

Tool 18 – Example of presentation for a TNC project budget¹

The development of a budget for a cooperation project is an important, but tricky step. First of all, the project's global organisation has to be agreed among the project partners, which requires different types of questions to be answered beforehand, namely:

What amount of money is needed for the sound implementation of the project? At this point the partners should be very clear about the actions they themselves wish to implement in the cooperation project.

- Which sources of financing can be accessed to support the project?
- How will the financial management aspects of the projects be dealt with?
- How will the expenses be split between the partners?

Please note that the elements provided below are indicative. They should always be read and worked through, taking into consideration the administrative rules and procedures set at a national level regarding cooperation. It is therefore important to refer to the national and/or regional framework and to double check with the managing authorities if the foreseen approach is possible and... eligible.

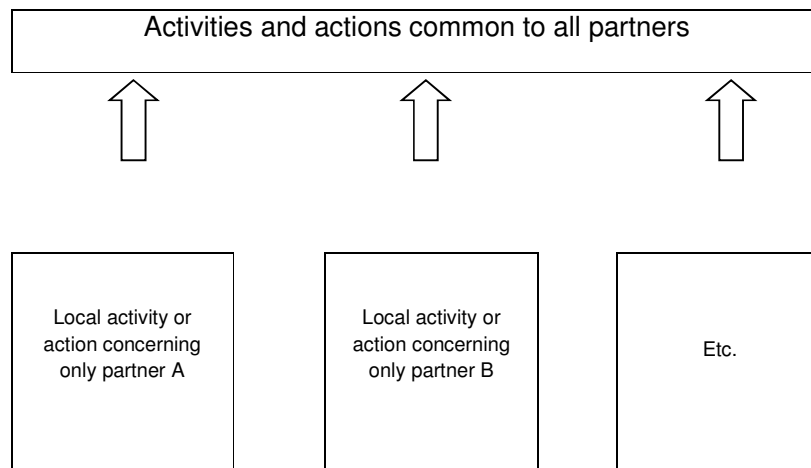
A) Establishing the budget of a cooperation project

Basically, all expenses related to the implementation of a cooperation project can be covered by the cooperation budget. The following costs, a non-exhaustive example, should be taken into account:

- Human resources;
- Travel, accommodation and subsistence expenses;
- Technical assistance, as may be required (e.g. to carry out studies or surveys, to provide technical support on specific issues...);
- Equipment and works;
- Translation and interpretation costs;
- Costs related to the development of products and/or services;
- Costs linked to the organisation of partner meetings, seminars and/or conferences;
- Publicity and communication to promote the project and the different actions carried out;
- Cooperation actions.

Concerning the above mentioned cooperation actions, choices have to be made from the beginning in order to determine, between the different partners, the types of actions which are to be included in the cooperation budget. Indeed, a cooperation project is made of both actions which are common to all the partners and of local actions, implemented in one or more of the partner areas, which directly contribute to the cooperation project:

¹ Some of the material in this tool is adapted from 'DAC Criteria for Evaluating Development Assistance' – OECD



Schematic presentation of the different types of actions within a cooperation project

Partners may decide that the budget should cover the whole cooperation project and include also the activities or actions which are carried out locally, but which are part of the cooperation project and feed into it. In other cases, partners might want to finance through cooperation only the common actions and activities.

Building barriers, even if only financial, between the common activities and actions and the local ones is something that needs to cut through the coherence of the project. When implementing the project it may otherwise cause difficulties, if the financial procedures the different partners have to adhere to are not compatible in terms of delay between the common level and the local level. This may block the whole cooperation process. It is therefore highly recommended that the cooperation budget covers both the common actions and the local actions directly related to it. This has another advantage: the local actions can be covered by financing sources which may have not been secured prior to project launch, thus leaving a door open for increasing funds for the areas involved!

Once this choice has been made, for each partner figures will have to be put against all the planned actions and the budget needs to be thought through in terms of: actions, types of activities, and timing of spending of specific budget parts. This allocation exercise will turn useful not only for the completion of application forms but also for the future implementation and monitoring of the project.

