



FINANCIAL SUSTAINABILITY PLAN

Project number: 573806-EPP-1-2016-1-RS-EPPKA2-CBHE-JP

"This project has been funded with support from the European Commission. This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein"

PROJECT INFO

Project title	Development of master curricula for natural disasters risk management in Western Balkan countries
Project acronym	NatRisk
Project reference number	573806-EPP-1-2016-1-RS-EPPKA2-CBHE-JP
Funding scheme	Erasmus+ Capacity building in the field of higher education
Web address	www.natrisk.ni.ac.rs
Coordination institution	University of Nis
Project duration	15 October 2016 - 14 October 2019

DOCUMENT CONTROL SHEET

Work package	WP7 Exploitation
Ref. no and title of activity	7.1 Creation of sustainability plan
Title of deliverable	Financial Sustainability Plan
Lead institution	University of Nis
Author(s)	Slavisa Trajkovic, Milan Gocic
Document status	Final
Document version and date	v.01, 2/18/2017
Dissemination level	Internal

VERSIONING AND CONTRIBUTION HISTORY

Version	Date	Revision description	Partner responsible
v.01	02/18/2017	Document creation	UNI

Contents

1. Introduction.....	5
1.1. The purpose of the financial sustainability plan of the NatRisk project.....	5
1.2. Target audience and application of the financial sustainability plan of the NatRisk project.....	5
2. The role, place it occupies and the process of financial sustainability plan and analysis.....	6
2.1 Baselines.....	6
2.2 The role and place a financial plan and analysis occupy	6
2.2.1 The evaluation and financial plan and analysis	6
2.2.2 Important characteristics of the financial plan and analysis	6
2.2.3 Cost analysis in the project cycle	7
2.2.4 Financial analysis.....	8
2.2.5 Risk assessment.....	8
3. Principles of financial analysis.....	9
3.1. Basic elements of financial analysis	9
3.1.1 Time horizon	9
3.3.2 Determining the total costs and revenue.....	9
4. Indicators of financial analysis	11
5. Risk analysis	12
5.1 Risk analysis	12
5.2 Discussion on results and ways of mitigating the risk.....	12

List of abbreviations

EACEA	Education, Audiovisual and Culture Executive Agency
NatRisk	Development of master curricula for natural disasters risk management in Western Balkan countries
UNI	University of Nis

1. Introduction

1.1. The purpose of the financial sustainability plan of the NatRisk project

The main purpose of this Financial Sustainability Plan is to enable the project partners to perform and present the cost-benefit analysis of the ERASMUS+ project Development of master curricula for natural disasters risk management in Western Balkan countries (NatRisk). This will ensure that the approved NatRisk project is realized according to the desired quality in a given time and within the approved budget.

1.2. Target audience and application of the financial sustainability plan of the NatRisk project

The Financial Sustainability Plan of the NatRisk project can be equally used by all NatRisk project partners for the preparation of project tasks or for the assessment of the NatRisk project's realization.

At the same time, the Financial Sustainability Plan of the NatRisk project should be used for the purpose of revision by the chosen auditor.

The content and requirements of this financial plan are general and can be applicable to all ERASMUS+ project NatRisk partners. The version of the Financial Sustainability Plan will be available on the following link (<http://www.natrisk.ni.ac.rs/>).

In the case that the requirements of this financial plan are inapplicable, their omission can be considered with the Steering Committee.

2. The role, place it occupies and the process of financial sustainability plan and analysis

2.1 Baselines

This chapter consists of two main parts: (I) a description of the role and places the financial plan and analysis occupy in the decision-making processes; why are financial plan and analysis used, and (II) a description of the financial planning and analysis process, as well as a description of how financial plan and analysis are actually performed.

2.2 The role and place a financial plan and analysis occupy

2.2.1 The evaluation and financial plan and analysis

The purpose of an economic evaluation is to ensure that the approved budget of the NatRisk project is efficiently allocated. The evaluation of the NatRisk project plays an important role in the process of project implementation and after the project ends so as to ensure that the goals and objectives of the project are met.

