**Tool 34: Basics of financial planning**

Financial planning is a horizontal task that accompanies the whole project life cycle.

**In the stage of project definition:** a first estimate of the overall budget is defined together with an approximate estimate of the project partners’ contribution to project planning and implementation.

Together with the definition of the global budget and its division among partners, resources needed for the development of the project and potential sources of funding are identified.

**In the stage of project planning:** once the global budget has been defined, the budget and costs can be thoroughly estimated, i.e. estimate of costs per activity. Further, users may decide to apply for funding and set up a financial agreement between partners.

**In the stage of project implementation:** the project leader has to set up a framework for financial monitoring and reporting. During the phase of implementing the project, expenditure needs to be continuously controlled.

Overview of financial planning activities

|  |  |  |
| --- | --- | --- |
| Project definition | Project planning | Project implementation |
| * Approximate estimate of project cost
* Definition and negotiation of the financial framework and the project partners’ contributions (financial, human resources, infrastructure)
* Identification of resources for implementation of the project
* Identification of funding instruments
 | * Estimate of costs per activity
* Detailing of the project budget
* Financial agreement
* Application for funding
* Development of a financial monitoring system
 | * Setting up a framework for common financial monitoring and reporting
* Continuous controlling of expenditure
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Source: [1]

Budget planning takes a lot of time in the development phase of the project. However, it is worthwhile, as careful planning is the only way to avoid over-budgeting or under-budgeting.

Based on the work plan of your project, the project budget can be planned in three steps:

**Resource planning:** based on the planned activities and outputs (see Tool 17 (*Template: Work plan structure*)), the required resources should be estimated. This estimate should include, at minimum, human resources, equipment and materials and (new) infrastructure if necessary. It is important not to underestimate costs related to the cross-border aspect of a project. These are often not obvious, especially for those users who are new to this field (e.g. the costs of face-to-face meetings, additional administration, coordination and communication).

**Estimate of costs:** once it is clear what kind of resources are needed throughout the project, costs for each of these resources need to be estimated. Depending on the resources needed, estimating costs might be easier in some cases than in others (i.e. staff costs vs. costs for external services). Nevertheless, cost estimates should be realistic, although it is common for project managers to build some buffer into their budgets. In particular, if you plan to apply for public funding (see Tool 9 (*Checklist: How to fund the cross-border care collaboration*)), it is possible that unused money (the planned buffer) needs to be paid back.

**Allocation of costs:** once you know what kind of resources you need and how much they cost, you can bring both into a budget structure, combining budget lines and work packages/activities (see Tool 19 (*Template: Schedule*) and Tool 21 (*Template: Project budget sheet*)).
Annual budget targets can also be included in the cost allocation. These act as monitoring mechanisms to check whether the project is running as planned. It is worth thinking about how to spend the total budget over the project runtime.

References

[1] Tein. Toolkit for inter-cultural/cross-border project management. Transfrontier Euro Institute Network, n.d.

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