Hints:

- *Be careful not to underestimate the budget allocated to human resources needed to animate, coordinate, implement, manage and monitor the project.*
- *Plan sufficient money for the organisation of regular meetings with the partners in order to create and maintain a dynamic project.*

B) Identifying co-financing

It is recommended to avoid focusing on a single source of funding, but to consider all the financing possibilities which match your project and the issues that the project addresses. Leader funding is of course a central source for LAGs.

Different sources that may be looked at include:

- Public national, regional or local co-financing;
- NGO or private funding;
- Other international donor options.

The priority of the choice of the structure approached for co-financing is based on the proposed cooperation project, the themes and issues it covers and the partner(s) you have chosen to cooperate with. Indeed, if partners are located in regions of cooperating regional councils or involvement in a twinning programme, it will be relevant to submit project proposals to the regional councils.

Making contact with potential co-financers should be pursued as early as possible, ideally at the very beginning of the project development. If good and constructive work relations exist it may help to invite them to join the steering committee of the project, to involve them in the project development process.

Finally, if the project promoter is not the LAG but a structure located in its area, it is important to require own contribution/financing from this structure. This secures the promoter's motivation to get involved in the project and it contributes to develop it as a long term action.

Hint:

Do not forget that some projects may create benefit (this may be e.g. the case for jointly organised spectacles or similar events, where public will pay to assist). These benefits represent a financial resource for the project (in some Member States it is compulsory to include them in the budget of the project as they will cut down the amount of funding awarded).

C) Splitting the expenses between the different partners

As suggested above, the transnational budget should present:

- Common transnational expenses related to the common actions and activities;
- Individual expenses related to the local actions contributing to the transnational project or to the services or products developed by a partner for the benefit of the partnership and of the project.

Choices will have to be made on how the cost of the different actions will be covered, which basically means: who will pay for what, and: how a global balance will be established, which will be acceptable to all partners.

If it is rather practical for each partner to take directly and individually charge of the actions, which concern a specific local area only, a solution has to be found for all the common actions and activities which will have to be implemented jointly by the partners².

Costs related to local actions	Costs related to transnational actions and activities	
Taken charge of directly and individually by the concerned partner	Reciprocity	Distribution of the costs between the partners
		Invoicing following a rule of prorata

Reciprocity:

One part of the common activities and actions is implemented and paid for by one of the partners. Other parts of the common activities and actions are paid for by other partners. When possible, a balance in terms of amounts should be sought between the financial participation of the different partners (this balance can be based on equality or on equity, depending on the partners involved). The principle of this approach is to say that since all the partners involved will get the same advantages from the project they should participate up to the same level, based on their capacity.

Distribution of the costs between partners:

- Prorata: part of each invoice is paid by each partner according to pre-defined rules. This may become heavily administrative for the project coordinator and should be considered only if the number of partners is limited (3 at the most). Yet, it ensures a regular progression of the financial implication of the different partners.
- Reimbursement: one of the partners bears the costs related to the implementation of the common activities and actions, keeps clear track of all the paid invoices and asks his partner(s) for reimbursement of their part of the costs on a regular basis. This makes things easier for external service providers and also enables a unique and coherent invoice and financial monitoring system.

Once more a reminder: whatever choice was made, the agreement on the distribution of the expenses has to respect the rules and procedures of the programme(s) financing the project. Financial and legal implication of each choice will have to be looked at in detail, taking fully into account relevant national laws (it may be also worthwhile to involve finance and taxation experts).

D) Defining financial management rules common to all the partners

The following elements should be taken into account to ensure sound financial management:

- Keep separate costs covering common actions and activities from those covering the local ones;
- Keep track of all financial movements and of all invoices, including copies of the related bank statements for justification towards your partners and possibly audit controls;

² Source: the EQUAL practical guide to transnationality (europemploi – European Commission)

- Payments are only made against an official invoice. Secure official receipts;
- Ensure national rules and procedures are respected and that financial systems will be compatible to the ones required by the structures providing project financing.