




# Financial Arrangements and proposal submission

1<sup>st</sup> February 2012


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## Overview

- General financial principles
- Eligible costs: direct & indirect costs
- Budget preparation & reporting
- Common questions
- Proposal submission
- Evaluation process and award criteria
- Key documents

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## General financial principles

Grants:

- Cost-sharing programme - no profit
- Up to 75% of total eligible costs (main call)
- 60% flat rate for indirect costs
- Evidence required for all direct costs
- Co-financing for non-eligible costs and rest of eligible costs must be explained

Tenders: 100% EC funded


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## General principle: Cost-sharing

- Funding is based on cost-sharing – no profit
  - EACI contributes **up to a maximum of 75% of 'eligible costs' of a project.**
  - 25% minimum must be financed through **co-financing** from other sources (own/third party).
  - Co-financing needs an honest and transparent (short) statement on the partner's motivation in the proposal.


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## 'Eligible Cost'

- relate to the **purpose** of the action;
- included in the **estimated budget** (Annex II)
- be **generated during the duration of the action** (except costs final reports and audit certificates incurred within a maximum period of 2 months following the completion of the action).
- **Necessary, reasonable, identifiable, verifiable**
- **Actual** incurred (accounting system)
- Excludes profit

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## Eligible costs: cost categories

**Direct Costs:**

- > Main cost - staff time
- > Travel and meeting costs for staff
- > Costs for subcontracting – non-core tasks
- > Other specific costs – eg workshops, publications
- > Depreciation for small equipment

**Indirect Costs**

- > General costs for infrastructure and administrative expenses for carrying out action
- > Flat rate of 60% of eligible direct staff costs

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## Ineligible costs

- > Research activities
  - > Hardware
  - > Return on capital
  - > Debt and debt service charges
  - > Provisions for losses or potential future liabilities
  - > Interest
  - > Doubtful debts
  - > Exchange losses
  - > VAT
  - > Costs covered by another EC-funded action or work programme
  - > Excessive/reckless expenditure
  - > In-kind contributions\*
  - > Marketing, sales and distribution costs for products & services
- \*speak to EU Energy Focus for definition (eg partner staff costs are not classified as in kind contribution)

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## Budget preparation & financial reporting

- Budget depends on the nature of the project e.g. duration, tasks needed to meet the objectives, consortium size
- Defined role and tasks by partner for each work package
- Collaborative & balanced working - partners & countries
- Realistic costing with deliverables offering good value for money
- EACI will assess 'hours' spent not 'budget' spent against final delivery of the project
- 'Budgeted' hours/cost -> **estimates based on proposed activities**
- 'Actual' hours/cost -> **based on accounting documents** at time of reporting eg timesheets, invoices, salary slips

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## Common questions

- > Calculation of staff costs – see Factsheet or contact EU Energy Focus for support
- > Role and costs of In-house consultants
- > Public body definition
- > Financial guarantees & audit certificates

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## Staff Cost – Main principles

- Staff Cost = estimate of hours planned to be spent by staff members of a partner on the IEE project X multiplied by their respective ("real") hourly rate
- In other words: Only staff 'cost', **NOT 'PRICES'** (i.e. hourly rate + commercial uplift)
- Hourly rates are **NOT 'AGREED'** at negotiation stage
- **OVERTIME** can **ONLY** be included if this element has also been taken into account for the definition of **'PRODUCTIVE TIME'**

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## In-house Consultants and Civil Contracts

- In principle = 'Subcontracting'
- Under Staff Costs if following criteria are met:
  - **CONTRACT** with the consultant (or his/her company)/person
  - **MUST** work under the **SUPERVISION/INSTRUCTIONS** of beneficiary
  - **MUST** work in the **PREMISES** (unless teleworking is in the standard working conditions) & **USER** of beneficiary's infrastructure (indirect costs) !!!!
  - **OUTPUT** belongs to beneficiary
  - **COSTS** are reasonable, in line with normal practices & in line with staff costs for staff members in same category.
  - **TRAVEL** directly paid by beneficiary

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## Public Body ?

