



# Applying successfully for LIFE: Financial aspects

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# Reference documents

## Reference Documents on the EU Funding and Tenders Portal :

- General link : <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/how-to-participate/reference-documents;programCode=LIFE2027> (legislation, work programme, call documents, grant agreements, guidance, templates etc)
- LIFE MGA (grant agreement) : [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/life/agr-contr/mga\\_life\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/life/agr-contr/mga_life_en.pdf)
- LIFE Annotated Grant Agreement : [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/aga\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/aga_en.pdf)  
**NB: version of 1 April 2023**
- Rules for legal entity validation and financial capacity assessment : [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/rules-lev-lear-fca\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/rules-lev-lear-fca_en.pdf)



# Roles in the Grant Agreement (GA)

- **Coordinator (CB)** : contact point towards granting authority + signs the GA
- **Beneficiaries** : other entities that participate as beneficiaries + sign the GA (accession form)
- **Affiliated entities** : similar conditions as Beneficiaries + do not sign GA. Legal/capital link (beyond implementation of the action) BUT respective beneficiary remains responsible
- **Associated partners** : implement certain tasks but do not have the right to charge costs nor claim contributions, do not sign GA
- **Subcontractors** : outsourcing of specific action task(s)
- **Recipients of financial support to third parties**
- **In-kind contributors** : providing a service for free (cost/income not eligible– not counted in terms of budget)



# Establishing your Project Budget (1)

- **Part A** – summarised budget table to be filled online
  - Overall budget per cost category & per beneficiary/ affiliated entity/ associated partner\*
- **Annex** - Detailed budget table to be uploaded
  - Detailed budget per cost category (excel)/per beneficiary/ affiliated entity
  - Further description/ justification/ explanation and breakdown of major costs should be provided to allow evaluation and verification of eligibility
  - NB: Don't forget staff effort for Associated partners
- **Be realistic !**
- **Check the applicability of cost categories in the call document !**



\* APs: Do not claim costs

# Establishing your Project Budget (2)

- Check your **call document** and Art. 6 MGA : **Eligible and ineligible costs**
- Only amounts in **EUR**
- **Indirect costs = flat rate of 7%** on direct costs (except Volunteer/ Land Purchase costs) except for calls where indirect costs are not eligible
- **Indirect costs covered by an operating grant are not eligible UNLESS** it is demonstrated through the accounting system that the operating grant does not cover any costs of the action grant.
- **Unit costs for daily rates can be found in Annex 2a of the MGA**  
([https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/life/agr-contr/mga\\_life\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/life/agr-contr/mga_life_en.pdf))
  - SME Owner Unit costs – Coefficients to be used can be found in the Horizon Europe Work Programme (section Marie Skłodowska-Curie actions) **in force at the time of the call** : [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/horizon/wp-call/2023-2024/wp-2-msca-actions\\_horizon-2023-2024\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/horizon/wp-call/2023-2024/wp-2-msca-actions_horizon-2023-2024_en.pdf) (page 112)



Volunteer Costs – daily rates per country



# CET specificities

- **Co-funding at 95% (except SAP: 60%)**
- **Payment types:**
  - **Pre-financing 1 (30%), Additional Pre-financing(s)\* and Final payment**

NB: Amount of reporting periods related to type of action and duration => impact on % paid in each Additional Pre-financing

\* No interim payments foreseen



# Eligible Costs – Art 6 MGA – Actual Costs

- **Actually incurred by beneficiary/ affiliated entity AND during duration of the project** (Art 4) - except final reporting (Art 21)
- **Belong to budget categories of the call (foreseen in GA)**
- **Directly related** to the action and **necessary** for the implementation (costs indirectly related via cost drivers are not to be included under the direct actual costs)
- **Identifiable and verifiable**, in the **accounts of the beneficiary**
- Compliant with applicable **national law on taxes, labour and social security**
- **reasonable, justified** and must comply with the principle of **sound financial management**



# Direct Costs (Art. 6.2)

- **Direct costs** are costs directly related to the action and necessary for its implementation (costs indirectly related via cost drivers are not to be included under the direct actual costs)
  - **A. Personnel costs**  
(A.1 Employees, A.2 Natural persons under direct contract, A.3 Seconded persons, A.4 SME owners and natural person beneficiaries, A.5 Volunteers)
  - **B. Subcontracting costs**
  - **C. Purchase costs**  
(C.1 Travel and subsistence, C.2 Equipment (**SAP/non-SAP actions**), C.3 Other goods, works and services)
  - **D. Other cost categories – NOT ALLOWED IN CET with exception of SAP actions** - (D.1 Financial support to third parties, D.2 Land purchase)



