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ANNEX 1

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**to the Commission decision on the reimbursement of personnel costs of beneficiaries of  
the Connecting Europe Facility**

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## Introduction

In order to simplify the declaration and verification of costs of beneficiaries under the Connecting Europe Facility (CEF) programme, this decision authorises the reimbursement of personnel costs declared as unit costs on the basis of beneficiaries' usual accounting practices and the reimbursement of personnel costs of SME owners who do not receive a salary declared as unit costs. It further lays down methods to determine annual productive hours and hourly rates.

## 1. Rationale for the reimbursement of personnel costs declared as unit costs

### (1) *Experience from the TEN-T Programme*

Based on experience drawn from the implementation of the TEN-T Programme, the use of unit costs would facilitate the implementation of the CEF programme for the following reasons:

- Majority of beneficiaries have long established systems for the use of unit costs declared on the basis of the beneficiary's usual cost accounting practices for direct personnel costs;
- Direct personnel costs are typically a minor cost component of actions co-funded under the CEF. However, the administrative effort required to report (and verify) actual personnel costs is disproportionately high;
- Use of unit costs will bring a simplification and reduce administrative burden for all concerned parties, the beneficiaries, Member States and the Commission/ INEA.

### (2) *The specific case of SME owners who do not receive a salary*

SMEs are expected to participate in actions funded under the CEF. It should thus be possible to provide support for the work carried out by SME owners who do not receive a salary. However, in the absence of a salary, there is no actual cost recorded in the accounts of the beneficiary related to the work of these persons. This leads to the EU being incapable of co-financing such work which is otherwise real and necessary for the implementation of an action. The use of unit costs to support SME owners who do not receive a salary carried out in EU funded actions in accordance with Article 124(5) of Regulation (EC, Euratom) No 966/2012 would allow overcoming this difficulty.

Therefore, costs related to the work of SME owners who do not receive a salary shall be declared on the basis of unit costs in grants awarded under the CEF programme taking the form of reimbursement of eligible costs.

'Innovation' related actions are addressed under both CEF and the H2020 programmes, which attract the same population of beneficiaries. For the sake of consistency and administrative simplification for the beneficiaries, the same rules should be applied to the same beneficiaries which may receive funding under both programmes.

### **(3) *Reduction of risk***

The use of unit costs will reduce the risk of irregularities, overstatements and fraud since personnel costs will be calculated according to established formulas set out in point 2. In addition, it will also contribute to the objective of simplification and cost-effectiveness of controls.

## **2. Methods to determine and update the amounts**

### ***2.1. Unit costs determined according to the beneficiary's usual cost accounting practices***

Beneficiaries may declare eligible costs for the work carried out under the action for all categories of personnel, other than SME owners and natural persons not receiving a salary, using unit costs determined according to the beneficiary's usual cost accounting practices using annual productive hours.

Eligible staff costs shall be calculated according to the following steps:

**STEP 1:** Determine actual annual personnel costs for the year, as recorded in the beneficiary's accounts, excluding ineligible costs, costs included in other budget categories, and costs covered by other forms of grant (where applicable), in particular any indirect costs and provisions.

"Personnel" means staff working under an employment contract (or equivalent appointing act) assigned to the action, under the conditions set in the grant agreement. The personnel costs must be limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the remuneration, if they arise from national law or the employment contract (or equivalent appointing act). Personnel costs may also cover additional remuneration of personnel, the costs for natural persons working under a direct contract and the costs of personnel seconded by a third party against payment.

Calculating the actual annual personnel costs must be done according to the participant's usual cost accounting practices, provided that they comply with the following cumulative criteria:

- a) they are calculated on the basis of the total actual personnel costs recorded in the participant's general accounts for the personnel carrying out work for the action; this may be adjusted by the beneficiary on the basis of budgeted or estimated elements;
- b) the cost accounting practices are applied in a consistent manner, based on objective criteria independent from the source of funding;

- c) they ensure compliance with the non-profit requirement and the avoidance of double funding of costs.

