

## Financial issues

### Extract from the guide for BONUS applicants<sup>1</sup>

#### 8. How to prepare project budget?

Only the real costs required for the implementation should be indicated in the planned budget for the project. The project budget should reflect as realistically as possible the planned activities (description of work) and targeted objectives and deliverables. For each applicant a separate budget should be planned and prepared. The total project budget is a sum of individual applicants' budgets.

The budgets and resources of any self-funded applicants (e.g. from a third country) or international organisations should be included in the project proposal, also in the event of the financial contribution being managed and obtained directly by the applicant outside the project. These financial contributions can be on top of the maximum allowed BONUS funding specified in the call fact sheet.

##### 8.1. What are eligible costs?

Project costs have to be actually incurred due to the project implementation, in order to be considered as eligible costs.

There are general conditions for the eligibility that have to be followed and to be taken into account already in the project budget planning phase.

The eligible costs must be used for the sole purpose of achieving the project goals and the expected results, in a manner which is consistent with the principles of economy, efficiency and effectiveness. The principle of economy refers to minimising the costs of resources used for an activity (input) while also ensuring appropriate quality and efficiency. Effectiveness measures the extent to which objectives have been achieved and the relationship between the intended and the actual impact of an activity. Cost effectiveness refers to the relationship between project costs and outcomes, expressed as costs per unit of the outcome achieved.

The costs must be essential for the performance of the project and such that would not incur should the project not take place. The applicant must be able to justify the resources requested for the achievement of the project results. Costs must be reasonable and comply with the principles of sound financial management, with the objectives of the project and with the formal aspects of the reporting of the expenditure.

The eligible costs must be actual (real), foreseen to incur by the applicant and during the project duration. The exceptions from this rule include costs incurred in relation to final reports and reports corresponding to the last period, certificates on the financial reports when requested concerning the last period, and any

---

<sup>1</sup> The financial issues part in the guide for BONUS applicants is not call specific but relevant to all BONUS calls.

final reviews if applicable that may incur up to 60 days after the end of the project or the date of termination, whichever comes first.

The eligible costs must be determined according to the usual accounting and management principles and practices of the applicant in identifiable and verifiable way.

The eligible costs must be recorded in the accounts of the applicant and, in case of any contribution from third parties, recorded in the accounts of the third parties.

The eligible costs must be indicated in the estimated overall budget annexed to the grant agreement between the project coordinator and the BONUS EEIG.

The eligible costs are in accordance with rules of the 7<sup>th</sup> Framework Programme. The exceptions are that

- non-recoverable VAT is considered eligible
- the flat rate for the overhead is restricted to 20 % of the direct eligible costs, excluding direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the beneficiary.

The project costs should be budgeted and reported in the following three domains:

- main budget lines: personnel, other direct costs, subcontracting, indirect costs
- activities: research and technological development activities, other activities, management activities
- time: reporting periods (12 months).

## 8.2. Main budget lines

### 1) Personnel

Under this budget line the costs of the personnel assigned to the project must be included. Such persons must:

- be directly hired by the applicant in accordance with its national legislation. Any staff hired with BONUS funding shall be in an employment relationship following the relevant collective agreements, other regulations and standard employment conditions valid for the other employees hired by the same beneficiary. In general, the beneficiaries shall follow the code of conduct for the recruitment of researchers <http://ec.europa.eu/euraxess/index.cfm/rights/codeOfConduct> , when hiring staff for research positions.
- work under the sole technical supervision and responsibility of the applicant
- be remunerated in accordance with the normal practices of the applicant. Costs related to parental leave for persons who are directly carrying out the project are eligible costs, in proportion to the time dedicated to the project, provided that these are mandatory under the national law in question.

Personnel costs should cover the total remuneration: salaries plus social security charges (holiday pay, pension contribution, health insurance etc.) and other statutory costs included in the remuneration. Only the costs of the actual hours worked by persons directly carrying out work under the project can be included. Working time is the total number of hours, excluding holidays, personal time, sick leave, training (if not project related), or other allowances.

Where it is a common practice of the applicant to consider certain types of personnel (such as administrative or support personnel) as indirect costs, the costs of this personnel cannot be included as direct eligible costs, but only as indirect costs in accordance with normal accounting practices.

## 2) Other direct costs

Under the other direct costs the following cost categories can be budgeted:

### ***Travel and meetings***

As a general rule, actual travel and related subsistence costs and meeting costs relating to the project are eligible costs providing they comply with the applicant's common practices and national rules and are adequately recorded.

Travel costs occur for the work in the project or for activities related to it (e.g. presentation of a paper explaining the results of the project in a conference). Travel costs related to a conference where no specific project-related issues are performed or presented by the applicant cannot be included. Travel costs should be limited to the necessity of the project: any extension of travel for other professional or private reasons is not allowed. Any conference presentation or related published paper must acknowledge the support of BONUS, the EU and the national funding institutions involved.

