



Estonia
Latvia
Russia



ENPI cross border
cooperation programme

part-financed by
the European Union

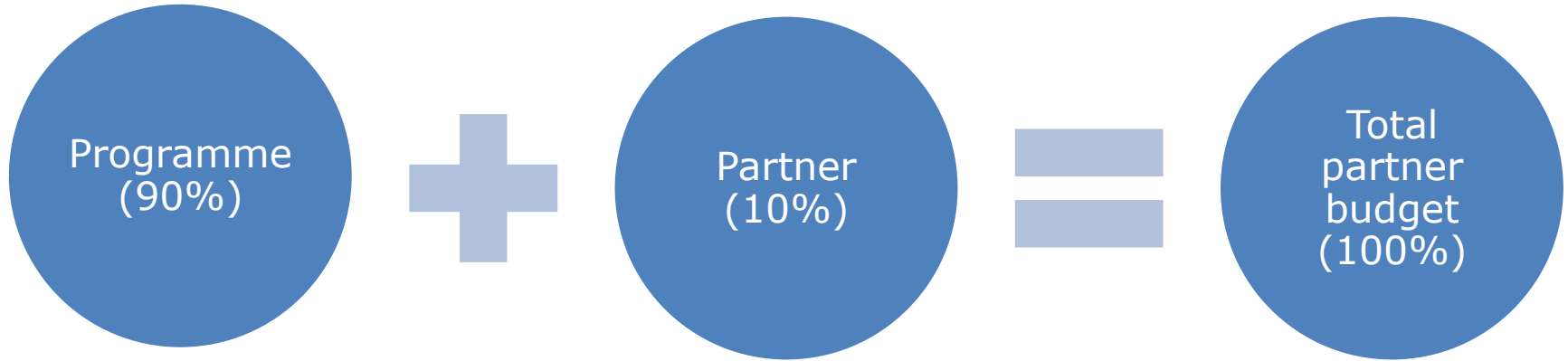
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Applicant Seminar

Financial Management and Budget of projects

Joint Technical Secretariat

Project partner financing

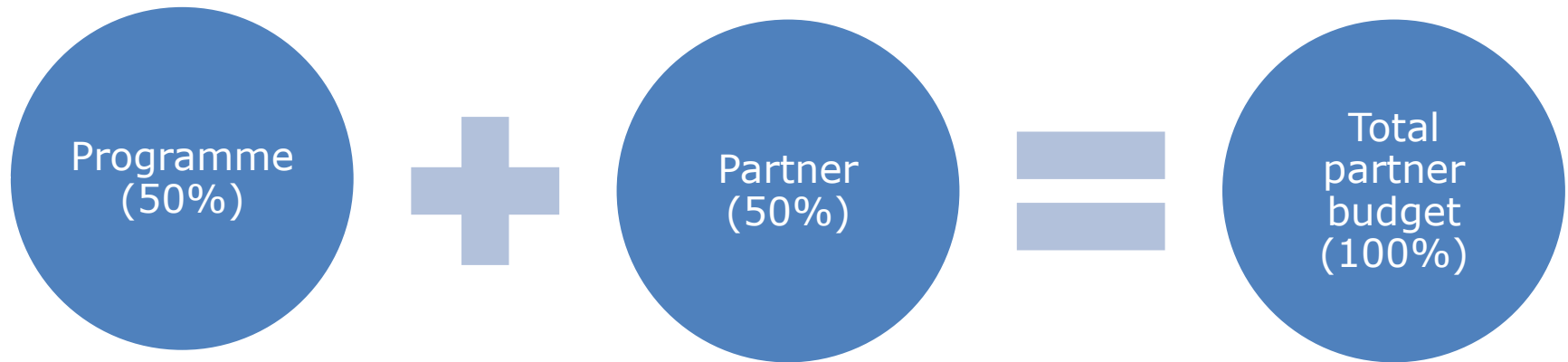


At least 10% of the total eligible project budget has to be contributed by the Applicant and project partners (at least 10% for each partner)



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Project partner SMEs financing



Private partners -max co-financing from the Programme \leq 50% of the total eligible costs for respective project partner (Priority I)



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Project co-financing

Partner's co-financing:

- ❑ **own funds (cash)**
- ❑ **contribution in-kind** (according to GfGA p.22) - unpaid voluntary work and use of the Beneficiary's and/or the project partner's own premises for implementation of the project activities (max 10% from the total project budget and not exceed own funds).