Among the boundary conditions to be applied, beneficiaries must ensure that the costs declared can be directly reconciled with the amounts recorded in their general accounts.

**STEP 2:** Determine a person's 'annual productive hours', for which beneficiaries may choose among 3 options:

- (a) On the condition that either the contract of employment, or the applicable collective labour agreement, or the national working time legislation allow to determine the annual workable hours, the total number of hours worked by the person in the year for the beneficiary calculated as follows:

$\text{Annual productive hours} = \{ \text{annual workable hours of the person} \} + \{ \text{overtime worked} \} - \{ \text{absences} \}$
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- *annual workable hours* means the period during which the personnel must be working at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation;
- *absences* means for example trainings, sick leave and special leave.

- (b) The 'standard number of annual hours' generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices. This number must be at least 90% of the 'standard annual workable hours'.

If there is no applicable reference (i.e. employment contract, collective labour agreement or national law) for the standard annual workable hours, this option cannot be used.

- (c) 1 720 hours for persons working full time (or corresponding pro-rata for persons not working full time).

For all options under (a), (b) and (c), the actual time spent on parental leave by a person assigned to the co-funded action may be deducted from the number of annual productive hours.

The total number of hours declared in EU or Euratom grants, for a person for a year, cannot be higher than the annual productive hours used for the calculations of the hourly rate. Therefore, the maximum number of hours that can be declared for the grant are:

$\{ \text{number of annual productive hours for the year} - \text{total number of hours declared by the beneficiary, for that person for that year, for other EU or Euratom grants} \}$
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**STEP 3:** Determine the hourly rate for a person (the 'unit cost') as follows:

$\frac{\text{actual annual personnel costs for the person for the year}}{\text{divided by}}$
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number of annual productive hours.

The beneficiaries must use the annual personnel costs and the number of annual productive hours for each financial year covered by the reporting period concerned. If a financial year is not closed at the end of the reporting period, the beneficiaries must use the hourly rate of the last closed financial year available.

**STEP 4:** Multiply the hourly rate (the 'unit cost') with the number of actual hours worked on the action.

The number of actual working hours declared for a person must be identifiable and verifiable; they must be necessary for implementing the action and must be actually used during the action. Evidence regarding the actual hours worked shall be provided by the participant, through a time recording system for which the minimum requirements are set out in section 2.3.

## ***2.2. Unit costs for SME Owners and natural persons not receiving a salary***

The direct personnel costs of **SMEs owners not receiving a salary** shall be based on a unit cost per hour worked on the action to be calculated as follows:

{Monthly living allowance fixed at EUR 4 650 multiplied by the country-specific correction coefficient as set out in the Appendix} divided by 143 hours

The value of the work of the SME owners not receiving a salary shall be determined by multiplying the unit cost by the number of actual hours worked on the Action.

The standard number of annual productive hours per SME owner is equal to 1 720 hours. The total number of hours declared, in a year, in EU and Euratom grants for one SME owner not receiving a salary may not be higher than the standard number of annual productive hours (1 720 hours).

## ***2.3. Time records***

The time recording system should record all working time including absences and may be paper or electronically based. The time records must be approved by the persons working on the action and their supervisors, at least monthly. The absence of an adequate time recording system is considered to be a serious and systematic weakness of internal control.

As an exception, for persons working exclusively on the co-funded action, there is no need to keep time records, if the beneficiary signs a declaration confirming that the persons concerned have worked exclusively on the action, or it is clearly indicated in their contract of employment (or equivalent appointing act).

## **3. No-profit and co-financing principles and absence of double financing**

The conditions for reasonably ensuring that the no-profit principle is complied with are:

- The calculation method of unit costs is based on the actual costs recorded on an annual basis in the beneficiary's accounts;

- The unit cost covers only a part of the eligible costs;

The absence of profit will be verified at the time of payment of the balance according to the conditions stated in each grant agreement.

The conditions for reasonably ensuring the absence of double funding are:

- The specification/identification of the categories of eligible costs subject to the unit cost;
- Ex-Ante and Ex-Post controls may verify the declaration of hours / units across several funded actions in order to ensure there is no abuse of the number of hours for individuals declared in a given action.

