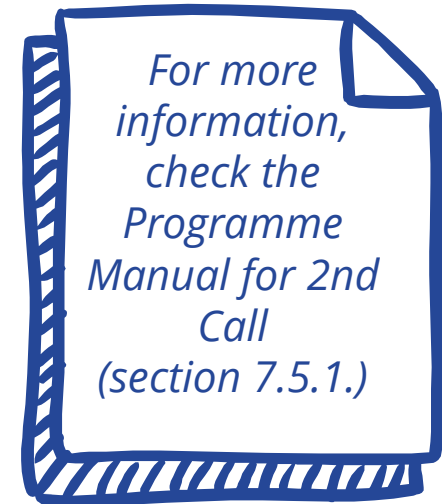
Limitations:

LP/PP cannot declare more than **1 720 hours** per full time employee **per year**, for a six-month reporting period maximum limit is **860 hours**.

PPs shall reduce this maximum number of hours to a pro-rata of 1 720 hours for employees working part-time

1720/12=143.33 hours per month

*50% work load =143,33*0,5=71,66H*



Cost category 1 – Staff costs – Unit rate

Main documents must be available for control purposes:

- Employment confirmation / work agreement
- Timesheet with reference to evidence of implemented works from the project work plan in the AF
- LP/PP shall present detailed information about implemented duties and tasks for all reported working hours in timesheet except the cases described in **page 94 of the Programme Manual**



Cost category 1 – Staff costs – Unit rate

Detailed information about implemented duties and tasks for all reported working hours of the staff members should be provided if below-stated limits are overreached:

LP project management duties – 430 hours per reporting period.

PP project management duties per PP – 284 hours per reporting period.

LP/PP financial manager duties – 215 hours per reporting period.

For all other staff duties, irrespectively to the hours spent, LP/PP shall present detailed information about implemented duties and tasks for all reported working hours in timesheets.



Cost category 1 – Staff costs – Unit rate


Calculated by multiplying standard unit cost (**17 EUR/h**) with **number of units** (hours)

Partner Budget Options

Staff costs flat rate

Partner budget ⁱ

Staff costs

Unit costs	Staff function	Comments	Unit type	No. of units	Total
Staff costs unit r... ▾	Staff costs unit rate (hourly ...		EUR/hour	1,00	17,00 
+					17,00

Cost category 2 – Office and administration costs

Flat rate of **15%** of eligible staff costs

When using the flat rate, the LP/PP does not need to document that the expenditure has been incurred (paid out) or to prove that the reported amount using the flat rate would correspond to the real costs for the office and administration.

Partner Budget Options

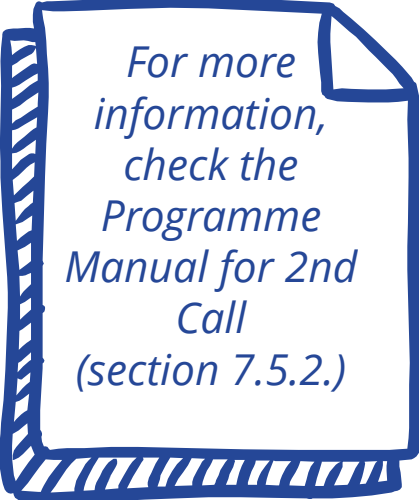
- Staff costs flat rate
- Office and administrative costs flat rate based on direct staff costs: 15 % of Staff costs (fixed rate) 



Cost category 2 – Office and administration costs

Examples of costs covered by CC2

- Office rent
- Office supplies
- Archives
- Utilities (e.g. electricity, heating, water)
- Communication (e.g. Telephone, internet, postal service)
- IT systems support
- Accounting
- Security
- Maintenance, cleaning and repairs
- Charges for transnational financial transactions
- Costs related to the organization of internal one partner (without the participation of LP or other PPs) meetings.
- etc...



For more information, check the Programme Manual for 2nd Call (section 7.5.2.)

Cost category 3 – Travel and accommodation costs

Flat rate of **10%** of eligible staff costs

The flat rate only covers travel and accommodation costs of **LP/PPs' own employees**.

When using the flat rate, the LP/PP does not need to document that the expenditure has been incurred (paid out) or to prove that the reported amount using the flat rate would correspond to the real costs for the Travel and accommodation.