Meeting costs comprise of organisational costs like room rent, catering etc. Adequate recording refers to having at least the lists of participants, meeting programmes, event, and conference agendas archived properly to justify the incurred expenditure.

### ***Support activities***

The costs for support activities must be those budgeted, described and justified in the description of work in a way that demonstrates the relation and relevance to the project. Costs for support activities may include fees of external experts, costs for space, material, consumables as well as travel, food and accommodation for researchers attending a training course.

### ***Equipment***

Only equipment purchased for the purposes of carrying out an activity of the project can be included in the budget as direct cost. In order to be considered eligible, a cost must be determined according to the applicant's common accounting practice and each applicant must apply its usual depreciation system for durable equipment.

It is expected that the applicant calculates depreciation on the durable equipment that it purchases. Depreciation cannot be spread over a period exceeding the useful life of the equipment. Applicants should

be aware that by budgeting the full price of an asset in one single year may be considered an excessive and therefore ineligible cost.

Only the portion of the equipment used for the project may be included in the budget. The amount of use (percentage used and time) must be auditable. If the equipment is used for other projects and/or for other activities, part of the equipment cost has to be allocated to these other projects and/or activities.

The planned equipment has to be detailed in the proposal with the justification for its use and costs specified separately for each individual equipment.

### ***Dissemination***

Costs related to publishing the project results and to dissemination and promotion activities should be budgeted under this cost category. Also costs for printing and publishing synthesis publications are eligible dissemination costs.

Examples of acceptable dissemination costs are designing and printing of project dissemination material (brochures, posters etc.), convening an end-user consultation/information sharing event, organising public engagement activities and developing products to enhance and ensure a dialogue with end-users throughout the project cycle.

Sufficient resources for the dissemination of project results should be included in the budget. Any produced dissemination material must acknowledge the support of BONUS, the EU and the national funding institutions involved.

### ***Other direct costs***

All eligible direct costs relevant to the project implementation that cannot be included under any of the above mentioned cost categories belong under this cost category. Examples of other direct costs are costs of consumables, laboratories, conference fees detailed and justified in the description of work etc. These costs have to be directly generated by the project and would not incur should the project not be implemented.

## **3) Subcontracting**

The need for a subcontract must be detailed and justified in the description of work. A subcontractor is a type of a third party i.e. a legal entity that has entered into an agreement on business conditions without a direct supervision of the project participant and without a relationship of subordination. The subcontractor is neither an applicant nor a signatory to the grant agreement or the consortium agreement. Subcontracting between applicants is not allowed.

Costs related to the use of infrastructure required to implement the project are budgeted under subcontracting if they are not provided as in kind, free of charge contribution to the project or under direct costs (personnel and/or other direct costs). Please see chapter 6 for further information on the infrastructure application for free of charge.

The infrastructure costs that can be budgeted have to be relevant and necessary for the project implementation and they need to be justified in the application form.

The subcontractor is defined by certain characteristics:

- The agreement is based on 'business conditions'; this means that the subcontractor charges a price, which usually includes a profit for the subcontractor. This makes it different from other third parties' contributions where the third party charges only for the costs of the activity
- The subcontractor works without the direct supervision of the project participant and is not hierarchically subordinate to the applicant (unlike an employee)
- The subcontractor carries out parts of the work itself, whereas other third parties (with some exceptions) only make available their resources to an applicant usually on the basis of a previous agreement and in order to support an applicant by providing resources
- The subcontractor's motivation is pecuniary, not the research work itself. It is a third party whose interest in the project is only the profit that the commercial transaction will bring. A subcontractor is paid in full for its contribution made to a project by the project participant with whom it has a subcontract. It is very important to have a clause in the subcontract which transfers the intellectual property rights related to the work of subcontractor to the respective project participant
- The responsibility for the work subcontracted lies fully with the project participant. The work that a subcontractor carries out under the project belongs to the project participant in the BONUS grant agreement. A subcontractor has no rights or obligations vis-à-vis the BONUS EEIG or the other project participants, as it is a third party. However, the applicant must ensure that the subcontractor can be audited by the BONUS EEIG, the European Commission, the Court of Auditors and European Anti-Fraud Office (OLAF) during the implementation of the work or up to five years from the end of the date of the project.

The need for a subcontract must be detailed and justified in the description of work. Any subcontract, the costs of which are to be claimed as an eligible cost, must be awarded to the bid offering best value for money (best price-quality ratio), transparency and equal treatment. Both the Community and national rules on the public procurement shall be followed. Subcontracts concluded on the basis of framework contracts entered into force between a beneficiary and a subcontractor, prior to the beginning of the project in accordance with the beneficiary's usual management principles may also be accepted.

Subcontracting may concern only certain parts of the project, as the implementation of the project lies with the participants. Therefore, the subcontracted parts should in principle not be 'core' parts of the project work. Core project research tasks should not be subcontracted.

If certificates for financial reports are required by the BONUS grant agreement (in line with the 7<sup>th</sup> framework programme rules), the costs for these certificates belong under this budget line.

