

# KARELIA

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## Budgeting

Cost types  
Finance  
VAT



Joensuu 16.8.2017

## Cost types for regular project

1. Staff
2. Travel
3. Equipment and supplies
4. Small-scale investments
5. External expertise and services
6. Administrative costs
7. Investments



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## 1. Staff (Programme Manual, page 52.)

- “ Cost related to activities which the project partners would not carry out if the project was not undertaken.
- “ **Only Project personnel** Salary + Compulsory social charges (the basic unit is monthly salary)
- “ The project work is based on the **employment contract** or document
- “ The salary is based on and paid in national currency



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## 2. Travel (Programme Manual, page 56.)

- “ **Only project personnel** expenditure on travel, accomodation and daily allowance on trips related to the project implementation.
- “ Accommodation, Visa cost, travel, taxi fares, car mileage, insurances which are necessary in order to carry out a trip.
- “ Seminars organised by MA must be budgeted

## 3. Equipment and supplies (Programme Manual, page 58.)

- “ Project related tools and devices needed **for the project personnel** in order to perform their daily work
- “ Computer, smartphone etc. **Used by the Project personnel**
- “ Are necessary, in market prices and are foreseen in the budget

## 4. Small-scale investments (Programme Manual, page 58.)

- “ Tools and devices **related to the activities and outputs of the Project**
- “ Are **not** used by the project personnel
- “ The output is a classroom. ( the materials, computers, furnitures etc.)

## 5. External expertise and services

(Programme Manual, page 60.)

- “ The cost of an external expert / service provider
- “ The work, that cannot be done by the Project personnel
- “ Is foreseen in the budget, is based on a contract and is paid against invoices.
- “ **External Audit** (must be ) With every Payment request

## 6. Administrative costs (Programme Manual, page 61.)

- “ Is linked to the project implementation and is funded by flat rate basis.
- “ Max 7% of the subtotal cost of the project, excluding investments.
- “ Daily office running costs: rent, heating, electricity, accounting, internet connection, phone bill, paper, pencils etc.



## 7. Investments (Programme Manual, page 62.)

- “ Is related to infrastructure such as roads, energy networks, telecommunication etc.
- “ Building materials, labour costs, external expertise and services related to investments.

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# Project Finance

- ” Programme funding max 90%
- ” Own contribution min 10%



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## Own contribution (Programme Manual, page 70.)

- “ 10% of Project costs is covered by the project Partners (all)
- “ 100% of the project **eligible costs** are reported in the financial report and max 90% is being applied from the Programme



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# Accounting

Decentralised model

Partly decentralised model

Expenditure verification



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## Decentralised model (Programme Manual, page 44.)

- “ The project costs are recorded into lead partner`s and partner`s accounting records
- “ External audit for every partner with Financial report
- “ The lead parner is responsible for maintaining the consolidated financial raport of the project
- “ The most common and primary model

## Partly decentralised model (Programme Manual, page 44.)

- “ IF only minor **salary** and **travel** costs will be incurred to a project partner
- “ The partner pays the incurred costs first and then charges the costs from the partner afterwards by **invoice**
- “ Arrangement **is approved** by the Managing authority and the Lead partner
- “ These partners must be from the same country

## Expenditure verification (Programme Manual, page 67. )

- “ Expenditure verification is an audit performed by an external auditor according to the rules and instructions provided by the Programme.
- “ Ensures that the incurred project costs, revenues, interest and financing are real, correctly recorded in the accounting records of the project and reported accurately in the financial report and general ledger
- “ Expenditure Verification Report is a condition for the payment and therefore a crucial part of a payment request.
- “ In a decentralised accounting model, the expenditure verification is performed for the lead partner and all partners.
- “ In a partly decentralised accounting model, the expenditure verification is performed for the lead partner and reporting partners.



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- “ An expenditure verification plan is drawn up for each project with the Managing Authority during the contracting process.
- “ As a rule, a Finnish audit firm performs the expenditure verification for Finnish actors and a Russian audit firm performs the expenditure verification for Russian actors.



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## Value Added Tax

### **Non eligible:**

Organisation can recover the VAT = Budgeting without the VAT

### **Eligible:**

Organisation cant recover the VAT = Budgeting with the VAT

” If not sure, contact to your tax authority