# Direct Eligible Costs – A. Personnel

- **A1 Costs for employees or equivalent** limited to salaries, social security contributions, taxes and other costs linked to the remuneration, if they arise from national law or the employment contract (or equivalent appointing act)
- **A2 Natural persons** working under a direct contract other than employment contract & **A3 Seconded persons** by a third party against payment IF
  - work under conditions **similar** to those of an employee (i.e. the way the work is organised, the tasks that are performed, the premises where they are performed, teleworking conditions)
  - result of the work belongs to the beneficiary (unless agreed otherwise)
- **A4 SME Owners or natural persons (Sole Traders)** (*owners/sole traders not receiving a salary – unit cost*)
- **A5 Volunteers** (persons who freely work for an organisation, on a *non-compulsory basis and without being paid – unit cost*)



# Direct Eligible Costs – A. Personnel

## **A1 Costs for employees or equivalent** – Calculation is as follows :

- For the budget :

Project cost employee = (average annual salary cost of employee / 12) \* person-months on project

Nr of day equivalents to be budgeted per person per year **cannot be higher than 215 !!!**

## **A2 & A3 Costs for natural persons/seconded personnel**

- calculated on the basis of the actual contract/secondment rate which must not be significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary



# Direct Eligible Costs – A. Personnel

## A4 SME Owners and natural persons not receiving a salary and A5 Volunteers

- **Unit costs** as in Annex 2a
- For SME owners/natural persons : {EUR 5 080 / 18 days = 282,22} x {country-specific correction coefficient of the country where the beneficiary is established}

## A5 Volunteers

- **Unit costs** as in Annex 2a
- Maximum **50% of the total project costs** and contributions estimated in the proposal
- Maximum EU contribution cannot be higher than the **total eligible costs without volunteers**.
- **At reporting** : May not exceed the maximum amount for volunteers for each beneficiary set out in Annex 2



# Direct Eligible Costs – B. Subcontracting

- Fulfil the **general eligibility conditions**
- awarded using the beneficiary's **usual purchasing practices** — provided these ensure **best value for money** (or if appropriate the lowest price) and **no conflict of interests**
- may cover only a **limited part of the action** UNLESS properly justified for some calls
- Beneficiaries that are '**contracting authorities/entities**' within the meaning of the EU Directives on public procurement must also comply with the applicable national law on **public procurement**
- Not allowed to subcontract: coordination of action



# Direct Eligible Costs – B. Subcontracting

Main differences between subcontracting and purchase costs:

Subcontracts	Contracts/Purchases
Subcontracts concern the implementation of 'action tasks', i.e. parts of the project/project tasks that have been outsourced.	Purchases concern travel, equipment and goods and services that are necessary for the beneficiaries to implement the work (can range from big equipment to petty goods).
The price for the subcontracts will be declared as 'Subcontracting costs' in the financial statement.	The price for these contracts will be declared in one of the 'Purchase costs' columns in the financial statement.

Examples :

- contract for an audit certificate on the financial statements, translation of documents, publication of brochures = **purchase costs**
- contract for transportation = **purchase cost** unless it is part of a bigger package like the de-commissioning/transportation/re-installation of equipment = subcontracting)
- contract for meeting rooms, catering for a meeting = **purchase costs** unless it is the full organisation of a meeting (i.e. 'action task') then it is subcontracting
- contract for hiring IPR consultants/legal expert/IT consultant (i.e. just hiring expertise) = **purchase costs**
- contract for the carrying out of energy audits in the frame of the project (i.e. 'action task') = **subcontracting**



In case of doubt = subcontracting



# Direct Eligible Costs – C. Purchase Costs

## C1 Travel and Subsistence (travel/accommodation/subsistence) :

- Actual incurred and in line with usual practices

## C2 Equipment

- **Depreciation of costs** *CET call – all except SAP actions*
  - **Actually incurred** costs and written off in accordance with international accounting standards and the beneficiary's usual accounting practices
  - Only **portion of the costs that corresponds to the rate of actual use** for the action
  - **Costs for renting or leasing** if they do not exceed the depreciation costs of similar equipment (excl financing fees)



# Direct Eligible Costs – C. Purchase Costs

## C2 Equipment (Equipment/Infrastructure/Other assets): **ONLY FOR SAP actions**

- **OPTION 2: Full cost** (Annex 5 – Durability) + depreciation for listed equipment
  - Standard Action Projects, Strategic Nature Projects and Strategic Integrated Projects
  - Purchased/developed **specifically for the action**
  - Commitment to use and maintain it after the end of the action, for activities pursuing the action's objectives. For **at least five years after the end of the action or until the end of its economic lifespan** (i.e. fully depreciated) — whichever is earlier.'
  - Cost is **recorded under a fixed asset account** of the beneficiary in compliance with **international accounting standards** and the beneficiary's **usual cost accounting practices**.



