



ESZA European Social Fund
National Implementing Agency
as Contracting Authority

On commission of the Ministry of Employment and
Labour Affairs

Combating Exclusion from the World of Work

Instructions for the Budget

2002.

2002/000-315.01.04

General remarks

The project's budget must be prepared in such a way that it corresponds with all the activity elements of the application programme, as well as conditions and stipulations in the Call for Application. Financial and budget potentials often limit the contents of the professional programme. It is recommended to prepare the budget simultaneously with the application programme, observing the relevant recommendations of the Application Guidelines included in the following sections:

- 1.3. The size of the Grant that can be requested
- 2.1.3. The type of project proposals that can be supported
- 2.1.4. What costs are eligible, and must be accounted for during the project implementation?

(Financial regulations related to the implementation of projects are included in Annex "Standard contract and annexes", therefore we recommend to study these documents.)

The budget, prepared by the provided budget samples, shall be attached to the application, and it must explain in detail what costs are required by the applicant for the implementation of the project and what resources can provide the project income. The amount of resources must correspond to the amount of costs.

The grant paid to the applicant organisation for the implementation of the project shall be lodged and managed in a separate bank account or sub-account. Opening a separate bank account / sub account is a criterion for signing the grant agreement.

I. Preparing the budget for one or two components

The structure of the project budget consists of four parts: Budget, Detailed Budget, Financing Sources and Budget Justification.

Applicants shall enter their expected costs in the sheets "*Budget*." The "*Budget*" sheet includes the main items of the budget, and it should be filled in by applying the data of the "*Detailed Budget*" sheet. As it is set in point 2. of Article 9. of the General Conditions of the Standard Grant Contract, the "*Budget*" sheet constitutes the basis of contract and budget amendment procedures during the period of project implementation. The available resources should be detailed in sheet "*Financial resources*."

A detailed explanation shall be provided for every item or line of the project budget, by filling in the table "*Budget Justification*" and attaching it to the budget documentation.

Those who apply for both components shall prepare their budget separately for Component I and II.

The budgets of the individual components must be completed separately. If the grant is only awarded for one component in the applicant's project proposal, its implementation must be facilitated by the relevant budget. The budget for the two components must be prepared without any overlapping, so that arising costs can only be related to the implementation of one or the other programme component (neither shared, nor double financing is possible). The planned amount of cost items, however, must be well founded, adjusted to local price levels, and the budget must be prepared by the principles of accountable financial management, with special emphasis on price-value ratio and cost effectiveness. Please note that unfounded or excessive budget plans may lead to the disapproval of the application programme.

The sample worksheets are available in MS Excel files and contain all the mathematical formulas with which the spreadsheet programme will automatically make all the necessary consolidations, ratio and control calculations. Furthermore, the budget justification shall also be prepared, using the available sample tables (in MS Word files).

Costs and expected resources shall be specified in euro.

I/A. Planning project costs

– Completion of sheets „Component I or II of the project budget”

Project costs can be planned according to the following categories:

- Eligible direct costs
- Budget reserve
- Eligible indirect costs

- The value of in kind contributions will also appear in the project budget, but it must be entered separately from eligible costs.

Eligible costs

Eligible project costs must comply with the following criteria:

- indispensable for the implementation of the project (costs would not have arisen if the relevant activities had not been carried out) and costs of eligible activities;
- they appear in the annex of the Grant Contract, attached to the Application Guidelines;
- they arise during the implementation of the project and during the defined program period after contracting;

Phare 2002/000-315.01.04 'Combating Exclusion from the World of Work'
Instructions for the Budget

- they are actual costs, which are entered in the books of the applicant or its partner organisation(s), they can be identified, checked and verified by the original copies of the relevant invoices.

