

How to Develop a Project Proposal

EU Programmes for non-EU countries

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Overall Course Structure

Section 1: Overview of EU programmes for non-EU countries

Section 2: Project design

The main steps in proposal preparation

Section 3: Transversal Issues: project management, dissemination, sustainability

Section 4: Budget

Budget

- Participants will learn how to build a sustainable and convincing budget, what are the eligible costs and the techniques for monitoring cost evolution.

Summary

- Introduction to budget preparation
- Eligible costs
- Building the budget: main phases



Introduction to budget preparation

- At proposal stage it is necessary to prepare a detailed budget:
 - For the purposes of evaluation by the Commission;
 - For ourselves, in order to understand whether we are able to bear the costs and the co-funding;
- Budget preparation requires all the partners' cooperation:
- The first thing to do is to analyse:
 - Eligible Costs
 - Co-funding rate



Eligible Costs

- The list of Eligible Costs changes across programs;
- It must be verified on each occasion;
- That information can be found either in the Guide for Participants, or in the contracts.
- The following categories are usually present:
 - Personnel costs
 - Travel costs
 - Equipment costs
 - Other costs
 - Subcontracting
 - Indirect costs (overheads)

Personnel Costs

- Usually the most relevant component of project costs (up to 60-70% of the total)
- Also the most difficult to evaluate exactly:
- They may vary:
 - Within the same organization;
 - Within the same country;
 - Between countries.

Personnel Costs

- In order to simplify the personnel costs evaluation we introduce the concept of «person-time»:
- Costwise is about the same to have:
 - one person working for six months
 - three people working for two months (even non-consecutively) each
 - six people working for a month each
 - one person working half-time for twelve months on the project
- In all these cases the cost of the activity is said to equal six person-months

Personnel Costs

- Attention!
- The activity cost in terms of person-months is not to be confused with its actual duration in time:
- As we have seen, a six person-month costing activity can last three, six or even twelve months, depending on the amount of human resources committed to it.

Personnel Costs

- Personnel costs are expressed in terms of person-time;
- In Horizon Europe they are evaluated in person-months;
- Once evaluated, the costs in terms of person-time have to be converted into economic costs (euros), using a number of models which we will see later on.

Travel Costs

- Travel costs are divided into:
- Transportation costs (e.g. plane and train tickets)
- Subsistence costs (hotels, meals, etc.)
- The required level of detail varies a lot between programs
- Most of the times we have to evaluate:
 - number of trips;
 - destinations;
 - duration of each trip;
 - number of people traveling.
- Subsistence: if the call for proposals does not impose a refund method (daily or detailed expense list), choose the one used by the organization.

Equipment

- Verify each time what are the specific rules for equipment costs:
- Depreciation concept:
- The cost of purchasing an item is not refunded as such, but the item's depreciation along the life of the project is.
- Depreciation concept:
 - An item (e.g. a computer) has an «economic life» of five years;
 - That means that five years after the purchase the item has a value of zero
 - Losing 20% of its value each year
 - This is the depreciation that we can charge on the project

Other Costs

- Some programs consider this cost item as an eligible one.
- This category includes costs which cannot be classified within the previous ones, such as:
 - Short consultancies, catering services, printing services;
 - Obviously, these costs must be properly detailed and justified.



Subcontracting

- Some programs consider this cost item (verify each time).
- The consortium should possess all the necessary expertise in order to carry out the project;
- The subcontract is therefore an exception: it is actualised if one partner has to carry out an activity that is not within their area of expertise (e.g. website) but is necessary for the achievement of the project's objectives
- Pay attention to the following points:
 - Partner's rules for subcontracting (e.g. public administration);
 - The amount has to be small (10/15%max) compared to the partner's budget;
 - The Commission is not keen to accept subcontracting, so better avoid it if not indispensable

Indirect Costs (overheads)

- Indirect costs or Overheads are costs which:
- Are necessary so that an organization can exist and function;
- Are not connected to productive personnel, such as:
 - Electricity, water, heating;
 - Stationery, cleaning services;
 - Phone costs.