Further information on the eligibility of the subcontracting can be found in the [http://ec.europa.eu/research/participants/data/ref/fp7/89556/financial\\_guidelines\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/fp7/89556/financial_guidelines_en.pdf) and article II.7 "Subcontracting" of the BONUS grant agreement.

#### 4) Indirect costs

Indirect costs are all those eligible costs that cannot be identified by the applicant as being directly attributed to the project but can, nevertheless, be identified and justified as being incurred in direct relationship with the eligible direct costs attributed to the project. They may not include any eligible direct costs. Indirect costs shall represent a fair apportionment of the overall overheads of the organisation.

Compared to the 7<sup>th</sup> framework programme, a different overhead rate is applied in BONUS. The applicant can include a flat rate of 20% as indirect costs. The base of the calculation is the total direct eligible cost of the applicant, excluding direct eligible costs for subcontracting and the costs of resources made available by third parties which will not be used on the premises of the applicant. If the research infrastructure is received free of charge then it will be excluded from the calculation of the flat rate.

Example: Calculation of the indirect costs:

Personnel	1 000 000
Subcontracting (including non-recoverable VAT)	100 000
Travel costs (including non-recoverable VAT)	5 000
Equipment (including non-recoverable VAT)	50 000
<b>TOTAL OF DIRECT COST</b>	<b>1 155 000</b>

Calculation of indirect costs:

$$1,155,000 - 100,000 \text{ (subcontracting)} = 1,055,000 * 20\% = 211,000.$$

This means that EUR 211,000 can be charged as indirect costs on top of the direct eligible costs.

Further information on the eligibility of the costs can be found in the Guide to Financial Issues related to FP7 indirect actions

([http://ec.europa.eu/research/participants/data/ref/fp7/89556/financial\\_guidelines\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/fp7/89556/financial_guidelines_en.pdf)) and in the Eligibility of taxes and charges related to personnel - FP6 and FP7

([http://ec.europa.eu/research/participants/data/ref/fp7/89550/Eligibility-taxes-chargesv3\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/fp7/89550/Eligibility-taxes-chargesv3_en.pdf)).

### 8.3. Three types of activities in the budget<sup>2</sup>

#### 1) Research and technological development activities (including research categories *Fundamental research, Industrial research and Experimental development*)

Research and technological development (RTD) activities means activities directly aimed at creating new knowledge, new technology and products, including scientific coordination.

<sup>2</sup> There is a separate table for each type of activity in the budget forms in the BONUS EPSS

Research categories as defined within the "Community Framework for State Aid for Research and Development and Innovation":

**Fundamental research:** Experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct practical application or use in view.

**Industrial research:** Planned research or critical investigation aimed at the acquisition of new knowledge or skills for developing new products, processes or services or bringing about a significant improvement in existing products, processes or services.

**Experimental development:** The acquiring, combining, shaping and using of existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services (including the creation of a commercially usable prototype or pilot projects under certain conditions).

## 2) Other activities

Activities, which are not covered by the RTD activities but will be executed during project implementation, are considered as other activities. Scientific coordination of the project cannot be charged under "other activities". Costs related to project meetings (kick-off, periodic, final) should be charged under RTD activities since they are deemed to address scientific/research aspects of the project.

Examples of the activities belonging to the other activities:

- dissemination activities (*for example the establishment of a website, the presentation of the project during conferences or workshops, travel costs related to the presentations, the drafting of a scientific publication including, if applicable, the payment of a fee for its publication*)
- networking activities (*for example the organisation of a specific meeting in order to network with other projects in the same field*)
- coordination activities (*only coordination outside of the project, for example the organisation of a meeting or travel for coordination purposes with other projects in the same fields*)
- intellectual property activities (*for example the filing and prosecution of patent and other IPR applications*)
- studies on the socio-economic impact (*for example the assessment of the expected socio-economic impact of the foreground or analysis of the factors that would influence their use*)
- reporting on gender issues
- promotion of the exploitation of the project's foreground (*for example feasibility studies for creation of spin-offs or take-up activities regarding the assessment, trial and validation of promising, but not yet established technologies and solutions*).

### 3) Management activities

Costs related to the management of the consortium activities are eligible costs, including the following costs:

- maintenance of the consortium agreement
- overall legal, ethical, financial and administrative management including, for each of the applicants, the obtaining of the certificates on the financial report and costs related to financial audits and technical reviews
- any other management activities foreseen by the approved proposal, except the coordination of research and technological development activities.

#### 8.4. Which costs are ineligible?

The following costs shall be considered as ineligible and may not be included in the project budget:

- a) recoverable VAT
- b) duties
- c) interest owed
- d) provisions for possible future losses or charges
- e) exchange losses, cost related to return on capital
- f) costs declared or incurred, or reimbursed in respect of another project of the union or of Euratom or of a member or associated country or any other costs that are reimbursed and could cause double funding.