



## ANNEX 3 – BUDGETING PRINCIPLES

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### 1. Basic provisions

Allocation of the funds for projects is based mainly on the provisions of Act of the National Council of the Slovak Republic No. 172/2005 Coll. on Organization of State Support for Research and Development and on the amendment of Act No. 575/2001 Coll. on Organization of Government Activities and the Organization of the Central State Administration, as amended (hereinafter referred to as Act No. 172/2005 Coll.), Act No. 523/2004 Coll. on the Financial Rules of the Public Administration and on Amendments to certain acts as amended (hereinafter referred to as Act No. 523/2004 Coll.), Act of the National Council of the Slovak Republic No.131/2002 Coll. on Higher Education Institutions and on Amendments to Some Laws, as amended, Act of the National Council of the Slovak Republic No. 358/2015 Coll. on Regulation of Certain Relations in State Aid and de Minimis Aid and on the amendment of certain laws (hereinafter referred to as the State Aid Act), Act of the National Council of the Slovak Republic No. 18/1996 Coll. on Prices as amended, and Act of the National Council of the Slovak Republic No. 343/2015 Coll. on Public Procurement and on Amendments to Certain Acts.

The budgeting of the submitted project shall be developed in accordance with the Consolidated version of the public call SK-CN-RD 2018, its annexes and generally binding legal regulations and other guidelines of the Slovak Research and Development Agency (hereinafter referred to as the Agency).

Provision of the State budget funds to support the research and development (hereinafter referred to as R & D) for legal entities and natural persons - entrepreneurs is considered to be a state aid under the State Aid Act.

When providing funds outside the public sector, i.e. to natural persons - entrepreneurs and legal entities, these funds **shall not lose their public fund status**. An applicant, who will be provided with public funds, is responsible for their management and while using them, is obliged to maintain the economy, efficiency and effectiveness in accordance with Act No. 523/2004 Coll.

The maximum amount provided by the Agency for solving one project **is € 240,000 for the whole project duration**.

Under this Call, the funds are provided **in the form of current expenditures under Act No. 523/2004 Coll.**

**Capital assets for the procurement of tangible and intangible assets are not covered by this Call.**

**The funds are provided to cover the project costs exclusively for the Applicant.**

### 2. Budgeting Principles Required to Solve the Agency Funds- Based Project

#### 2.1. General Terms

Based on § 17 sect. 6 of Act No. 172/2005 Coll. for the research and development project, eligible costs are relevant items of direct and indirect costs.

**Direct costs** of the project solving are, in accordance with § 17 of Act No. 172/2005 Coll., the costs spent on performing the demonstrable direct project- related activities. The direct cost items are listed in Section 2.3.

**Indirect costs** of the project solving, in accordance with § 17 of Act No. 172/2005 Coll., are the costs of reimbursing the project-related activities that cannot be directly attributed to the project activities. Indirect costs are listed in Section 2.3.

**A cost item** is an item of estimated costs within the project's core budget structure.

**A sub-item of the cost item** is a specific type of cost within the Estimated Project Costs item. For example, a cost item Material contains sub-items as chemicals, laboratory tools, expert literature, information technology.

**Basic budget structure** consists of the following cost items:

- 01 Direct running costs
  - 02 Wage and other personnel costs
  - 03 Social and health insurance
  - 04 Travel costs
  - 05 Material
  - 06 Amortization
  - 07 Services
  - 08 Energy, water, communications

09 Indirect costs

10 Total running costs

Total costs from APVV

Financing from other sources

Total costs

## **2.2. Budget and Estimated Costs Breakdown**

**The budget and the estimated costs breakdown should be concise and in line with the project intention and objectives following the declared timetable in each project year.** The Agency recommends the Principal Investigator taking a consultation with the Applicant's economic department concerning the budgeting principles presented and respecting the internal guidelines, generally binding legislation and regulations related to the Applicant's form of economy.

Amounts in the project budget and the estimated costs breakdown for each project year shall be reported **in whole €**.

**The estimated cost budget (RD-C)** needs to be developed as follows:

- for Applicant's organisation involved in the project solving,
- structured by the individual project years,
- structured by individual cost items and sub-items of the project budget in accordance with the project objectives declared in the Application.

The estimated costs breakdown covered by the Agency, which is understood as a framework breakdown, should be developed so the reasoning proved their **direct relation to the research activities of the project in solution**.

## 2.3. Project Cost Planning Principles (RD-C)

In the project budgeting, it is possible to plan the estimated cost items and sub-items related to the project solution in the structure and limits as below. Costs of the SK-CN-RD 2018 call are exclusively dedicated for the Project Applicant, thus not for the partner organisation.