This way, the evaluation presents an ongoing process that can be applied in all stages of the project's realization. There is a need for a successive and comprehensive framework for the presentation of the achievements of each project proposal. All effects of the project must be identified and presented in such a way that they can be compared objectively. An analysis of costs provides such a framework.

Cost analysis offers information that can be used for NatRisk project evaluation.

The analysis should offer evidence that this ERASMUS+ project is:

- **Necessary and in accordance with** the national development strategy as well as with the EU regulations. This is achieved via control whether the project results contribute to the achievement of program and politics objectives.
- **Advisable from the socio-economic point of view.**

2.2.2 Important characteristics of the financial plan and analysis

Project's effects on all stakeholders and society in general

The financial plan and analysis include identification of all financial effects the project has on all stakeholders (participants). The unit used to measure the above-mentioned effects is money.

The rationale for application of the financial plan and analysis is that project inputs are to be valued according to their opportunity cost, and results of the project are to be valued according to the willingness of beneficiaries to pay. However, opportunity costs do not always correspond to the expressed financial costs. Similarly, the willingness to pay is not always correctly revealed.

Valuation in constant or current prices

Costs and benefits in this ERASMUS+ project will be evaluated in nominal terms (current prices will be given in Euros).

Exchange rates

If the partner institution is from a country which has not adopted the Euro as its currency, all expenses expressed in local currency should be converted into the Euro. During the project implementation, only two exchange rates for the conversion of currencies into the euro will be used:

- from the start of the eligibility period until the date when the second pre-financing will be received from EACEA, the exchange rate of November 2016 (the month of the first pre-financing payment) should be applied. The rate to be applied is the monthly accounting rate established by the Commission and published on its website:

http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm.

Exchange rates for November 2016 are:

Serbia:	1 EUR = 123.1973 RSD
UK:	1 EUR = 0.89905 GBP
Bosnia and Herzegovina:	1 EUR = 1.95583 BAM
Hungary:	1 EUR = 309.46 HUF

- from the date when the second pre-financing is received from EACEA until the end of the eligibility period, the rate of the month of the second pre-financing should be applied. It will be announced after the second pre-financing.

In addition, Excel files presenting the planned budget for each partner can be found on the NatRisk management platform as well.

2.2.3 Cost analysis in the project cycle

For NatRisk project, the process, starting from the project identification through its selection and ultimate project realization up until its evaluation, is contracted for a period of 36 months. Throughout this process, financial plan and costs analysis can provide useful information to decision makers.

In the initial stage – design of NatRisk project proposal, what is used is the (simplified) financial plan – it is being in accordance with the rules for the application prescribed by the EACEA.

In the preparation phase/implementation of the NatRisk project, financial plan and analysis can be used for the evaluation, for example when project costs significantly exceed the costs approved by NatRisk project plan. The revised financial plan and analysis that use actual costs

can provide valuable insight into the impact that these changes can have, which can affect the further decision-making. Usually, this kind of analysis is done when there is a direct cause such as (expected), excessive cost overruns.

In the final phase/project finalization, a comparison of financial analysis performed after the project is complete (ex-post) and financial plan and analysis performed prior to project realization (ex-ante) can offer information on actual effectiveness of the NatRisk project.

2.2.4 Financial analysis

Financial analysis is mainly performed with the aim of project cash flow forecasting. Moreover, financial analysis should consist of the following steps:

- The evaluation of total project costs,
- Calculation of indicators of the financial performance of the project for NatRisk project partners.

2.2.5 Risk assessment

In the last step of NatRisk project evaluation what needs to be done is a risk assessment of the project. The proposal of this ERASMUS+ project has built-in preventive measures aimed to prevent the emergence of risks that could jeopardize the realization of the NatRisk project. Detailed description of the previously mentioned measures can be found in the adopted project proposal. Good project management can reduce the occurrence of a risk.