Payment amount

❑ Initial pre-financing

- ✓ duration of the project does not exceed 18 months **and** if the grant does not exceed 300,000 EUR - maximum 40% of the grant
- ✓ duration of the project exceeds 18 months **or** if the grant exceeds 300,000 EUR -40% of the forecast budget for the first 12 months of the project

❑ Further pre-financing instalment – together with initial pre-financing not exceed 80% of the project grant

❑ Balance payment – not exceed 20% of the project grant. Will be made in 45 days after approval of the Final Report (to be considered in the liquidity management)!

Section 3.2.1. of GfGA



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Eligible periods

- ❑ Only costs made during the project implementation period (after contract will be signed and started from **project starting date**) are eligible
- ✓ The only exception are costs relating to final reports, expenditure verification and evaluation of the project, which can be incurred not later than the date of submission of the final report
- ✓ Preparatory costs (expenditures before project starting date) are ineligible



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Main eligibility rules

In order to be eligible, costs have to be:

- ❑ Shown in the approved **Full Application Form**
- ❑ Comply with the **visibility requirements**
- ❑ **Necessary** for the implementation of the project
- ❑ **Identifiable and verifiable**, in particular being recorded in the accounting records
- ❑ Incurred in compliance with the **relevant procurement procedures**
- ❑ **Reasonable, justified** and comply with the requirements of **sound financial management**

Section 2.1.4.2. of GfGA



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Main budgetary principles

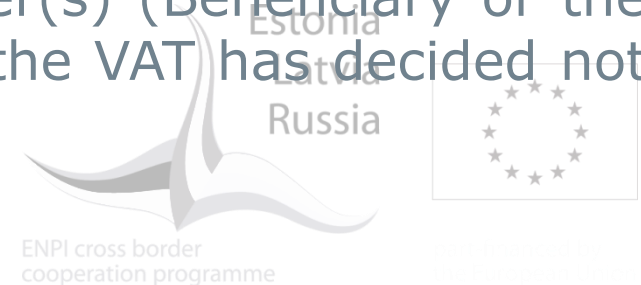
The project budget has to be in line with the principles of economy, efficiency and effectiveness

- ❑ **The principle of economy** requires that the resources used by the institution for the pursuit of its activities shall be made in due time, in appropriate quantity and quality and at the best price
- ❑ **The principle of efficiency** is concerned with the best relationship between resources employed and results achieved
- ❑ **The principle of effectiveness** is concerned with attaining the specific objectives set and achieving the intended results



Taxes, VAT

- ❑ Taxes are ineligible costs (except employment taxes, social security charges)
- ❑ VAT is ineligible (except if Beneficiary and/or the project partner(s) cannot reclaim it)
- ❑ VAT that is recoverable by whatever means cannot be considered as eligible, even if it is not actually recovered by the Beneficiary or the project partner(s) (Beneficiary or the partner who could officially recover the VAT has decided not to do it)



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Ineligible costs

- Debts and provisions for losses or debts
- Interest owed
- Items already financed in another framework (double financing)
- Purchases of land or buildings (except under specific conditions)
- Currency exchange losses
- Taxes (except employment taxes, social security charges), including recoverable VAT
- Credits (loans) to third parties
- Fines, financial penalties and expenses of litigation