**01 Direct running costs** are the costs spent of carrying out the demonstrable direct project- related activities.

### 02 Wage and other personal costs

Wage and other personal costs are dedicated **exclusively for the research team members (hereinafter referred to as RTM)**, and based on RD-A3 of the Project. They are divided into:

- scientific staff and Ph.D. students, i.e. research team members - **the nominals**,
- technical and administrative staff, i.e. research team members -**the others**.

The wage costs for RTM (the nominals and the others) can be applied as follows:

1. wages of the employees admitted under the employment contract exclusively for the project solution (full, and/or part-time employment),
2. the relevant part of the wage corresponding to the personal capacity through which the employee is participating in the project solution in case of employees who do not work exclusively for the project solution,
3. costs under contract for the works performed outside the employment, which were concluded in direct connection with the project solution in accordance with the Labour Code.

Any concurrent combination of points 1 to 3 for a single employee (i.e. RTM) is inadmissible.

The reasoning and breakdown of the required costs **need not to be specified** separately for individual RTM (persons). The estimated amount of funds and the estimated number of "the nominals" and other researchers (persons) in the breakdown according to the above-mentioned forms of funding (points 1.-3.) are stated.

Costs on technical and administrative staff participating in supplementary works within the project solution is applied under the item Wage and other personal costs in position "the other RTM", i.e. they **cannot be included in item "Services"**.

The item Indirect costs include the wage and other personnel costs of the service staff (not members of the research team), including the cost of compulsory health and social insurance (e.g. for economic project management, accounting works).

In case that also full time Ph.D. students of the study program participate at the project, the possibility and manner of their remuneration must be governed by the generally binding legislation and internal regulations of the organisation, which has full responsibility for their maintenance.

### 03 Social and Health Insurance

The costs of compulsory social and health insurance are covered under the legislation in force, following 02 Wage and other personal costs.

### 04 Travel costs

They represent the costs spent on domestic and foreign business trips that are demonstrably **directly related to the project solution** committed **exclusively for the nominal RTM and other RTM** (technical and administrative staff) up to the amount to the entitlement set under Act No. 283/2002 Coll. on Travel Allowances as follows:

- travel costs (tickets, air tickets, use of service vehicles, fuel);

- accommodation costs;
- subsistence costs;
- Documented necessary extra costs (visa, conference fees, travel health insurance, tolls and parking fees demonstrably related to the business trip covered within the project solution).

Costs for **domestic scientific conferences** for the **nominal RTM** are conditioned by their **personal attendance** at the conference.

Costs for foreign **scientific conferences** for the **nominal RTM** are conditioned by their **personal attendance** at the conference, including presentation of their contribution.

**The pocket money** provided to Slovak researchers in their foreign business trips **is not** an eligible cost.

An **estimate** of the costs **shall be in breakdowns on domestic and foreign business trips indicating the expected number of trips, participants and focus (e.g. domestic conferences, foreign conferences, expert seminars, working meetings)**. The estimated costs breakdown is given in the light of the information known at the time the Application is prepared, and the breakdown **must show a direct relevance** to the project solution.

If information on specific business trips is already known, indicate in particular their focus, and/or name of the event, host country, estimated number of participants (exclusively RTM), estimated amount of travel costs in individual budget years, etc.

#### **05 Material**

This item enables to plan the costs on material necessary in the project solution process, i.e. **material directly related** to fulfilment of the identified project research objectives. This is mainly the costs on operating machines, instruments, equipment, technics and tools; special machines, instruments, equipment, technics and tools; information technology; purchase of software and licenses; general material; specific material; purchase of books and magazines, and others.

The breakdown of the cost item shall identify **the intended type of material, quantity, amount of the planned costs**, following the project research activities.

Item Material **may not include** costs on tangible and intangible **fixed assets**, i.e. capital expenditures.

#### **06 Amortization**

Scheduling the amortization of tangible and intangible fixed assets **directly used to the project solution according to the amortization plans** can be planned proportionally to the time the property is used for purposes of the project.

Amortization is possible only in case of tangible and intangible fixed assets purchased from other funds than those provided by the Agency (i.e. not purchased as part of the projects funded by the Agency - those ongoing, and/or closed), which must result from the description of the planned costs.