Partner Budget Options

- Staff costs flat rate
- Office and administrative costs flat rate based on direct staff costs
- Travel and accommodation flat rate: 10 % of Staff costs (fixed rate)



Cost category 3 – Travel and accommodation costs

Examples of costs covered by CC3

- Travel costs (*such as tickets, travel and car insurance, fuel, car mileage, toll, parking fees, rent of vehicle*)
- The cost of meals (*e.g., cost of meals provided during travelling*) *
- Accommodation costs
- Costs related to mandatory requirements for entering countries, *e.g. visa costs, mandatory health tests, etc.*
- Daily allowances

For more information, check the Programme Manual for 2nd Call (section 7.5.3.)

* PPs must plan and report costs for **catering during events under CC4.**




Cost category 4 – External expertise and services

Costs for services to support the project implementation which are provided by body or a natural person outside of the partner organization

! *Costs are based on agreements concluded with service providers and paid based on invoices*

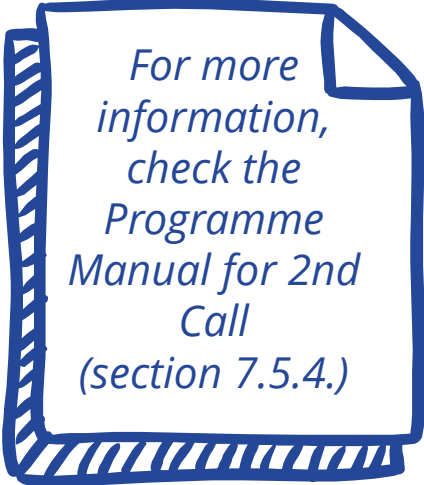


External expertise and services						
Description	Comments	Investment	Unit type	No. of units	Price per unit	Total
		N/A		1,00	0,00	0,00 
						0,00

Cost category 4 – External expertise and services

Examples

- Studies
- Surveys
- Translations
- Participation in trainings
- IT, Communication, Financial management, Publicity, other services linked to a project
- Services related to the organization and implementation of events or meetings
- Costs for financial control for LT PPs
- Travel and accommodation for the target group
- etc...



For more information, check the Programme Manual for 2nd Call (section 7.5.4.)

! *The **work** by external experts and service providers must be **essential** to the project and specified in the AF.*

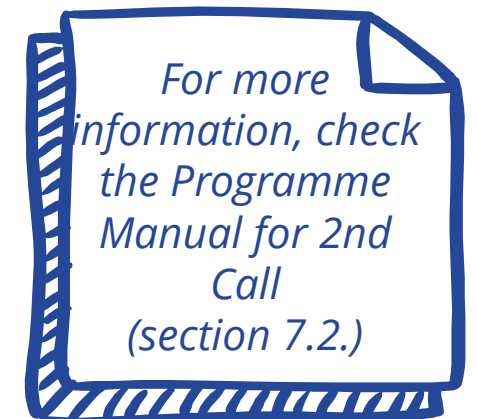
Cost category 4 – External expertise and services

Specific rules:

- Price should be **adequate**.
- Costs shall be based on **detailed commercial offers**, including **breakdown** of costs.
- Partners must include under CC4 **all costs of external expertise and services** that are **linked** to an investment in **equipment and infrastructure** planned under CC5 or CC6 (e.g. Supervision of construction works).
- Wages/compensation for **artists and authors** are **not eligible**, with the exception if activities are **essential** for the implementation and **stated** in AF.
- If LP/PPs use rented **transportation** for the events where project **management staff** and project **target group** participate, total costs for transportation are **eligible** under CC4.
- Costs for **lunch** are eligible for a **minimum six hours** meeting, and LP/PPs can include costs for **dinner** for events taking place **more than one day**.

Ineligible costs

- Creation of **stand-alone logos or designs** for projects whose use is limited to the lifetime of the project.
- The stand-alone **project website** outside www.latlit.eu, unless it directly serves to reach project results and exceeds the lifetime of the project.
 - **Promotional materials** (e.g., gadgets, giveaways or souvenirs) except items required explicitly for reaching defined target groups. The Programme has described such items in detail under section 6.4 “Publicity requirements” of the Programme Manual and PPs must plan them in the Application Form.
- Costs linked to **awards and prizes** granted or given at competitions organised by the LP/PPs.
- Costs of **groceries** purchased from the shops.




