



Cross-Border Cooperation Programme  
Montenegro-Albania 2021-2027 under the Instrument of Pre-  
Accession Assistance (IPA III)

## 1st Call for Proposals

### INFORMATION SESSION

# Annex B: BUDGET

Directorate for Finance, Contracting and Implementation of  
the EU Assistance Funds (CFCU), Ministry of Finance of  
Montenegro

*Disclaimer: The presentations are provided as information only.  
The application package and guidelines remain the official  
documents.*

# CONTENT

- **Budget planning rules and principles**
- **Eligible and non-eligible costs**
- **Budget for the Action**
- **Justification**
- **Sources of funding**
- **Common mistakes**
- **Recommendations**



# Budget planning rules and principles

- Translating activities and results into the budget → planning of the costs necessary for carrying out project activities
- Budget is a planning tool and provides for cost estimation for the implementation of the Action
- Budget has to **include costs related to the Action as a whole**, regardless of the part financed by the Contracting Authority.
- **Actual expenditure incurred** will be presented in the interim/final financial report during implementation



***! Please note*** that *estimated budget for the Action needs to be realistic and cost-effective.*

***! Please note*** that *final eligibility of costs in line with the GC Article 14 are yet to be confirmed in the implementation stage during verification procedure of the interim/final narrative and financial reports.*

# Budget planning rules and principles

- The number of units and the unit value must be specified for each item and compliant between worksheet of the Annex B
- Double funding is not allowed
- Costs budgeted are without VAT – *Please see **Annex J** to the Guidelines for grant applicants*
- No-profit rule
- Expenditure verification costs are applicable in case of grant contracts with a budget of more than EUR 100,000
- Use formatting: 1,000.00

# Budget planning rules and principles

## Costs MUST be:

- **Necessary** for the implementation of the project and related activities
- **Reasonable, justified** and comply with the requirements of **sound financial management**, in particular regarding economy and efficiency
- Costs should be based on **realistic market prices**
- **Without VAT**



***!Please note*** that considering the above, in the **budget clearing stage (before signing of the contract)** contracting authority checks consistency between budget items and the description of the action, to remove any obvious arithmetical errors or ineligible costs prior to signing the contract, hence may **reduce proposed estimated budget amount for the implementation of the Action.**

**PRAG E3c Annex B Budget** → Annex III Budget of the Grant Contract

## Cost eligibility criteria

**GC Art. 14.1** (*checked in the implementation stage for the actual costs*)

Eligible costs are actual costs incurred by the Beneficiary(ies) which meet all the following criteria:

- they are incurred during the implementation of the Action within implementation period;
- they are indicated in the estimated overall budget for the Action;
- they are necessary for the implementation of the Action; (*checked also in the evaluation and budget clearing stage*)
- they are identifiable and verifiable, in particular being recorded in the accounting records of the Beneficiary(ies)
- they comply with the requirements of applicable tax and social legislation
- they are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency (*checked also in the evaluation and budget clearing stage*)

# Non-eligible costs

**GC Art. 14.11** *(please see GfA Section 2.1.5)*

- bank charges;
- provisions for losses, debts or potential future liabilities;
- costs declared by the Beneficiary(ies) and which are financed by another action or work programme receiving a European Union grant(including funding through the European Development Fund);
- purchases of land or buildings, except where necessary for the direct implementation of the Action and according to the conditions specified in the Special Conditions; in all cases the ownership shall be transferred in accordance with Article 7.5, at the latest at the end of the Action
- currency exchange losses;
- in kind contributions;
- unacceptable costs cannot be included in the project budget.

## Annex B: Budget - structure

Excel document with **3 worksheets**:

- **First worksheet of the Annex B:** Overall estimated budget of the action and forecast for the first year in case of the project duration of more than one year
- **Second worksheet of the Annex B:** Justification of the Budget for the Action
- **Third worksheet of the Annex B:** Expected Sources of funding & summary of estimated costs

# First Worksheet of the Annex B - Budget

- **Budget Heading 1:** Human resources (Salaries and per diems)
- **Budget Heading 2:** Travel
- **Budget Heading 3:** Equipment and supplies
- **Budget Heading 4:** Project Office
- **Budget Heading 5:** Services
- **Budget Heading 6:** Other
- **Budget line 8:** Indirect costs, maximum 7% of the subtotal direct eligible costs of the Action;
- **Budget line 10.1:** Contingency reserve, maximum 5% of the subtotal direct eligible costs of the Action.