The amortization amount shall be listed according to the amortization plans, and/or according to the expected amortization amount for the instrumentation to be procured. **The amount of planned amortization is determined proportionally to the time the instrumentation is in use for the project purposes by each month.**

#### **07 Services**

**They represent costs directly related to the project solution provided by:**

- natural persons (not research team members) under Agreement for the Performance of a Work Assignment,
- natural persons (entrepreneurs) and legal persons.

The service costs may be mainly as follows:

- rental costs and repairs of the instrumentation used for the project solution,
- the costs of subscriptions to magazines, licenses, rental of bottles, rental of equipment, access to databases, etc., **the performance period of which applies exclusively to the given financial year,**
- costs associated with the publishing the project results exclusively to the expert public (e.g. publication of an article in a scientific journal, proceeding, preparing and printing the poster, a fee favoured by the conference organiser solely for the purpose of publishing the results in a conference publication without personal attendance),
- costs related to preparation of the scientific publication, monograph, etc. for the purpose of their publishing and printing in a maximum of 101 pieces, while **not used for commercial purposes,**
- costs of patent protection of the project results,
- the cost of analyses, consultations and special measurements,
- the cost of organising conferences (including publishing a conference volume), seminars and other working meetings.
- fees related to the bank account to which the funds have been provided by the Agency under the terms and conditions, and the fees related to payments for the direct project activities.

The service costs breakdown **specifies the type and amount of the estimated service costs**, specification of which **gives a direct relation** to the research activities of the project in solution.

#### **08 Energy, water, communications**

The cost of energy, water, sewerage represents the **quantifiable** direct project costs (quantifiable for example by measuring, and/or based on instrument documentation).

Communication costs represent the expected **postal and communication services directly related to the research activities of the project in solution, which must be clearly indicated in reasoning.**

#### **09 Indirect costs**

The indirect costs associated with the project solution covered by the Agency's funds **shall not exceed 20%** of the total costs spent on the project solution provided by the Agency **in each financial year.**

Indirect costs are of current costs character, and they are the costs to reimbursing the project-related activities that cannot be directly attributed to the project R& D activities.

Indirect costs include as follows:

- wage costs and other personnel costs of **service staff** (not the research team members), including compulsory social and health insurance costs (e.g. accounting of the project; temporary staff, etc.).
- the cost of small consumables, cost of energy, water, sewerage and communication costs,
- the amortization cost of the Recipient's property in connection with its use.

Indirect costs shall be summarised, not shown in the estimated costs breakdown.

**10 Total running costs** - are the sum of direct and indirect current project costs

### 3. Financing from other sources

Co-financing costs represent a financial contribution to the total project costs out of the resources requested from the Agency. From the source point of view, co-financing is divided into state, private or foreign, which needs to be specified in the draft budget.

The project co-financing can be shared by applicants from all sectors, including public, state and non-profit.

**The obligatory project co-financing** is considered to be providing funds to the Applicant from business sector under the terms of the state aid provision.

Co-financing is also considered to be funding of the wage costs above those required from the Agency, corresponding to the relevant personnel capacities of individual research team members.

A partner organisation's funds are not considered to be a co-financing.

The type and amount of project co-financing costs from other sources need to be specified in RD-C Financing from other sources.

### 4. Ineligible project costs

All costs that are **in breach** of the relevant provisions of Act No. 172/2005 Coll. shall be considered ineligible, but in particular as follows:

- value added tax costs of VAT payers;
- various membership fees in domestic and foreign organisations (the fee can only be recognized if connected entering the libraries, and/or with a discount for the purchase of literature and magazines needed to solve the project);
- fees for common trainings, courses and seminars (e.g. language, statistical, computer courses, personal development courses);
- the costs of promotion activities and of activities not directly related to the research project activities;
- costs of printing monographs, book publications, textbooks, course literature, etc. for commercial purposes,
- publishing of professional journals,
- costs incurred before and / or after completion of the project solution,
- insurance of vehicles and other property;
- tolls / fees for common use by the organisation;
- accreditation fees, concession fees;
- waste removal and disposal fees (except for the specific one related to the project solution);
- costs of promotion, marketing, advertising, sale and distribution of products, etc.;
- interest on debt and other financial commitments not related to the project solution;
- costs of procurement and/or reconstruction of premises;
- costs of procurement and/or renewing office furniture;
- costs of public procurement,
- costs of repair, maintenance and depreciation of passenger vehicles normally used by the organisation;
- contributions to the Social Fund;
- contributions over the compulsory insurance (social, health);
- bank charges other than management of the account for which the funds have been allocated by the Agency under the terms and conditions, and non-specified bank charges not related to the fulfilment of the stated R & D objectives;
- any costs associated with the funding of the partner organisation.