Cost category 5 – Equipment

Equipment that is necessary to achieve the project's objectives

! *Costs are based on agreements concluded with service providers and paid based on invoices*



Equipment

Description	Comments	Investment	Unit type	No. of units	Price per unit	Total
		N/A		1,00	0,00	0,00 
+						0,00

Cost category 5 – Equipment

Examples

- Office equipment
- IT hardware and software
- Furniture and fittings
- Laboratory equipment
- Machines and instruments
- Tools or devices
- Other specific equipment needed for the project
- etc

For more information, check the Programme Manual for 2nd Call (section 7.5.5.)

Cost category 5 – Equipment

- To **rent or lease** equipment, LP/PP should provide justification in the AF.
- **Cross-border relevance** of the investments in the equipment should be evident.
- The needed **functionality** and **quantity** of equipment have to be specified.
- **Second-hand equipment** is eligible if conditions stated in PM are met.
- Costs shall be based on detailed commercial offers, including breakdown of costs.
- Purchase of **only specialized cars** is eligible if they are operated and used solely to fulfil the main objective of the project.

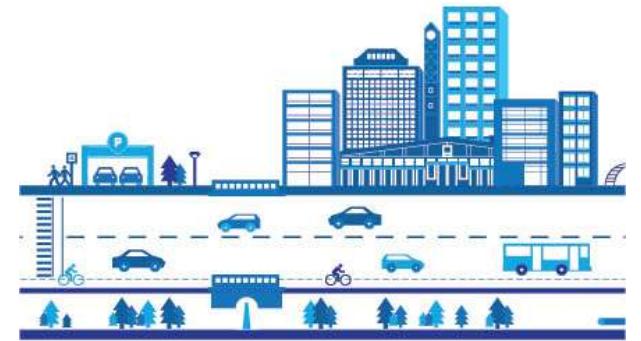
! *The **equipment** must be **essential** to the project and specified in the AF.*




Cost category 6 – Infrastructure and works

Costs of infrastructure and works that are necessary to achieve the project's objectives and ensure durability

! *Costs are based on agreements concluded with service providers and paid based on invoices*



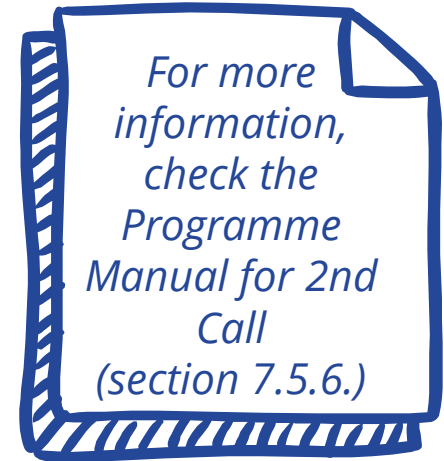
Infrastructure and works

Description	Comments	Investment	Unit type	No. of units	Price per unit	Total
		N/A		1,00	0,00	0,00 
+						0,00