Indirect Costs (overheads)

- How do we determine indirect costs:
 - They are represented as a fixed percentage of the other costs;
 - The exact procedure varies between programs:
 - In Horizon Europe: 25% of all the other costs except for subcontracting.
- Importance of indirect costs:
 - They do not have to be justified, just reported;
 - In that way they can contribute to co-funding (see later);
 - It is therefore very important to manage them as correctly as possible.



Co-funding

- Most EU programs expect that partners co-fund the project activities;
- So usually the project is not 100% funded, but there is a quota that has to be made available by the partners;
- That quota varies between 5% and 50%
- In Horizon Europe, projects are funded either at 100% or 70%
- In most cases each partner has to bear the costs of their own co-funding quota
- As we will see later on, the co-funding is not necessarily provided in cash

Erasmus+ Capacity Building for HE specific budget rules

- Staff costs: not more than 40% of total budget
- Equipment costs: not more than 30%
- Subcontracting: not more than 10%

Building the budget: main phases

- Definition of the total cost of the project
- Preliminary subdivision between partners
- Human resources allocation table
- Determination of personnel costs
- Other cost items
- Circulation among partners
- Negotiations and finalization

Definition of the total cost of the project

- Phase 1: rough evaluation of the total cost of the project
- Necessary because the call for proposals imposes some restrictions (e.g. interval)
- When there are no instructions in the call for proposals, it is necessary to find the information:
 - Previous projects
 - National Agency
 - EU Commission (Help Desk)



Determination of project total cost

- If interval, define realistic budget
- It's bound to increase
- Negotiation techniques
 - Transparency from the start
 - Global negotiation
 - Low offer

Preliminary subdivision between partners

- We can start from a rough subdivision between partners, based on:
 - Potential partnership
 - Previous experiences
- It is a base for negotiations, not an imposition.

Personnel Costs

- Start from macro activities (WPs), within the Work Plan
- For each Work Package, start to outline the workload for each partner, in terms of person-time
- That information in most cases is required by the form
- In the next slide we see an example of such process

WP Chart/Person-Months

	Partner 1	Partner 2	Partner 3	Partner 4	Total
WP 1	3	1	1	1	6
WP 2	4	6	2	5	17
WP 3	5	7	6	7	25
WP 4	8	3	1	0	12
Total	20	17	10	13	60



Personnel Costs

- Such time commitments must now be converted into economic value, meaning Euros;
- In order to do that, each program uses a different model;
- Let us analyse the Horizon Europe model



Personnel Costs

- Horizon Europe model
- Each partner has to express the average person-month cost, calculated as the weighted mean value of the different profiles they intend to commit.
- In the next slide we provide an example of this process.

Personnel Costs

- Weighted mean example

- The coordinator assigned to us 10 P/M

- I allocate:

• 2 P/M to the director	10.000 €/m	20.000 €
• 8 P/M to young researches	1.000 €/m	8.000 €
• Total staff (personnel) cost		28.000 €

- Weighted mean example

- The total for personnel costs is therefore € 28.000;
- Since it's 10 person-months, the weighted mean, which is the average person-month cost, is € 2.800 per person-month
- This is the parameter I have to communicate to the coordinator
- With experience, you'll be able to calculate the average cost without going through the whole process every time

Other Costs Items

- We now have to add the other cost items we have previously seen:
- Travel costs, which level of detail may vary a lot between programs;
- Equipment costs, paying attention to each program specific rules, for example:
 - Depreciation
- We now have to add the other cost items we have previously seen:
- The «Other costs» item, that includes those costs, properly justified, which can't be included in any of the other categories;
- The «subcontracting» item, which must be used very carefully;
- Indirect costs, which are not to be calculated like the other ones, but instead applying specific rules set by the reference program.



Other Budget Elements

- In kind contributions.
- These are costs that an organization can bear in order to take part in the project, but with no expenditure of money.
- E.g. making meeting rooms and other infrastructures available;
- Or volunteers working days;
- Because the expenses cannot be verified, such costs are usually considered non-eligible

Co-funding

- In Horizon Europe, Innovation projects are funded at 70%
- Hence, co-funding by partners is needed.
- Mainly through Personnel costs

- Example (excel)

Budgeting issues



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