**BUDGET JUSTIFICATION (!second worksheet)**

## First Worksheet of the Annex B - Budget

- Six (6) main budget headings are divided in subcategories
- First column explains the budget items needed in the project – rows can be added, but main headings and subcategories cannot be changed
- First part of the table is for all years, the second part is for the first-year forecast (*which activities will be implemented in the first year that will generate costs?*)
- Each new item has a new number (e.g. 1.1.1 Technical, Project Manager 1.1.1.1, 1.1.1.2 Project Assistant, etc.)



# First Worksheet of the Annex B - Budget

<b>4. Local office</b>								
4.1 Vehicle costs	Per month				Per month			
4.2 Office rent	Per month				Per month			
4.3 Consumables - office supplies	Per month				Per month			
4.4 Other services (tel/fax, electricity/heating, maintenance)	Per month				Per month			
<b>Subtotal Local office</b>								
<b>5. Other costs, services<sup>8</sup></b>								
5.1 Publications <sup>9</sup>								
5.2 Studies, research <sup>9</sup>								
5.3 Expenditure verification/Audit								
5.4 Evaluation costs								
5.5 Translation, interpreters								
5.6 Financial services (bank guarantee costs etc.)								
5.7 Costs of conferences/seminars <sup>9</sup>								
5.8. Visibility actions <sup>10</sup>								
<b>Subtotal Other costs, services</b>								
<b>6. Other</b>								
<b>Subtotal Other</b>								
<b>7. Subtotal direct eligible costs of the Action (1-6)</b>								
8. Indirect costs (maximum 7% of 7, subtotal of direct eligible costs of the Action)								
<b>9. Total eligible costs of the Action, excluding reserve (7+ 8)</b>								
10. Provision for contingency reserve (maximum 5% of 7, subtotal of direct eligible costs of the Action)								
<b>11. Total eligible costs (9+10)</b>								
12. - Taxes <sup>11</sup> - Contributions in kind <sup>12</sup>								
<b>13. Total accepted<sup>11</sup> costs of the Action (11+12)</b>								

# Budget heading 1: Human resources - salaries

- **Cost of staff from lead applicant and co-applicant organisation** assigned to the action, corresponding to **actual gross salaries including social security charges and other remuneration-related costs** (excluding bonuses)
- **Salaries and costs shall not exceed those normally borne** by the beneficiary(ies)
- If staff are not working full time on the action, the **percentage of their engagement should be indicated** alongside the description of the item.
- For employees who are not full-time engaged on the project, percentage of engagement needs to be indicated in the budget and **applied on unit number NOT unit value.**



***!Please note*** that contracting authority will ask for the provision of **supporting documents** in the budget clearing process for each position of the project team, such as payroll slips, employment contracts, bank statements, etc.

***Budget Heading 1 - Human Resources is limited up to 30% of the total eligible costs of the action***

# Budget heading 1: Human resources - per diems

- Costs for staff and other persons taking part in the action, provided they do not exceed those normally borne by the beneficiary(ies) according to its **rules and national regulations**
- The rates published by the European Commission should **NOT be exceeded**
- **Per diem includes** overnight accommodation, meals and local transport to staff members
- Daily allowance vs per diems
- **Per diems should be traceable** (number and names of staff, number of times the per diem was paid, per diem rates and countries concerned) and in the beneficiaries' records (accounting, payroll, human resources).
- The transportation in costs are planned under budget heading 2 – Travel
- Accommodation costs may be budgeted under budget heading 5 – services (e.g. under organisation of trainings, study visits, etc.), but then excluded from the per diems

## Budget heading 2: Travel

- Travel costs of any person taking part in the action are eligible, including staff of the beneficiaries, associates, affiliated entities and the final beneficiary(ies): **international travel and local transportation** (cost of transport between home and work and other inner-city travel should not be claimed under this budget heading).
- **Transport (bus, plane, train)** – per ticket. Estimated number of participants need to be indicated and justified. The use of business class tickets is not allowed (unit rates may not exceed economy class).
- **Use of vehicles** – per km/€ 0.25 (includes fuel, tolls / toll / ferry, depreciation). The estimated number of kilometres should be indicated and justified.