Cost category 6 – Infrastructure and works

Examples

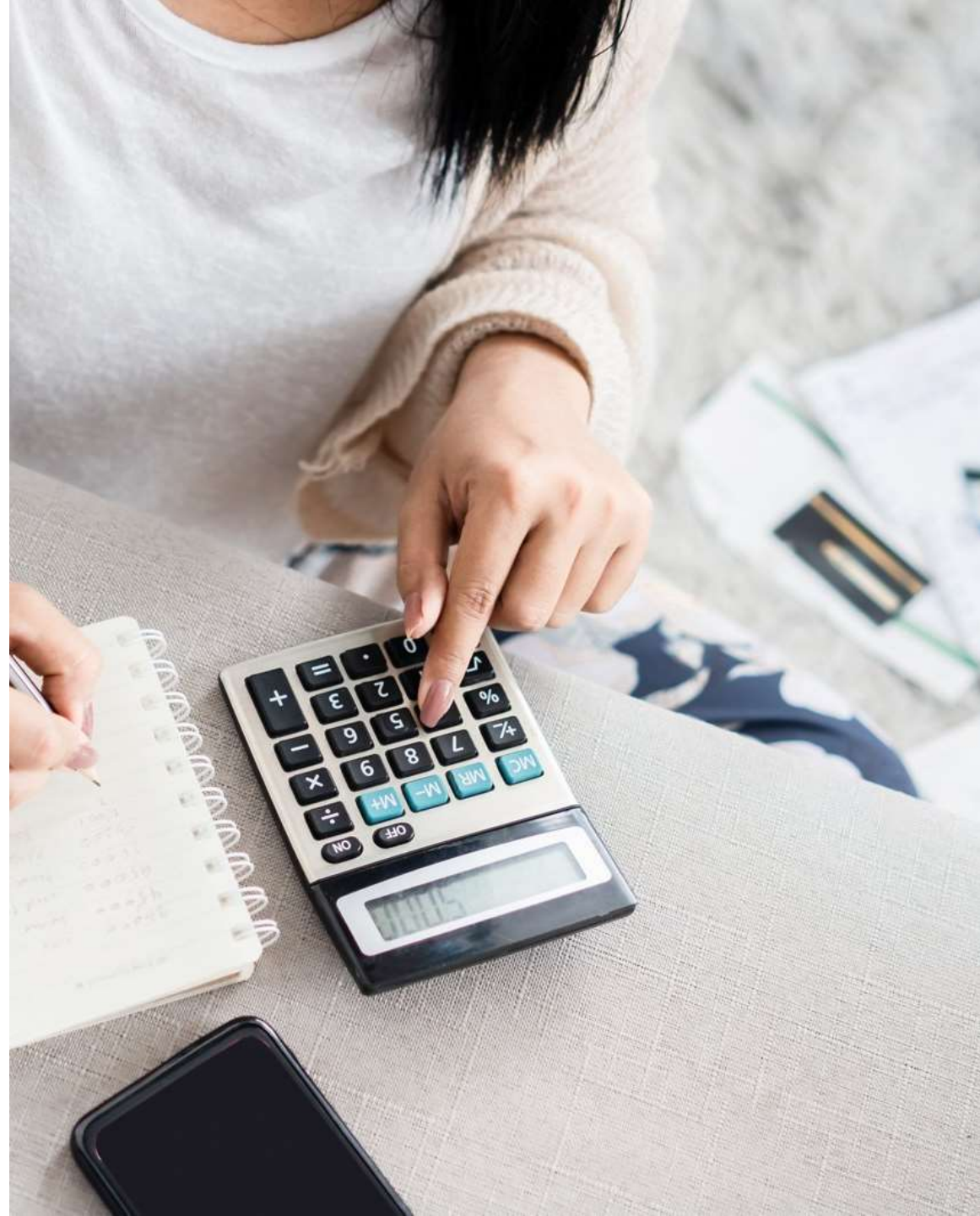
- | | |
|---|--|
| <ul style="list-style-type: none">• Building permits• Building material• Labour | <ul style="list-style-type: none">• Specialized interventions (such as soil remediation and mine-clearing)• The purchase of land for an amount below 10% / 15% of CC6 |
|---|--|



- **Cross-border relevance** of the investments in the infrastructure should be evident.
- Costs shall be based on **cost estimates**.
- A **full set of documents** required under the national building laws and **proof of ownership** of land/premises or lease of land/premises agreements must be submitted.
- Costs for building permits for (re)construction works planned in AF are not eligible.

! *The **works** must be **essential** to the project and specified in the AF.*

Budget planning



Budget planning

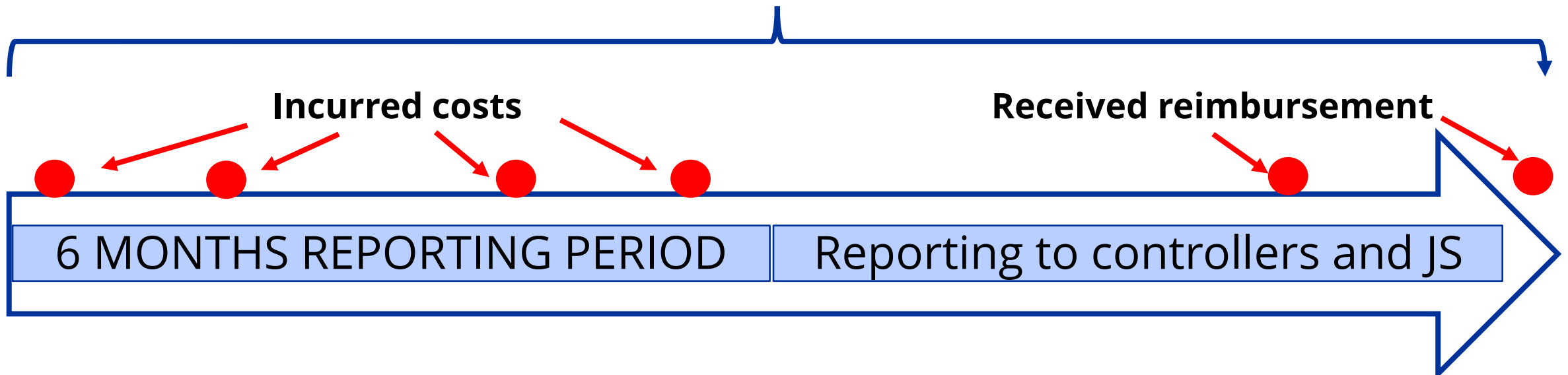
Planning **per periods**:

