

LIFE: Frequently asked questions (FAQ)
2016.08.03.

1. If one of the beneficiaries - who organises a meeting /training within the framework of the project - and does not own a suitable place for the programme, is it possible to rent the other beneficiaries' premises for this purpose?
(Does it belong to the eligible costs if the beneficiaries have to rent/lease each others premises as they do not possess them, but it is necessary for the implementation of the project?)

No, it will not be considered an eligible cost.

2. If one of the beneficiaries uses its own equipment / conference room /other premises for the implementation of the project, how can he prove and verify the incurred costs? (as during the implementation of the project it is not able e.g. to rent the premise for third parties and this way it is considered as „lost profit”)

These costs are considered 'overheads'

3. What is to be considered as „**indirect cost**”? Could You give any examples or is there any „list” of them?

Indirect costs are those costs that cannot be directly attributed to the project (needed for the purpose). In principle these are general operating costs of the legal entity (examples: water, electricity, telephone, office supplies, rent, office equipment,...). However, in some cases (depending on the project), IT equipment could be an indirect costs like e.g. in capacity building projects where the purpose of the project is to increase the level of staff and therefore also ensuring they have the necessary office equipment.

4. Is the **VAT** considered as „eligible cost” **in case of public bodies**? (see also: Application Guide p. 43 & 61)

Only if the VAT cannot be recovered and the activities do not match the concept of sovereign powers.

5. Please specify the definition of „**sovereign powers exercised by member states**”. (see also: Application Guide p. 43: „Please note that non-deductible VAT is an eligible cost, save for those activities matching the concept of sovereign powers exercised by Member States.”)

It concerns activities carried out as a public authority of a Member State

6. In connection with the **Performance Indicator** chart: are the applicants free to determine their own performance indicators, as there is no such index for the CCA projects yet?

Please fill in all performance indicators which are relevant to your project. You can also add additional indicators which specifically relate to CCA.

7. Could You further specify the definition of „**large infrastructure**”? Is it decided on a case-to-case basis in relation to the full costs of the project or the 500,000 € limit is valid for all LIFE projects?

The EUR 500,000 limit is applicable to all LIFE projects.

8. Is it possible, that an item identified as „prototype” (with 100 % eligible costs) in the Grant Agreement will be classified otherwise after the implementation of the project, and this way just the 25 % depreciation cost will be taken into account?

Equipment can be classified as prototype only in exceptional and well justified cases. As soon as a prototype is used for commercial purposes, it is subject to depreciation.

9. What is considered to be a „*reliable electronic time registration system*”? (timesheet of the part-time employees)

See Annex X of the model grant agreement (financial and administrative guidelines p. 3 and 4), this will give an idea on the requirements

10. As we understand **the 2 % rule**:

- if a public body has 3 „additional” and 3 „non-additional” full-time LIFE employees, each with br. 1.000 €/month remuneration for a 24 months project
- the public body has to pay all together 1.000 € x 24 (months) x 3 (additional employees) = 72. 000 € for the additional employees and **72. 000 € for the non-additonal employees** during the whole time of the project
- this way **the sum of the public contributions of this public body to the project budget must exceed** by at least 2 % the sum of the remuneration of the non-additional employees,
- in this case the (non-personel) contribution has to be at least 72.000 € *1,02 = **73.440 €**

Is this statement correct?

The Compliance with the 2% rule is checked at the level of the global project budget by comparing the total cost of permanent staff or civil servant (non-additional staff) in the proposal budget with the total of financial contributions of public sector beneficiary.

11. If a LIFE project consists of 5 pilot project actions, among which one cannot be implemented, how does that affect the successfulness of the overall project? What are the suggested steps in such a case?

If I understand correctly you are referring to a project that has already started its implementation. If this is the case it is difficult to provide an answer on such an abstract case. However you shall know that we monitor projects during their implementation, so if something like this would arise we would discuss with the consortium the reasons for this and check whether a solution might be found in order to implement the same or a similar action. If this is really not possible than depending on what type of action, what is its technical and financial importance for the project an amendment might be requested to include such change from the technical and financial point of view.

12. In a LIFE project personnel costs shall be charged on the basis of hourly rates obtained by dividing the actual annual gross salary or wages plus obligatory social charges and other statutory costs included in the remuneration of an employee by the actual total productive hours/days for that employee. In other projects personnel costs shall be charged on the basis of a fixed percentage e.g. 50% of the work time of the employee with the related part of their monthly gross salary plus social charges. The combination of the two calculation system results that if an employee works 50% in one project and 50% in a LIFE project the sum of the costs charged on the two projects will not be equal to the actual costs paid in each month. For example, in a month when the employee is on long holiday, and works only 2 days, 1 on the LIFE project and 1 on the other project, the sum of 1 day multiplied by the daily rates, plus 50% percent of the gross salary will be lower than the actually paid. In another month, when there are 22 productive days, the 11 days multiplied by the daily rates of LIFE, plus the 50% of the gross salary will be higher than the actually paid gross salary and social charges. How should we handle this contradiction?

In principle the hourly/daily rates are calculated on a yearly basis taking into account the total yearly productive time. The number of hours/days spent on the project during that year are then multiplied with the corresponding hourly/daily rate. Please note that if the employment contract clearly specifies that the person is hired for working on two projects 50/50, then the 50/50 approach can be considered.