Eligible direct costs

Direct project costs shall be estimated in an itemised form, in relation to the programme's key tasks, in other words, to the key activity elements. Investment needs must be planned separately, supplementing the above costs. (The main sections of the budget are: 1. project management and coordination, 2. professional development, 3. recruitment and selection of the target group, 4. improving employability and promoting labour market integration, 5. training of the target group, 6. employment of the target group and finally 8. investments) *The key rule is to enter each cost item only once, even if it is related to more activity elements.*

Costs must be planned in the most detailed form possible, entering all cost items separately (e.g. by persons, positions, equipment etc). Spreadsheet lines can be changed, deleted or added with new budget items, but their exact number, name, unit (hourly fee, per diem, monthly fee, piece, km etc.), number of units and cost per unit must always be entered.

In the expenses sheet various cost items entered by lines must be included either in the "Grant" or "Other resources" columns, according to which resource or resources the item is partly or completely financed from.

55,6 % of financial support comes from Phare, 44,4% from Hungarian sources. VAT connected to expenses should be paid in proportional to Hungarian sources by those who are obliged to pay VAT or not allowed to claim VAT back. (in accordance with PM-MEHVM joint ministerial decree no. 51/2002. (XII.29.) on the exemption from VAT during the purchase of equipment financed from PHARE, SAPARD and ISPA pre-accession funds). This means that applicants who are obliged to pay VAT shall plan with 44,4% of connected total VAT beyond clear (net) amount, to which Hungarian co-financing or self-contribution shall be the coverage.

Phare 2002/000-315.01.04 'Combating Exclusion from the World of Work'
Instructions for the Budget

no.	Description	Note
1.		Maximum 15% of total grant support can be allocated to project management
1.1.	Salary and contributions of local project staff (gross amount)	Salary, wage costs, consultancy fees, honorarium and the contributions of staff directly participating in project management can be accounted in these lines. Contracting fees by invoices shall also be planned here. If your project management is structured in a different way, you can add or rename lines, except for that of the project manager. The project staff, their planned salaries and related contributions must be listed in the project justification. This list shall be in line with point 1.8. (e) of the application form.
1.2	<i>Per Diem for official missions/travel</i>	
1.2.1	Local travel (of foreign project staff)	This line contains the European Commission's official per diem for foreign partners for the duration of their visit to Hungary, calculated by the number of nights (not days!) spent in Hungary. Per diem is used for accommodation, meals and inland travel costs during their stay in Hungary, therefore the latter may not be entered among eligible costs. The actual amount of per diems is included in Annex D of the Application Guidelines. You can use lower, but not higher per diem rates to the ones included in the annex.
1.2.2	Foreign travel (of local project staff)	If the project involves foreign staff, members of the Hungarian project staff can visit them abroad (e.g. for training,) therefore the per diem payable for the relevant country may be paid for them.
1.3	Travel	
1.3.1	Domestic travel for the implementation of the project	Travel expenses related to project management, organisation and partnership cooperation may be accounted here (direct costs of return railway, local and domestic bus expenses, use of own or company car). If travel includes several methods, add new lines for the different unit names!

Phare 2002/000-315.01.04 'Combating Exclusion from the World of Work'
Instructions for the Budget