3. Principles of financial analysis

Costs incurred by the Project Contractor (lead-partner)

Financial analysis is an estimate of the financial costs that the contractor - University of Nis (UNI) will have over the lifetime of the project. UNI is responsible for its part of the project as well as for the NatRisk project in whole and must, therefore, harmonize all parts of the project and provide the synergistic action of all project partners.

The overall objective of financial analysis is to determine whether the project is profitable from a financial point of view. Specific objectives are that each partner has some benefits from the implementation of this ERASMUS+ project.

The approved budget and Work plan of the NatRisk project for individual Partners, and for NatRisk project in whole, represents a Plan of Diversification of funding – Financial plan of the NatRisk project.

EACEA has allowed that certain cost categories can be changed, up to 10%, without the approval, which allows the Project management to, inside this framework, manage the implementation of Financial Plan.

Cash flows: the cost over the lifetime of the project

In order to calculate these indicators, we need to perform an evaluation of information on financial cash flows (total inflows and outflows of funds). The aim is for the project NatRisk Management to secure project's liquidity throughout its life cycle.

3.1. Basic elements of financial analysis

In order to make an overview of financial cash flows, a number of basic elements need to be determined first. Their list is provided in the text that follows.

3.1.1 Time horizon

Time horizon spreads from 15 October 2016 to 14 October 2019. In the middle of the previously stated period, an Progress Report (the integral part of it being the Financial Report) will be submitted to EACEA.

3.3.2 Determining the total costs and revenue

In the project planning phase, one needs to consider a number of costs, such as costs of the NatRisk project planning, costs referring to bodies in charge of the planning process and other planning costs.

In the realization phase of the project, an evaluation of following costs needs to be performed: staff costs, equipment costs, subcontracting costs, travel costs and costs of stay, all of which are presented in the following table:

EU GRANT REQUESTED FROM THE EUROPEAN UNION (in EUR)	
1. Staff Costs	350,638.00
2. Travel Costs	78,980.00
3. Costs of Stay	182,715.00
4. Equipment Costs	264,800.00
5. Subcontracting Costs	48,000.00
A. Grant for Project Activities	925,133.00
B. Additional Grant for Special Mobility Strand	320,613.00
Total Grant requested from the European Union (A + B)	1,245,746.00

4. Indicators of financial analysis

When financial cash flows of the project are completed, the next step is to calculate the financial indicators. These indicators are intended to demonstrate the financial effectiveness of the NatRisk project.

The following table presents distribution of the grant by organization:

DISTRIBUTION OF THE GRANT BY ORGANISATION (in EUR)		
Partner No	Name of partner	Total Costs (in EUR)
P1	University of Nis	364,529
P2	University of Natural Resources and Life Sciences	66,453
P3	Middlesex University	59,081
P4	Academy of Criminalistics and Police Studies	119,996
P5	University of Pristina in Kosovska Mitrovica	111,248
P6	University of Sarajevo	132,591
P7	University of Banja Luka	80,969
P8	Technical College of Applied Sciences Urosevac in Leposavic	66,469
P9	University of Messina	65,134
P10	Óbuda University	34,436
P11	University of Defence	104,314
P12	Technical University of Crete	40,526

If it turns out that deviations in spending are over the scope of the Financial Plan, NatRisk project Management will need to take certain corrective measures with the aim of complying the total spending on the project with the Contract signed with EACEA.

5. Risk analysis

5.1 Risk analysis

Risk analysis can be defined as “estimation of possibilities that a project will have a satisfactory effect, as well as an estimation of results’ variability in comparison to previously performed best appraisal estimate.” Risk evaluation is performed when applying, where results are defined and the acceptable level of risk is determined as well as ways of mitigating the risk.

5.2 Discussion on results and ways of mitigating the risk

The Overall objective of risk analysis is to determine the level of NatRisk project risk and its dependence on certain critical parameters. With risk analysis what can be determined is the probability of poor outcomes, and it can also help in identifying ways in which a project can become more stable. It is necessary that each partner in the project identifies and recognizes the potential risk, and then, based on that information, develop ways to prevent, control and transfer that risk.