- > 'Public mission' of an organisation does not mean that they comply with the definition of a 'Public Body'
- > For public bodies, all 5 criteria to be fulfilled:
  1. Body **created by a public authority** or is **governed by private law** with a **public service mission**
  2. **'Public Interest'** must be **explicitly** mentioned in the relevant legal or administrative act
  3. **Internal procedures and accounts** are submitted to **control by a public authority**
  4. Body is **financed** totally or to a large extent (> 50%) by public sources
  5. If body **stops its activities**, all rights and obligations (incl. financial) will be **transferred to a public authority**.(i.e. central/local public bodies and the structures that act on their behalf and under their full responsibility)  
=> **ARE NOT REQUIRED TO SUBMIT A FINANCIAL GUARANTEE NOR AN AUDIT CERTIFICATE**

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## Financial Guarantees & Audit certificate



- Financial Guarantees might be asked for non-public partners:
  - If amount of **1<sup>st</sup> Pre-financing** (i.e. 30% of Contribution) is **100,000€ or more**, so EU Contribution of 333,333 €
  - If amount of **1<sup>st</sup> Pre-financing** (i.e. 30% of Contribution) is **between 50,000€ and 100,000€**, so EU Contribution of 166,666 €, a **financial viability check** will be carried out by EACI
    - Results of "check" will be communicated during 'negotiation' stage
- Audit Certificate: **Private Bodies only**
  - EU Contribution equal or more than **225,000€** (final payment)
- Eligible cost - Financial guarantees & audit certificate cost can be included within direct eligible costs

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## Proposal submission



- Proposal submission only by Electronic Proposal Submission Service - EPSS
- EPSS Helpline and EPSS guide
- Uploading annexes takes time - **Submit** preliminary version & overwrite
- Over 15% proposals were submitted in last 10 minutes in 2008!!

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## Key documents



- 2012 Work Programme and Call Text
- Guide for proposers 2012 & Financial Guidelines
- EPSS Guide
- [http://ec.europa.eu/energy/intelligent/call\\_for\\_proposals/call\\_library\\_en.htm](http://ec.europa.eu/energy/intelligent/call_for_proposals/call_library_en.htm)
- EACI presentations
- [http://ec.europa.eu/energy/intelligent/events/infodays\\_en.htm](http://ec.europa.eu/energy/intelligent/events/infodays_en.htm)
- EU Energy Focus: Guide to the Documents, IEE FAQ & factsheets
- <http://www.energiehelpline.co.uk>

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## IEE evaluation: Principles



- Fair and equal treatment of all proposers**
  - Based on the criteria announced in the Call
  - Confidential process, no conflicts of interest
  - Independent external experts as advisers
- Competitive process**
  - Indicative budget (per field) as guidance
- 3 steps of the evaluation process**
  - ✓ Eligibility criteria
  - ✓ Selection criteria
  - ✓ Award criteria

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## Do not miss the 'musts': eligibility & selection criteria ...



- Proposals can **ONLY** be submitted through on-line application system
- Proposals must be on time
- Proposal must be complete
- Minimum 3 independent partners from 3 different eligible countries (EU27, Croatia, Norway, Iceland, or Liechtenstein, FYR of Macedonia)\*\*
- Proposers must prove their financial & technical capacity

\*\* Different/additional Criteria for BUILD UP skills and MLEI PDA – refer to Call text

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## ...and convince on the award criteria:



- 5 criteria with 3 sub-criteria each**
  - 0-10 points per criterion
  - threshold 50% (6+)
- Threshold for recommended proposals: 70% (score 35+)**
- No secret – published in Call for proposals**
- Instructions & Advice included in 'Guide for proposers'**



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## Award Criteria\*\*



1. Relevance of the proposed action
  2. Quality of implementation methodology
  3. Ambition and credibility of the impacts of the proposed action
  4. EU added value
  5. Resources allocated to the proposed action
- each with 3 sub-criteria

[\*\* Different/additional criteria for BUILD UP skills and MLEI PDA – refer to Call text

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## Concluding remarks



- Respect the programme principles
- Use realistic costing to ensure value for money, preparing budget on well developed work packages
- Address all award criteria equally to be competitive
- Practise using EPSS and submit early version
- Refer to key documents, use EU Energy Focus factsheets and FAQ & contact the EU Energy Focus team with queries

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