Line no.	Description	Note
1.3.2	International travel	If the project involves foreign partners, international travel of foreign and domestic project management staff can be accounted here (return /air, train etc tickets or car use). When travelling by car, enter „km” in the „unit” column instead of „return ticket”.
1.4	Auditing costs	An interim and a final audit will be carried out for projects that are awarded more than 100.000 EURO. The costs of these audits should be planned in this line. (For further information see Annex E/II, section 16(4) of the „General and Administrative Rules” in the Application Guidelines
1.5	Banking services	Primarily, direct costs of opening and maintaining a separate bank account or sub account for the disbursement of the grant.
1.6	Costs related to partnership co-operation and project coordination	
1.6.1	Meetings, discussions, joint training organisation costs (e.g. rent of venue or training equipment, etc.)	Tangible costs of the partnership cooperation shall be entered here. Only costs that are fully outsourced to external service providers or subcontractors can be planned here (e.g. rent of venue or training equipment, etc.). (Other costs, such as travel expenses, arising at the applicant or its partners shall be entered and accounted as direct costs in the relevant budget lines.)
1.6.2	Meetings, training - trainer or moderator fees	Involvement of external specialists or trainers for the coordination and development of partner cooperation.
1.7	Translation, interpreting	
1.7.1	Translation	Costs of translation works related to the implementation of the grant contract or the cooperation with foreign partners (measured by characters or pages).
1.7.2	Interpreting	Related to the cooperation with foreign partners (per hour or day).
1.8	Local office (only when office costs are generated by the project activities exclusively)	Operational and maintenance costs, as well as telecommunication costs of the office (own or leased) of the project management. Invoices on phone, fax and Internet service costs can only be accounted, if they can be proven to be related to the implementation of the project (such as separate phone line for the project) If office, telecommunication and other costs in the project cannot be separated from costs of other organisational units, they can be accounted within direct costs to a reasonable degree, but only up to 7% of direct project costs.
1.9	PR activities, external project communication, dissemination of results (external service provider fees)	General expectations on the project include the dissemination of project findings and results among local and regional public, as well as organisations and institutions that can use these results. Related ex-

Phare 2002/000-315.01.04 'Combating Exclusion from the World of Work'
Instructions for the Budget

Line no.	Description	Note
		penses, such as advertisement, leaflets, publications etc. shall be planned here. Only costs fully outsourced to subcontractors can be planned.
1.10	Other, such as:	If you have any additional project management costs, you must enter them here, specifying the reason for these costs.
2.	Professional developmen	
2.1	Developing the professional competence of the project staff	Itemised costs related to the planning and organisation of training, meetings and know-how transfer for the professional development of the project management staff with the participation of foreign partners
2.2	Programme development: course material development and other service development activities, e.g. adapting the programmes or methods of foreign partners	Preparing development activities (e.g. curricula, teaching material, new development methods) for the improvement of the target group's employability and labour market integration. Experts' fees and other tangible costs (e.g. travel, material costs etc.).
3.	Selection and recruitment of the target group	
		Direct costs related to the information and mobilisation of the target group, as well as the selection of direct grant beneficiaries (advertisement and travel costs, experts' fees).
4.	Improving the employab labour market integratio target group	
4.1	Wage costs	These lines are used to plan the wage costs of professional staff that participate in the development of the target group, the improvement of their employability, their placement in the open labour market and their follow-up. You can enter wages, wage benefits, honoraria, contract fees and their benefits, as well as subcontractors' fees.
4.2	Tangible costs	Service and activity related costs, travel and rent costs.
5.	Training of the target group (training by programmes or modules)	
		This is where you plan the itemised teacher/trainer fees, tangible training costs (rent of venue, equipment, teaching material, working clothes etc), according to the training programmes or modules.
6.	Employment of the target group	

Phare 2002/000-315.01.04 'Combating Exclusion from the World of Work'
Instructions for the Budget

Line no.	Description	Note
6.1	Fees of experts participating in the implementation of employment (per person / job)	Itemised fees of work practice professionals, work safety training and occupational health check costs during the organisation of employment and training
6.2	Wages and wage benefits of employment	Wages and wage benefits to be paid for the beneficiaries of the project during their employment. The data and budget justification must specify how many people are employed, in what form, what kind of fees and benefits are paid by the applicant and its partners.
6.3	Rent costs (equipment, venue)	It can only be accounted if a separate building, workshop or other venue is rented or provided in kind for the employment, if an organisation provides its own building or room for the project for a fixed period.
6.4	Low-expense tools, equipment	
6.5	Consumables	
6.6	Material cost	
7.	Investments (accum costs)	new or used tangible assets or self-realising investments for the training and employment of the target group. note again that during the purchase of services, assets and construction work tender procedures for the use of Phare, ISPA and Sapard
7.1	Investments related to project management	e.g. purchase of communication and IT devices, software, furniture, vehicles and other office equipment
7.2	Purchase of devices related to professional development	e.g. training equipment
7.3	Investments related to the training of the target group or to personal assistance and labour market services	e.g. training and teaching materials, IT equipment etc.
7.4	Investment costs related to the employment of the target group	
7.4.1	Purchase and modification of machines, equipment and vehicles	
7.4.2.	Spare parts, tools	
7.4.3.	Construction works - refurbishment or conversion of buildings, construction fee in detail	
7.4.4.	Itemised self-realising investment	Materials, devices, fixtures and equipment. (Costs can be specified by