## Budget heading 3: Equipment and supplies

- Purchase of equipment and furniture
- Each item should be specified (ex. not furniture for the office, but a table, computer, chair, closet, shelf, etc.)
- Unit value should be based on actual market prices
- Procurement procedures should be done according to PRAG
- Ownership is transferred at the end of the action in line with the GC Article 7(5);



***!Please note*** that contracting authority may conduct its own market research and/or ask for the provision of ***supporting documents*** in the budget clearing process for each position such as market research, etc.

## Budget heading 4: Local office

- Office rent costs, consumables, other services (tel/fax, electricity/heating, maintenance, IT and telecommunication services), vehicle costs (registration, insurance, maintenance...)
- Linked to the office established specifically to implement the action if there is a need for setting up a project office
- In case of the shared office premises, distribution key and present it in the budget justification, explaining how this cost allocation system has been designed
- Only the real costs for the existing office can be shown



***!Please note*** that contracting authority may ask for the provision of ***supporting documents*** in the budget clearing process for each position such as lease contract, bills, etc.

***!Please note*** that these costs may be covered by the indirect costs.

## Budget heading 5: Other costs / services

- **Cost of all service contracts** awarded by the beneficiary(ies) for the purposes of the action, including organisation of conferences, seminars, trainings, study visits (renting of premises and equipment, catering, interpretation, printing, accommodation, etc.), external experts, other subcontracted service providers, publications, visibility, audit, etc.
- Procurement procedures should be done according to PRAG
- **Expenditure verification** - 1-3% of the contract value (required for the grant of more than 100,000 €)

## Budget heading 6: Other costs

- **Cost of all works contracts** awarded by the beneficiary(ies) for the purposes of the action
- Procurement procedures should be done according to PRAG
- In case of execution of works the following supporting documents shall be submitted **along with the full application form**:
  - a. Proof of ownership or long-term lease (at least for 10 years after the signature of the contract)
  - b. A positive decision on environmental impact assessment or otherwise a statement from the relevant public authority(ies) that it is not required
- In case of execution of works the following supporting documents shall be submitted **before the contract signature**:
  - a. All necessary legal authorisations (e.g.: location and construction permits).
  - b. Approved/certified detailed work design or otherwise a statement by the relevant national institution(s) that it is not required
  - c. An indicative priced bill of quantities drawn not earlier than 2 years prior to the deadline for submission of full applications – calculated in euro.

## Budget heading 8: Indirect costs

- **Indirect costs – up to 7%** of direct eligible costs
- Percentage should be indicated in the budget alongside value of the applied %
- Indirect eligible costs are not identifiable as specific costs directly linked to the performance of the action
- Indirect costs are eligible provided that they **do not include any eligible direct costs included in other budget headings**
- The lead applicant may be asked to **justify the percentage requested** before the grant contract is signed.
- Once the flat rate has been fixed in the special conditions of the grant contract, no supporting documents need to be provided. However, **contracting authority may request supporting documentation in the implementation stage if deemed necessary**

**Example:** *costs connected with infrastructure and the general operation of the beneficiary at headquarter level and costs such as administrative and financial management, training, legal advice, documentation, IT, maintenance of buildings, water, gas, electricity, insurance, office supplies, communications, human resources, accounting fees, depreciation, telephone bills, travel and other utilities costs, etc.*

## Budget line 10.1: Provision for contingency reserve

- **Contingency reserve – up to 5%** of direct eligible costs
- **Contingency, only in duly justified cases for unforeseen expenses** to allow for adjustments necessary in the light of unforeseeable changes of circumstances on the ground for the implementation of the Action.
- It can be used only with the prior written authorisation of the contracting authority, upon duly justified request by the coordinator.
- These costs are not related to contingency under works contracts

# Second Worksheet of the Annex B – Justification

## Budget justification requirements:

- Narrative clarification of each budget line: necessity of the costs and **references to the activities (Column B)**
- **Justification of the calculation** of the estimated costs **(Column C)**

### **PLEASE NOTE:**



- The first left column of the table (Costs) - must be identical to costs which are listed in First Worksheet
- Unit numbers and values must be in compliance with the First Worksheet
- Each cost should be clearly explained, linked to the relevant activity in DoA with clear justification of the calculation of unit value/total value