Compliance with the co-financing principle will be ensured by application of a co-financing rate laid down in each grant agreement to the amount of the eligible costs.

Verification of compliance with the above principles for the funding on the basis of unit costs of the work carried out by SME owners not receiving a salary is limited, since the value of their work are not personnel costs borne by the beneficiaries. This exception is foreseen by Article 124(5) of Regulation (EC, Euratom) No 966/2012.

**APPENDIX: Country correction coefficient**

Country Code <sup>1</sup>	CCC
AT	104.8%
BE	100.0%
BG	71.5%
CY	91.8%
CZ	83.8%
DE	98.8%
DK	135.3%
EE	78.3%
EL	92.7%
ES	97.6%
FI	116.6%
FR	111.0%
HR	97.5%
HU	76.2%
IE	113.5%
IT	106.7%
LT	73.1%
LU	100.0%
LV	75.9%

<sup>1</sup> [ISO 3166 alpha-2](#), except for Greece and the United Kingdom (EL and UK used respectively instead of GR and GB).

MT	89.6%
NL	104.3%
PL	76.4%
PT	89.1%
RO	68.3%
SE	111.7%
SI	86.1%
SK	82.6%
UK	120.3%

AL	76.1%
BA	73.6%
CH	113.1%
FO	134.1%
IL	108.7%
IS	116.6%
LI	110.0%
MD	61.1%
ME	66.9%
MK	68.4%
NO	131.9%
RS	67.1%
TR	86.6%

AM	89.9%
AO	114.6%
AR	58.5%
AU	105.0%
AZ	93.0%
BB	116.6%
BD	47.2%
BF	93.8%
BJ	92.6%
BM	151.5%
BO	51.3%
BR	92.0%
BW	55.3%
BY	65.0%
BZ	75.3%
CA	86.4%
CD	127.6%
CF	114.3%
CG	124.9%
CI	102.0%
CL	67.1%
CM	103.3%
CN	85.0%
CO	76.6%

CR	76.7%
CU	83.8%
CV	76.4%
DJ	93.4%
DO	66.9%
DZ	81.7%
EC	68.8%
EG	48.6%
ER	61.2%
ET	85.2%
FJ	68.1%
GA	113.1%
GE	89.5%
GH	68.2%
GM	67.7%
GN	60.4%
GT	78.8%
GW	102.7%
GY	58.9%
HK	93.8%
HN	69.0%
HT	108.7%
ID	75.3%
IN	52.8%



JM	94.9%
JO	75.5%
JP	115.9%
KE	78.1%
KG	83.1%
KH	70.5%
KR	105.2%
KZ	100.2%
LA	77.7%
LB	86.4%
LK	61.6%
LR	100.1%
LS	56.7%
LY	60.0%
MA	83.5%
MG	80.0%
ML	90.4%
MR	64.5%
MU	72.7%
MW	76.0%
MX	70.4%
MY	71.6%
MZ	71.6%
NA	68.3%

NC	128.9%
NE	87.9%
NG	92.4%
NI	57.3%
NP	73.5%
NZ	94.1%
PA	57.0%
PE	75.5%
PG	83.0%
PH	65.8%
PK	49.4%
PS	100.4%
PY	71.9%
RU	115.5%
RW	87.3%
SA	84.8%
SB	93.3%
SD	65.1%
SG	102.5%
SL	85.2%
SN	86.2%
SR	50.6%
SV	74.3%
SY	74.8%

SZ	56.8%
TD	125.3%
TG	88.7%
TH	65.0%
TJ	64.9%
TL	78.3%
TN	70.5%
TO	85.0%
TT	74.1%
TW	83.6%
TZ	65.2%
UA	92.3%
UG	65.7%
US	99.4%
UY	75.3%
UZ	51.4%
VE	70.0%
VN	51.1%
VU	112.6%
WS	75.8%
XK	58.6%
YE	68.1%
ZA	55.8%
ZM	66.4%

ZW	47.2%
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