- Programme set reporting periods - **6 months**
- Be realistic when planning costs per period, projects usually start slowly

Reimbursement timeframe:

- **70%** of Programme co-financing after 3,5 months from period end
- **30%** of Programme co-financing after 5,5 months from period end

11,5 months



Budget planning

Planning **per periods**:

- **Be realistic (spending delays)**
- **Keep logical link between deliverables delivery date and budget**
- **Be aware of spending rate and related decommitment risks**

If the Programme faces **de-commitment**, MA will reduce budgets granted to the delayed projects.

The decision on which projects are affected by the de-commitment *will be based on an assessment of the project's spending plan as fixed in the AF and the actual spending rate of the projects.*

Budget planning

- C.6 Project Time Plan
- C.7 Project management
- C.8 Long-term plans
- D - Project budget
 - D.1 Project budget per fund
 - D.2 Overview partner / cost category
 - D.3 Overview budget / period
- E - Project lump sums
 - E.1 - Project lump sums
- Application annexes
- Assessment & Decision
- Modification
- Export

D.3.1 Project budget - overview per partner / per period

If the partner budget is not completely assigned to the periods per cost category, the non-assigned budget is automatically added to the last period. Rounding differences are added to the last reporting period.

Partner	Organisation abbreviation	Country	Preparation	Period 1	Period 2	Period 3	Period 4	Closure	Total eligible budget
<u>LP1</u>		Latvija (LV)	5.000,00	15.406,25	37.406,25	37.406,25	29.406,25	0,00	124.625,00
<u>PP2</u>		Latvija (LV)	0,00	33.668,58	34.856,08	35.535,93	20.929,71	0,00	124.990,30
<u>PP3</u>		Latvija (LV)	0,00	67.501,25	31.626,25	11.937,25	13.935,25	0,00	125.000,00
<u>PP4</u>		Lietuva (LT)	0,00	17.071,87	39.446,87	41.187,67	22.181,89	0,00	119.888,30
<u>PP5</u>		Lietuva (LT)	0,00	89.783,89	13.456,35	9.751,33	12.008,43	0,00	125.000,00
Total			5.000,00	223.431,84	156.791,80	135.818,43	98.461,53	0,00	619.503,60
% of Total budget			0,81 %	36,07 %	25,31 %	21,92 %	15,89 %	0,00 %	100,00 %

Recommendations



Recommendations

- ✓ Respect **budget limits** for priorities / specific objectives
- ✓ Have **available funding** for first two periods (There are no advance payments from Programme)
- ✓ Don't plan costs for services used by another PP
- ✓ Use **rounding** to whole numbers
- ✓ **Link costs in budget to deliverables** planned in the work plan





Recommendations

- ✓ Use **market research/commercial offers** for planning CC4 & CC5 costs
- ✓ Use **up-to-date cost estimates** for planning CC6 costs
- ✓ Plan costs for **mandatory communication** elements
- ✓ For LT partners plan costs for **National control (~3% of PP total budget)**
- ✓ **Detailed planning** of activities - provide **breakdown of costs**

THANK YOU!
PALDIES!
AČIŪ!

Interreg  Co-funded by
the European Union

Latvia – Lithuania

 www.latlit.eu

 [@LatviaLithuaniaProgramme](https://www.facebook.com/LatviaLithuaniaProgramme)