Documents

- ❑ Programme document “Programme - Estonia - Latvia - Russia Cross Border Cooperation Programme Within European Neighbourhood and Partnership Instrument 2007 – 2013”
- ❑ Guidelines for Grant Applicants
- ❑ PRAG - Practical Guide to Contract procedures for European Commission External Actions
- ❑ National legislation (EST and LAT partners and public bodies in RUS)
- ❑ Practical Guidelines for project applicants of Open calls for proper management during project implementation



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General requirements to budget

- ❑ Budget should be **realistic** and **cost-effective**
- ❑ Project and implementing partners **can not make a profit**
- ❑ Budget should include **all project costs**, not just the programme's contribution
- ❑ Budget should be developed with **input from all partners**
- ❑ Only costs **necessary** for project implementation are eligible (no preparatory costs)



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10% rule

Up to 10% of the project's total budget can be spent for implementation of the project soft activities outside the Programme area:

- ❑ Costs will have to be clearly indicated, specified and justified when preparing the Full Application form.

Section 2.1.3.4. of GfGA



Budget headings in FAF

- Human resources
- Travel costs
- Equipment and supplies
- Direct local office costs
- Other costs and external services
- Infrastructure
- In kind
- Administrative costs
- Contingency reserve

Section 2.1.4.4. of GfGA



Human resources

- ❑ Includes only the cost of the staff of the Beneficiary and the project partner(s) assigned **directly** to the project –wages (including employment taxes, social security charges, health insurance and other remuneration related costs due in the respective country only compulsory)
- ❑ The staff costs should be comparable with the salaries on the market and have to be calculated based on national legislation requirements and the principles



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Travel costs

- ❑ Costs can include - flight, train and bus tickets (economy class), fuel for the car, rent of vehicle for travel, visa and travel insurance costs
- ❑ The Latvian, Estonian Beneficiaries and the project partner(s) and Russian public authorities have to follow their usual practice in setting the daily allowance and accommodation rates based on the national legislation setting limits for the business trips



Equipment and supplies

- ❑ Types of equipment and supplies, have to be in line with the aim of the Programme and crucial to the achievement of the project's objectives
- ❑ Every co-financed piece of equipment must comply with the **information and publicity rules**
- ❑ If the total costs in this budget line \geq EUR 100,000, a **Pre-Feasibility Study can be requested** when preparing Full AF.
- ❑ **NB!** The **production equipment**, which is used for the profit generation is **not eligible** under the Programme
- ❑ **NB!** Rules of origin and nationality must be observed.



Direct local office costs

- ❑ Costs which are invoiced **directly to the project** - costs of the local office in case a separate office is rented for the needs of the project, office running and transport costs (rent or lending of the car used by the project on daily base)
- ❑ Rent of a separate office is rather exceptional and its need has to be clearly justified
- ❑ **NB!** In case the Beneficiary and/or the project partner(s) is using its own premises and it is considered as in-kind contribution to the project, the costs shall be also budgeted in the Project Budget



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Other costs and external services

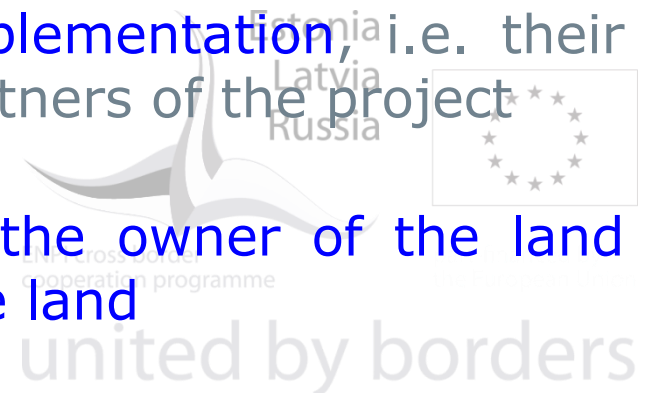
- ❑ All services/works sub-contracted to an external service provider based on the applicable public procurement procedure, such as:
 - Audit
 - Visibility activities
 - Bank services
 - External experts
 - Other services