# Second Worksheet of the Annex B – Justification

## Example

2. Justification of the Budget for the Action	All Years	
Costs	Clarification of the budget items	Justification of the estimated costs
	<i>Provide a narrative clarification of each budget item demonstrating the necessity of the costs and how they relate to the action (e.g. through references to the activities and/or results in the Description of the Action).</i>	<i>Provide a justification of the calculation of the estimated costs. Note that the estimation should be based on real costs or on simplified cost options if allowed, as described in section 2.1.5 of the Guidelines for Grants Applicants</i>
<b>1. Human Resources (1)</b>		
1.1 Salaries (gross salaries including social security charges and other related costs, local staff)		
1.1.1 Technical <b>Example:</b> Project coordinator	<i>Project coordinator in partner organisation xxx appointed 60% working time with the following responsibilities: xxx</i>	<i>Gross monthly salary for project coordinator in the organisation is 1,000 €/month (full time)</i>
1.1.2 Administrative/ support staff		
1.2 Salaries (gross salaries including social security charges and other related costs, expat/int. staff)		
1.3 Per diems for missions/travel		
1.3.1 Abroad (staff assigned to the Action)		
1.3.2 Local (staff assigned to the Action) <b>Example:</b> Per diems-daily allowance	<i>Per diems under the following activities:            Act.2.2 - 4 persons for the implementation of the ...            Act.3.2 - 10 persons for the implementation of the...</i>	<i>Per diem cost is 40 € in line with the national regulations and internal rules and procedures of the organisation.             14 person* 40 € = 560 €</i>
1.3.3 Seminar/conference participants		

# Second Worksheet of the Annex B – Justification

## Example

<b>2. Travel</b>		
2.1. International travel		
2.2 Local transportation <b>Example: Fuel</b>	<i>Related to the Act. 3.2 and implementation of the field visits in the period March-July 2024 (5 months) by project manager. Organisation's vehicle will be used. Area/locations: xxxx Indicative average distance traveled per month is 400km.</i>	<i>Indicative fuel cost per km is 0.30 EUR in line with the standard practice/internal records.  5 monthsx400km=2,000 km x 0,30EUR= 600 EUR</i>
<b>Subtotal Travel</b>		
<b>3. Equipment and supplies</b>		
3.1 Purchase or rent of vehicles		
3.2 Furniture, computer equipment	<i>Related to Act. 2.4, purchase of the 5 laptops for the purpose of .... and implementation of the ..... Equipment will be used by....</i>	<i>Indicative technical specification: Processor 2.8GHz, RAM Memory: 4 GB, HDD 500 GB SATA II, Communication 10/100/1,000 MBit/s, Display: 15.6-inch HD , Warranty: 1 year. Average market price of the laptop with the technical requirements as above is 700EUR.  5 laptops x 700EUR = 3,500 EUR</i>
3.3 Machines, tools...		
3.4 Spare parts/equipment for machines, tools		
3.5 Other (please specify)		

# Second Worksheet of the Annex B – Justification

## Example

5. Other costs, services		
5.1 Publications		
5.2 Studies, research <b>Example:</b> Development of Analysis	<p><i>Related to Act 3.3 and development of the Analysis on .... and recommendation with the scope elaborated in the DoA. Analysis will be developed in the period March-April 2024. Results of the analysis will be used as input for the Act 3.4 and development of the business plan on....</i></p>	<p><i>1 expert for collecting data desk based (junior) - fee 50EUR/day, expected 15 working days</i></p> <p><i>1 sector expert for analysing data, organising focus groups with stakeholders and drafting of the analysis (senior) - fee 250 EUR/day, expected 20 working days</i></p> <p><i>Junior expert 50 EUR x 15 WDs = 750 EUR</i></p> <p><i>Senior expert 250 EUR x 20 WDs = 5,000 EUR</i></p> <p><i>Total for Analysis = 5,750 EUR</i></p>
5.3 Expenditure verification/Audit		
5.4 Evaluation costs		
5.5 Translation, interpreters <b>Example:</b> subcontracting of the company for translation/interpretation services	<p><i>Related to Act. 3.2 and implementation of 3 training session with the duration of 2-day necessary interpretation into Albanian is required (6 days)</i></p> <p><i>Related to Act. 4.3 and organisation/implementation of the opening and closing events interpretation into Albanian is required (1 day)</i></p> <p><i>Related to Act 4.4 and development of the Guidance (up to 50 pages), it is required to be translated into English and Albanian</i></p>	<p><i>Average market price for the 1-day interpretation to Albanian language is 400 EUR.</i></p> <p><i>Average market price for translation to Albanian per page is 15 EUR and to English 10 EUR.</i></p> <p><i>7 days interpretation x 400 EUR = 2,800 EUR</i></p> <p><i>50 pages (Albanian) x 15 EUR = 750 EUR</i></p> <p><i>50 pages (English) x 10 EUR = 500 EUR</i></p> <p><b><i>Total translation/interpretation = 4,050 EUR</i></b></p>
5.6 Financial services (bank guarantee costs etc.)		
5.7 Costs of conferences/seminars		

