



## 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-CZ RD 2021, 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 for legal entities and natural persons - entrepreneurs is considered to be a state aid under the State Aid Act.

When providing funds out of the public administration 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 using them is obliged to maintain the economy, efficiency, expediency and effectiveness in accordance with Act No. 523/2004 Coll.

The maximum amount provided by the agency for solving one project is **EUR 120 000 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, and/or to the co-operating research organisations.**

### 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 set out in section 2.3 below.

**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

*State (outside sources SRDA)*

*Foreign*

*Private*

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 EUR**.

**Costs of co-operating research organisations (later of the co-operating recipients)** for solution of a part of the project are not considered as costs of services directly related to the project solution provided by natural persons under an agreement for the performance of a work assignment, by natural persons - entrepreneurs and legal entities pursuant to § 17, sect. 3 d) of Act no. 172/2005 Coll. In the case of granting the agency's funds to the applicant, the applicant (later the recipient) may provide a part of the project funding to the co-operating

recipients involved into the project solution, only on the basis of a specific project contract and in accordance with the approved project budget.

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

- **specifically** for the applicant and for each co-financing organisation involved in the project, as proposed in the application;
- 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.

Breakdown of the estimated costs covered by the agency should be developed so to justify their **direct relation to the project research activities**.

## 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 under the SK-CZ RD 2021 call are exclusively dedicated for the applicant and eventually for the project co-operating research organisation, thus not for a 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)** on the Slovak side, while based on RD-A3 of the Project they are divided into:

- scientific staff and Ph.D. students, i.e. research team members - **the nominal**;
- 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 relationship, 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. In a given project, one RTM can be assigned to only one organisation and within this organisation to one position only (the nominal or other).

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 project staff shall be applied under the item Wage and costs in position "the other RTMs", they **cannot be included in "Services" item**.

The item Indirect costs shall be applied to wage and other personnel costs of the service staff (**not of the research team members**), including the cost of compulsory health and social insurance (e.g. for economic project management, administrative and accounting works, temporary staff, etc.).

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/ fees and parking fees demonstrably related to the business trip covered within the project solution, taxi fares in justified cases, require or recommended vaccination during the business trip, require PCR tests, etc.).

Costs of **domestic and foreign scientific conferences** for the **nominal RTMs** are conditioned by their **personal attendance** at the conference, **including presentation of their contribution** published in a conference publication.

Costs of scientific conferences (domestic and foreign) for other RTMs **are not** an eligible.

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

The **estimated costs can be structured 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.

### **05 Material**

This item enables to plan the costs on material necessary in the project solution, i.e. **material directly related** to fulfilment of the identified project research objectives. This is mainly the costs on operating machines (including propellants for their operation), instruments, equipment, technics and tools; special machines, instruments, equipment, technics and tools; information technology; purchase of software and licenses; general material (paper, toner, etc.); specific material (laboratory animals, feed, kits, chemicals, etc.); 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;
- transportation and courier services;
- rental cost of the premises used to solve the project;
- the cost of subscriptions to magazines, licenses, rental of bottles, rental of equipment, access to databases, etc., while **the performance period applies exclusively to the given financial year (Chapert 5 of this document)**;
- costs associated with publishing the project findings **exclusively to the expert public** (e.g. publication of an article in a professional journal, preparing and printing the poster, a fee favoured by the conference organiser solely for the purpose of publishing the findings in a conference publication without personal attendance);
- costs related to preparation of the scientific publication, monograph, etc. (page break, graphic editing, language proof readings, reviews, etc.) for their publishing and printing in a maximum of 101 pieces, while restricted for commercial purposes;
- costs of patent protection of the project findings and utility models;
- the cost of analyses, searches, consultations and special measurements;
- costs of popularisation which related to the publication/presentation of the results of the project solution to the public (lectures at universities, high schools and primary schools); the cost of organising conferences (including publishing including publishing and printing a conference volume for the conference participants + maximum of 20 pcs), seminars and other working meetings, while no promotion, popularization and advertising costs are eligible;
- bank charges related to management of the account to which the funds have been allocated by the agency under the terms and conditions, and the fees related to the 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, sewage represents the **quantifiable** direct project costs (quantifiable for example by measuring, and/or based on instrument documentation). Otherwise, they comprise the indirect costs.

Communication costs represent the estimated **postal and communication services directly related to the project research activities.**

### **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 are as follows:

- wage costs and other personnel costs of **service** staff (not the RTM), including compulsory social and health insurance costs (e.g. economic project management, administrative and accounting staff, temporary staff, etc.).
- cost of small consumables, cost of energy, water, sewage and communication costs;
- amortization cost of property of the recipient and co-recipient relevant to its use.

Indirect costs shall be summarised, **the breakdown is not required.**

**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 financing the applicant from business sector and financing the co-operating researcher from the business sector if the applicant is from the business sector, and under the valid terms of the SRDA state aid scheme.

## **4 Ineligible project costs**

Ineligible costs are all the costs that go beyond the conditions set out in **subchapter 2.3** of this documet. Also all costs contrary to the relevant provisions of Act No. 172/2005 Coll. are considered ineligible costs, for example:

- value added tax costs of VAT payers;
- various membership fees in domestic and foreign organisations (the fee can only be accepted if connected to admission fees of libraries, and/or with a discount for the purchase of literature and magazines necessary for the project solution);
- fees for usual trainings, courses and seminars (e.g. language, statistical, computer courses, courses in personal development, etc.);
- costs of activities irrelevant to the project research activities;
- costs of popularisation and promotion that do not demonstrate the publication/presentation of the results of the project solution to the public;
- costs of gifts and advertising items, etc.;
- costs of printing monographs, book publications, textbooks, course literature, etc. for commercial purposes;
- cost of the project's website;
- costs of ethics commission;
- publishing of professional journals;

- costs of a business trip which was not made, in case no relevant reason for not making this business trip is proven
- 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.;
- interests on debt and other financial commitments irrelevant to the project solution;
- costs of procurement and/or reconstruction of premises;
- costs of procurement and/or renewing the office furniture;
- public procurement costs;
- consultancy costs (e.g. legal), general consultations (e.g. intellectual property protection), etc.;
- costs of repair, maintenance and depreciation of passenger vehicles normally used by the organisation;
- the Social fund contributions;
- contributions over the compulsory insurance (social, health, supplemental, pension);
- bank charges other than related to 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 project objectives;
- any costs associated with funding the partner organisation.

## 5 Basic Principles of the SRDA Funds Management

The costs listed in the project must relate to the research activities of the project being solved and must comply with these principles. The costs must be defined briefly, clearly and unambiguously, and must relate to activities, actions, procurement, etc. related to the project solution in **the given financial year**, while the payment date, the date of statement and the period of their performance must be by the end of the financial year. Project- related costs must be applied exclusively within the period set for the project solution in accordance with § 19 of Act No. 523/2004 Coll., which stipulates inter alia that the public funds budgeted for the respective year may be used only **for the purpose** for which they were approved for the given financial year and **only until the end of the budget year**.