Phare 2002/000-315.01.04 'Combating Exclusion from the World of Work'
Instructions for the Budget

Line no.	Description	Note
	costs	the completed project plans. Applicants must have these plans at the time of submitting their application!
8.	Direct project costs subtotal (1.-7.)	
9.	Budget reserve	Maximum 5% of direct project costs, which can only be used with the approval of the Contracting Authority, for unforeseen direct project costs, closely related to project objectives and activities.
10.		This line shows the total of direct project costs included in lines 1-7.
11.	<i>Indirect or general costs of total eligible direct costs/10./)</i>	<i>indirect project costs. This group includes general costs, which are related to project activities, but cannot be specifically rendered to any them, or cannot be separated from other organisational activity costs. These expenses must be verified by invoices and may only be accounted if they do not include costs that have already been entered to any other budget item.</i>
	Total expenses (eligible costs) (10+11)	
13.	Total calculated value o contributions from applicant and partners	
14.	Total project costs	
15.	Control line	The worksheet management programme automatically consolidates management expenses here.

Own financial contribution

The use of own financial contributions shall also be planned among eligible costs. Costs financed from this source must be entered in the relevant budget lines, but under the column "Other resources". The use of own contributions must be verified by invoices.

In-kind contribution

In the case of public or private non-profit organisations, own contributions may include contributions in kind apart from cash. Any contributions in kind made by the applicant and its partners shall not be considered eligible costs for financing by the Contracting Authority, but they are part of the project budget. The value of in kind contributions shall be entered within

budget resources, as well as costs. Please enter in kind contributions in the budget's relevant in kind column.

In kind contribution may be tangible, such as office or room rent, use of assets, as well as unpaid (voluntary) charity work by private individuals or a corporate body. The amount declared by the beneficiary as contributions in kind must be valued on the basis of objective factors, officially applied scales and verifiable calculations. The cost of private charity work must be valued on the basis of local wages, salaries and fees.

The ratio of own financial and in kind contributions will be automatically calculated entered in control lines and checked by the programme.

I/B. Expected resources of funding

The worksheet named "Expected resources of funding" lists all accessible resources for the total cost of the project in euro. It includes the applicant's and their partners' own financial and in kind contributions, resources from other organisations and the grant amount applied for in the present application.

Point 1.1 will include the applicant's own financial contributions.

Point 1.2. will list the financial contributions of other organisations and cooperating partners, specifying the partner's/supporting organisation's name and disbursement criteria (when applicable).

In points 2.1. and 2.2. the amount of the applicant's or their partners' in kind contributions should be entered, with a detailed explanation of how they were calculated. The total value of the applicant's and their partners' own contributions will comprise points 1. and 2.

The grant applied for will be specified in point 3.

Point 4. is the total of points 1-3.

The grant may not produce profit for the applicant or their partners, therefore the proceeds of interest or possible exchange rate gain from the advance grant or other proceeds acquired during project implementation, must be spent exclusively and in accordance with project objectives, as additional extra budgetary expenses arising during and related to project implementation, and must be accounted for by the applicant.

An itemised account statement has to be made in the project report on the use of own resources, verified by invoices or other documents that substitute invoices.