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## NOTE ON STAFF COSTS

### CAPACITY BUILDING IN HIGHER EDUCATION PROJECTS

1) **How to deal with staff costs for persons who are not under the payroll of one of the project beneficiaries?**

In the context of a Capacity Building in Higher Education (CBHE) project **staff can be either:**

- a) employed by a beneficiary institution<sup>1</sup> and therefore part of its payroll system;
- b) a natural person assigned to the project on the basis of a contract against payment with a beneficiary institution.

In the case of a "*natural person*", the individual concerned can be assigned to the project on the basis of e.g. a civil contract, a free-lance contract, an expert contract, a service contract with self-employed person ("in house consultant") or a secondment to a beneficiary institution against payment.

The costs of these natural persons working for the project may only be assimilated to the costs of personnel (i.e. "staff costs") of a beneficiary institution, if:

- (i) the person works under conditions similar to those of an employee (e.g. regarding the way the work is organised, the tasks that are performed and the premises where they are performed); and
- (ii) the result of the work belongs to the Institution (unless exceptionally agreed otherwise); and
- (iii) the costs are not significantly different from the costs of staff performing similar tasks under an employment contract within the institution

As a result and in order to be eligible for claiming "staff costs", a natural person who is not on the payroll of a beneficiary institution must fulfil all the 3 conditions above (i to iii) and have signed a contract against payment with a beneficiary institution.

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<sup>1</sup> A "beneficiary institution" is an organisation listed in Annex IV of the project's Grant Agreement or any Amendment of it.

In case of check/audit, the auditors may require in addition a proof of payment from the beneficiary to the natural person.

The fact that *the costs should not be significantly different from the costs of staff performing similar tasks under an employment contract within the institution* (see point iii above) implies that an auditor may raise some doubt if, on the basis of his/her contract against payment, the payment made to the individual concerned is largely below the unit cost amount claimed for the work of the person.

This implies also that project staff working as volunteer, or in general staff who are not paid (for example a "professor emeritus"), are NOT ELIGIBLE for staff costs, since in such cases no contract against payment exists between these individuals and the beneficiary institution<sup>2</sup>.

2) **What is the difference between b) a "natural person" (free-lance, expert, self-employed person, etc.) paid with STAFF COSTS on the basis of a contract against payment AND a "natural person" paid through SUBCONTRACTING?**

The main differences are the following:

**Natural persons working as staff** for a beneficiary institution are "assimilated" to the normal staff and comply with the 3 conditions mentioned above. In addition:

- in principle they have a long-lasting cooperation with the beneficiary (i.e. they do not work for only a very short period, "3-days' assignment");
- they can perform management tasks since they are considered as "staff of a beneficiary organisation";
- the beneficiary has the responsibility for the work carried out by the person (i.e. if he/she does not work properly, the beneficiary could terminate the working contract but the staff costs claimed for the period already worked are still due to the person concerned while the responsibility of the poor results remains with the beneficiary).

**Sub-contracting** is usually used for companies and not so often for individuals. However if an individual is sub-contracted, this person

- will provide an "external service" to the beneficiary;
- is not "assimilated to a staff" and does not necessarily comply with the 3 condition stated above (i to iii);
- cannot perform project management activities since he/she is not considered as "staff of a beneficiary organisation";
- is responsible for the quality of his/her own work (i.e. if the work delivered is not in accordance with the terms of the service contract, the beneficiary is contractually entitled not to pay for it or to pay only partially).

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<sup>2</sup> Travel costs and costs of stay may be claimed for persons working for the beneficiary under a non-remunerated contract (e.g. volunteers, " professors emeritus ")

**3) How to deal with entities "associated" to a Beneficiary (e.g. network members , university foundations, etc.)?**

The possibility to charge costs (staff costs, travel or cost of stay) for persons who are employed by an entity "associated" to a beneficiary organisation can be envisaged in two different ways:

1. the beneficiary hires the staff who is not under its payroll following the approach presented above for "natural persons" assigned to the project on the basis of a contract against payment. This implies though that the auditors may check the existence of a payment or a reimbursement made by the beneficiary to the person concerned;
2. the entity "associated" to one of the beneficiaries of the project is included as a project partner through an amendment procedure.

The first option would be recommended if there are many "associated entities", each providing a limited number of staff (e.g. in the case of university network that would ask contributions from several of its members) while the second option would be recommended when there is only one "associated entity" contributing to the project with several of its staff members (e.g. a University Foundation).