## **Third Worksheet of the Annex B - Expected Sources of Funding**

- The table which lists the sources of project financing
- Other contributions - the amount of applicant's own financial contribution to the project and other donor's if any
- Percentages - format the column „percentages“ in 2 decimal places

# Third Worksheet of the Annex B - Expected Sources of Funding

## Example

3. Expected sources of funding & summary of estimated costs <sup>1</sup>			
		Amount	Percentage
		EUR	%
<b>Expected sources of funding</b>			
EU/EDF contribution sought in this application <b>(A)</b>		340,000.00	
Other contributions (Applicant, other Donors etc)			
<i>Name</i>	<i>Conditions</i> <sup>6</sup>		
Lead applicant		33,000.00	
Co-applicants Albania		27,000.00	
Revenue from the Action		0.00	
To be inserted if applicable and allowed by the guidelines: In-kind contributions <sup>5</sup>		0.00	
Expected TOTAL CONTRIBUTIONS		400,000.00	
<b>Estimated Costs</b>			
Estimated TOTAL ELIGIBLE COSTS <sup>2</sup> <b>(B)</b>		400,000.00	
EU/EDF contribution expressed as a percentage of total eligible costs <sup>4</sup> <b>(A/B x 100)</b>			85.00
To be inserted if applicable and allowed by the guidelines: Taxes/In-kind contributions <sup>5</sup>		0.00	
Estimated TOTAL ACCEPTED COSTS <sup>3</sup> <b>(C)</b>		400,000.00	
EU/EDF contribution expressed as a percentage of total accepted costs <sup>4</sup> <b>(A/C x 100)</b>			85.00



## Common Mistakes in Annex B Budget

- **Budgeted costs are incoherence** between Excel sheets
- **Calculation mistakes and arithmetical errors** under specific budget lines or for total sums (not all costs are added)
- **Wrong % or wrongly applied %** for indirect costs
- **Unit values for the first year** and the overall budget for all years are different
- **Inappropriate Unit** considering context
- Too **detail budget** that will affect financial reporting
- No referral to corresponding activity number in DoA



## Common Mistakes in Annex B Budget

- **Descriptions in the second worksheet “Justification” are missing** or are not compliant with the budget
- **Insufficient and unclear justification of the calculation** of the estimated costs under second worksheet “Justification”
- Costs are **budgeted under wrong main budget headings**
- **Salaries of the project team are abnormally high** – they do not correspond to salaries in the organisations
- **Proposed size of project team** and their engagement (by months or days) exceeds the anticipated scope of activities
- **Unit value for travel costs** (per km of local travel or international tickets) exceeds normal market prices or unit is not adequate depending on the context



## Common Mistakes in Annex B Budget

- **Costs of equipment exceed** normal market prices
- **Equipment is not necessary** for the implementation of the action
- Costs of **external services exceed** normal market rates for related type of services
- **External service same functions** as in the project team (for example finances or accountancy)
- **External services not necessary** for the implementation of the Action – action can be realised without these costs or not adjusted with the activities (budgeted more trainings that envisaged in the project)
- Anticipated **scope of works does not comply with the unit-price** indicated in the budget

***!Please submit*** also Excel version of the Annex B: Budget

# RECOMMENDATIONS

- **Ensure coherence** between described activities in the DoA and budget
- **Link budget lines with corresponding activity number** in DoA
- Specific attention to be given to the **budgeting of the costs for works, supervision, supplies, FSTP**
- Identify which budget lines/cost will be contracted through **procurement procedure**
- Do market assessment or assessment of inhouse previous experience from implementation to estimate costs (units, unit numbers and unit values) – **realistic costs!**
- Estimation of **timeframe of activities**, considering critical points:
  - Preconditions and sequencing of the activities
  - Procurement timeline (preparation and tender implementation)
  - Works/supply implementation timeline and necessary timing (seasonal requirements)
- Plan the budget for works with reserve
- Indicate technical requirements for supplies on the basis of which price was set
- **Ensure compliance between worksheets** in Annex B

**Q&A**





**CBC Montenegro-Albania**

**THANK YOU FOR YOUR ATTENTION!**

**Good luck!**

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