# Direct Eligible Costs – C. Purchase Costs

## C3 Other goods, works and services:

- Costs actually incurred
- Can include e.g. consumables and supplies, promotion, dissemination, protection of results, translations, publications, certificates and financial guarantees, if required under the Agreement
- NB: CFS required when threshold of requested EU contribution to costs  $\geq$  EUR 500 000 per beneficiary and affiliated entity is reached



# Direct Eligible Costs – D. Other Cost Categories

## **ONLY SAP actions D1 Financial Support to third parties :**

- in the form of grants, prizes or similar forms of support; if any
- are eligible if
  - in line with the call conditions (max amount per action/third party)
  - they fulfil the general eligibility conditions
  - calculated on the basis of the costs actually incurred
  - the support is implemented in accordance with the **conditions set out in Annex I** which must ensure objective and transparent selection procedures



# Direct Eligible Costs – D. Other Cost Categories

## **ONLY SAP actions** D1 Financial Support to third parties :

- conditions in Annex I must ensure objective and transparent selection procedures and include at least the following:
  - Grants :
    - Amount per third party & criteria for calculating the amount
    - Different types of activity that qualify for financial support (closed list) + the persons or categories of persons that will be supported
    - the criteria and procedures for giving financial support
  - Prizes :
    - Eligibility & Award Criteria
    - Amount of the prize
    - payment arrangements



# Direct Eligible Costs – D. Other Cost Categories

## **ONLY SAP actions** D2 Land Purchase :

- from private entities
- incl long-term lease of land or one-off compensations for land use rights
- are eligible if
  - in line with the call conditions
  - they fulfil the general eligibility conditions
  - calculated on the basis of the costs actually incurred
  - they are compliant with the land purchase criteria



# Direct Eligible Costs – D. Other Cost Categories

## **ONLY SAP actions** D2 Land Purchase criteria :

- contributes to **improving, maintaining and restoring** the integrity of the **Natura 2000** network
- is the **only or most cost-effective way** of achieving the desired conservation outcome
- is reserved in the long term for **uses consistent with the specific objectives of the LIFE Programme**
- the Member State concerned ensures the **long-term assignment** of such land to **nature conservation purposes** and the beneficiary documents this by ensuring that
  - the **entry into the land register** includes a condition that the land will be assigned definitively to **nature conservation**
  - or, if there is no land register or such a condition is not possible under national law, that such a **condition is either included in the land sale contract or guaranteed by equivalent means.**



# Direct Eligible Costs – D. Other Cost Categories

## **ONLY SAP actions D2 Land Purchase :**

- **private beneficiaries should ensure the long-term conservation** by making sure that :
  - the entry into the land register includes a condition that, in case of their dissolution or incapacity to manage the land according to nature conservation requirements, the **property will be transferred to an entity primarily active in the field of nature protection**
  - or, if there is no land register or such a condition is not possible under national law, that such a condition is either **included in the land sale contract or guaranteed by equivalent means**
- for **purchases of partial rights**: the entry into the land register duly reflects the long-term nature conservation objectives and the requirements set out in this Article in the MGA
- for **land purchased to be exchanged at a later date for another parcel on which the action will be undertaken**: the exchange is carried out before the end of the action and the land exchanged complies with the requirements set out in this Article in the MGA
- for **long-term leases**: the lease is of at least 20 years and includes provisions and commitments that ensure the achievement of its objectives in terms of habitat and species protection



# Direct Eligible Costs – E. Indirect Costs

## E Indirect costs :

- If foreseen under the related call, will be reimbursed at the flat rate of 7% of the eligible direct costs (categories A-D, except volunteers' costs and land purchase costs).
- ATTENTION : No flat rate in case costs are covered by an operating grant (grant financing the functioning costs of the entity) UNLESS it is demonstrated through the accounting system that the operating grant does not cover any costs of the action grant.



# Ineligible costs (1)

- **Costs not complying with the definition of an eligible cost, e.g. :**
  - **dividends**
  - debt & debt service charges, provisions for future losses and debts
  - interest owed, currency exchange losses
  - bank costs charged by the beneficiary's bank for transfers from the granting authority
  - excessive or reckless expenditure
  - **deductible or refundable VAT** (including VAT paid by public bodies acting as public authority)
  - costs incurred or contributions for activities implemented during grant agreement suspension
  - **in-kind contributions** by third parties



# Ineligible costs (2)

- **Costs or contributions declared under other EU grants (or grants awarded by an EU Member State, non-EU country or other body implementing the EU budget unless exception as stated in the MGA e.g. if the action grant is combined with an operating grant running during the same period and the beneficiary can demonstrate that the operating grant does not cover any (direct or indirect) costs of the action grant**
- **costs or contributions for staff of a national (or regional/local) administration, for activities that are part of the administration's normal activities (i.e. not undertaken only because of the grant)**
- **costs or contributions (especially travel and subsistence) for staff or representatives of EU institutions, bodies or agencies**
- costs specifically declared ineligible in the related call



# Frequent errors

- SME owners not receiving salary indicated in A1 instead of A4 personnel cost category
- When threshold reached, CFS missing in annex 1 detailed budget or too expensive
- Subcontracting costs not outsourcing 'action/project tasks'
- Equipment – not enough details in the annex 1 detailed budget regarding either being a full cost or depreciation
- Financial Support to Third Parties
  - Criteria not explained and/or not in one single section in the proposal
- 'Big' costs in one line with no explanation/ details to assess need or eligibility in annex 1 detailed budget



# Thank you

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