Yearly productive time of the person concerned = 365 days – holidays – number of illness days (for the budget an average can be taken)

Daily rate = Total salary cost (incl social charges etc)/Yearly productive time

Total cost for the project in the year concerned = daily rate for that year multiplied by the number of days worked

You cannot claim more costs than the 'actual' so if by using another type of calculation for other projects, you may need to deduct the profit.

13. If someone is taking part as a co-financer in a LIFE project, how does its contribution have to be proven in the application-phase of the project? (e.g. with a letter of intent/Memorandum of Understanding/contract between the coordinating beneficiary and the co-financer)

The A6 form needs to be completed

14. **How is the “40 % self-contribution”-principle to be interpreted? (40 % for the project as a whole or the self-contribution of every beneficiary has to reach at least 40 % regarding its project actions?)**

The 40 % contribution means the 40 % of the total LIFE project budget. The coordinating beneficiary and any associated beneficiaries are expected to provide a reasonable financial contribution to the project budget. A beneficiary's financial contribution is considered as a proof of its commitment to the implementation of the project objectives – a very low financial contribution may therefore be considered as an absence or lack of commitment.

However a proposal will be rejected if the financial contribution of any of the beneficiaries to the proposal budget is EUR 0.

Moreover, where public bodies are involved as coordinating and/or associated beneficiaries in a project, the sum of their financial contributions to the project budget must exceed (by at least 2%) the sum of their salary costs charged to the project for personnel who are not considered 'additional'.

15. The beneficiaries should demonstrate the technical and financial capacity and competency to carry out the proposed project activities. It is therefore expected that the **share of the project budget allocated to external assistance (subcontracting) should remain below 35%.**

This 35 % should be valid for the whole budget of the project, it should not be implemented in a way that every beneficiary is entitled to employ a subcontractor till the 35 % of the given beneficiary's project budget.

(see also: Article II.10 of the Grant Agreement)

16. **Should the subcontractor(s) be named in the project proposal?**

It is not allowed to name the subcontractor(s) in the project proposal as they have to be chosen according to the “best value for money” principle. The beneficiaries shall award the contract to the tender offering best value for money or, as appropriate, to the tender offering the lowest price. (see also: Annex X – Financial and Administrative Guidelines p. 10)

- 17. In which form does the own financial contribution (40 %) have to be available: in cash (for example: deposited by a bank), in kind (how should it be proven) or both possible?**

In cash only (in kind is not allowed)

- 18. Regarding the proportional allocation of the own contribution between the project partners:**

- a) Is there a minimum amount of the own contribution by each project partners? If yes, is it just more than 0 EUR?

Yes indeed

- b) Is it possible that one of the project partners does its contribution solely in kind/solely in cash?

Solely in cash

- 19. Regarding the Subcontractors and affiliates: (Affiliates need to be mentioned in Article I.7 of the Grant Agreement)**

- a. Is there any other restriction regarding the subcontractors apart from the „35 % of the total project budget“-rule?

Yes the conditions detailed in Article II.10 of the Grant Agreement (e.g. it only covers the implementation of a limited part of the project)

- b. All beneficiaries are able to have subcontractors till the amount of 35 % of their own project budget or just the 35 % of the overall project has to be regarded irrespective of which beneficiary employs the subcontractor?

We will come back to you on this question.

- c. Do the subcontractors have to be further specified (or named) in the project proposal or just the reference to them in the budget is enough with their specification during the implementation of the project?

Subcontractors cannot be mentioned in the proposal neither in the budget as the criterion of best value for money should guide you in your choice of subcontractors.

- 20. If a cluster is registered (solely) in Hungary but also has international legal entities among its members, if it joins a project can it be regarded as „transnational“**

project or not? (the place of registration determinates the country of origin of the cluster or the nationality of its members?)

If we understand well the question, if an entity registered in Hungary that has for instance subsidiaries or related entities abroad joins a project, will the project be considered transnational? The transnational character will be evaluated on a case-by-case basis depending on the added value of the actions of the entity based outside Hungary. A transnational character would be reinforced by substantive actions taking place outside the country of the coordinating beneficiary, in particular if the implementation of the project in the additional country/ies will have a considerable contribution to help resolving the underlining problem addressed.

- 21. Regarding the prohibition of the double EU-financing is it correct that if the 40 % own contribution does not contain other direct or indirect EU funding (eg. contribution solely by the member state independently from the EU) the budget is acceptable? Is an own contribution containing other non-EU funds (e.g. Norway Grants) eligible?**

The principle of prohibition of the double EU-financing implies that an EU project cannot be funded twice by EU funds. Yes the 40% own contribution described would be acceptable/eligible. Other sources of financing (cofinancing) is allowed for the budget outside the EU contribution.

- 22. Can a subcontractor be responsible for the Project management?**

Absolutely not, the Coordinating beneficiary should be capable of managing the whole project.

- 23. Is the cafeteria considered to be as eligible cost?**

Yes. It is recommended to indicate it in the project proposal (personnel cost) and – in case of a successful project – in the Grant Agreement.