- ❑ The Beneficiary and the project partner(s) as well as associates are not allowed to sub-contract each other



Infrastructure

- ❑ Works and services related to construction, renovation, installation of infrastructure
NB! Do not forget supervision costs (according to national legislation).
- ❑ Investments are financed only in case they are **necessary** for reaching the results of the project and fulfill requirements of the Programme
- ❑ Investments co-financed by the Programme should be aimed at **public use during the project implementation**, i.e. their use can not be limited only to the partners of the project
- ❑ Relevant project partner **has to be the owner of the land and/or have the building rights on the land**



Infrastructure

- ❑ All services and works sub-contracted to an external service provider have to strictly follow procurement procedures described in section 3.2.5 of the Guidelines (RUS private institutions and NGOs must follow the **PRAG** rules)
- ❑ Detailed description of works and services in the **project budget, approved Technical specification and/or Pre-Feasibility Study will be requested** when preparing Full AF.
- ❑ **NB!** Activities for preparation of the technical documentation for infrastructure and its establishment cannot be supported within one project



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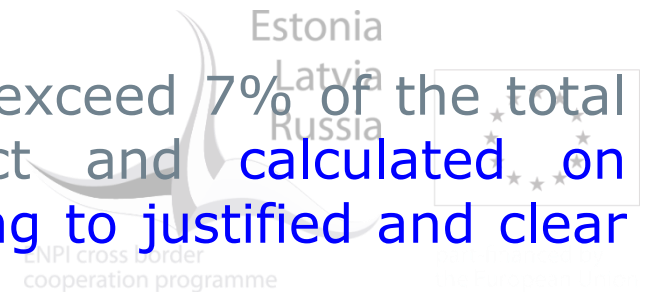
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Administrative costs

- ❑ Indirect administrative costs are related to office running for the purposes of the project (electricity, heating, consumables, Internet costs, etc.)
- ❑ Indirect costs are eligible if they do not include costs assigned to another heading of the budget
- ❑ If the applicant/ partner is in receipt of an operating grant financed from the EU budget no indirect costs may be claimed within the proposed budget for the project
- ❑ Indirect administrative costs cannot exceed 7% of the total direct eligible cost of the project and **calculated on percentage or pro rata basis according to justified and clear method**



Suggestions for the Applicant

Preparing a project budget:

Put your activities into an action plan including which partner is responsible

Review the list of activities and ask each partner to fill in the budget for each cost items they are responsible for

Enter the received data from the project partners into the Budget table



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Double financing

- ❑ No single project and activity may be financed by more than one European Community grant

- ❑ The project activities duplicated those already financed from any EU fund, international, national, regional and/or local funds are not eligible as this is considered double-financing

Section 3.2.8. of GfGA



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Use of euro

- ❑ Payments to the project will be made only in Euro
- ❑ The expenditure in national currency (other than Euro) must be converted into Euro with an accuracy of four digits after the comma (e.g. 0.1234)



For your information:

- ❑ Conversion into Euro of the real costs borne in national currencies (other than Euro) shall be done at the rate made up by the **average** of the rates published in InforEuro for the months covered by the relevant report <http://ec.europa.eu/budget/inforeuro/index.cfm?language=en>

- ❑ Any exchange losses are not eligible costs

Section 3.2.2. of GfGA



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Project accounts

- ❑ Beneficiary and all partners must maintain a separate accounting system or an adequate accounting code for all transactions related to the project without prejudice to national accounting rules

- ❑ Accounts and expenditures must be easily **identifiable and verifiable**

Section 3.2.3. of GfGA



Financial manager

In order to assure **professional financial management**, an experienced financial manager is to be appointed or subcontracted.

The project implementation system should guarantee clearly identifiable costs and outputs of the project, proper and orderly payments and handling of the grant



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