Factsheet – Revenues

This factsheet aims at providing projects with additional information regarding the section of the UIA Guidance on revenues that are based on the EU 2014-2020 regulatory framework on revenue-generating projects[1]. Projects should note that:

- during project implementation revenues must be reported in the Financial Claims
- post-implementation net-revenues must be estimated and reported in the last Financial Claim
- after project closure if undeclared net-revenues are generated they must be reported to the UIA secretariat

⇨ ***Revenues*** are defined as **cash in-flows directly paid by users for goods or services provided by a project.** For instance:

- **Investment in infrastructure the use of which is subject to charges borne directly by users**: user fee/ compensation for use, fares paid by train travellers, etc.
- **Sales price or rent of land or buildings**: prices or rents paid for using rooms of a technological park established by the project, rents for exhibitions in a cultural building that was renovated within the framework of the project, etc.
- **Provision of services against payment**: enrolment fees paid by users of training curricula and material developed by the project, attendance fees for project workshops, entrance fees for events, charges for films, sales revenue of project : brochures, publications, books, DVDs, etc.

How to deal with revenues?

A. Projects generating revenue during their implementation

Just like expenses related to the project implementation are reported to UIA, 100% revenues generated by projects during their implementation, shall be reported in their Financial Claims under the budget line revenues. The reported revenue will be automatically deducted from the eligible costs.

B. Projects generating revenue after completion

If positive net revenues are generated after the completion of the project, the calculation of net revenue must exclude private and public contributions and/or financial gains that do not stem from tariffs, tolls, fees, rents or any other form of charge directly borne by the users.

⇨ ***Net revenues (NR)*** **are revenues as defined above less any running costs** for short-life equipment incurred during the corresponding period.

⇨ ***Running costs (RC)*** are defined as **the costs necessary for the durability of project's results after the project's completion**. They cannot be claimed during project implementation.

[1] Articles 61 and 65(8) and Annex V of Regulation (EU) No 1303/2013, Articles 15 to 19 of Delegated Regulation (EU) No 480/2014 and Revised Guidance Note on Article 55 for ERDF and Cohesion Funds of Council Regulation (EC) No 1083/2006: Revenue-Generating Projects, Final version of 30 Nov. 2010, COCOF 07/0074/09.

The following costs can be considered as 'Running costs':

(a) Replacement costs of short-life equipment ensuring the technical functioning of the operation;
(b) Fixed operating costs, including maintenance costs, such as staff, maintenance and repair, general management and administration, and insurance;
(c) Variable operating costs, including maintenance costs, such as consumption of raw materials, energy, other process consumables, and any maintenance and repair needed to extend the lifetime of the operation

Net revenue generated by projects must be deducted from the total eligible costs. For a given project, the value of net revenue (NR) corresponds to the difference between the gross revenue (GR) and the running costs (RC).

NR = GR – RC

After project end date, only positive net revenues directly generated by the UIA funded product (i.e. the rent generated by the UIA funded plant itself – and not the goods stemming from the plant) should be declared.

> E.*g. if the UIA-funded plant is rented to a third party, then net revenues from the rents collected by project partners should be declared. However in principle, no indirect revenues should be declared (e.g. selling of goods stemming from the plant), as staff and other inputs are no more financed by UIA.*

The **net revenue is calculated over a specific reference period that covers both implementation period of the project in which revenues are generated and the period after its completion.** Therefore if the reference period is 15 years and the revenues were created and declared during two years of project implementation the period to declare net revenues after the project end date should be decreased by two years. Depending from the sector in which the project generating net revenue, the duration of the reference period for the calculation of the discounted net revenue shall be applied as follows:

Reference periods	
Sector	**Reference period (years)**
Railways	30
Water supply/sanitation	30
Roads	25
Waste management	25
Ports and airports	25
Urban transport	25
Energy	15
Research and innovation	15
Broadband	15
Business infrastructure	10
Other sectors	10

Application of the financial discount rate

Post-implementation projects shall apply a **financial discount rate of 4**% to the net present value of the revenues identified. The amounts must be discounted for each year separately. The sum of the discounted, yearly cash inflows is the final amount that shall be deducted from the project budget.

Audit trail

The estimation of potential net revenues should be based on current prices achieved during the project implementation or market prices. The net revenues analysis will be assessed by the First Level Controller during the validation of the final Financial Claims.

- **Example**

A project aims at building an infrastructure (solar panels). The cost of the infrastructure is EUR 2 million (fully funded by the project). The project implementation period is 3 years. The investment is delivered at the end of the first year of implementation. From that moment on the revenue will be generated during 2 years of project implementation and after the project completion. The revenue, coming from the users of the infrastructure, correspond to EUR 100,000 per year. The running costs necessary for the durability of the infrastructure after the project completion, amount to EUR 80,000 per year.

The deductible net revenue must be calculated through the 2 following steps:

1 STEP/ Revenue generated <u>during the project implementation</u>

<u>Reported expenses:</u> EUR 2 Mio
<u>Reported revenues:</u> EUR 100,000 x 2 = EUR 200,000

The revenues generated over 2 years during project implementation amount to a total of EUR 200,000; they must be declared in the Financial Claims.

2 STEP/ Net revenue generated <u>after the project completion</u>

Year 1 post-implementation: **<u>NR = GR – RC</u>** = (EUR 100,000 – 80,000) / (1+4%) = EUR 19,230.77
Year 2 post-implementation: (EUR 100,000 – 80,000) / $(1+4\%)^2$ = EUR 18,491.12
…
Year 13 post-implementation : (EUR 100,000 – 80,000) / $(1+4\%)^{13}$

After the project completion the net revenue corresponds to the difference between the gross revenue and the running costs. The infrastructure (solar panels) can be classified in the energy sector; the corresponding reference period is 15 years. Since it covers the implementation period of the project and the period after its completion, the number of years to consider equals the reference period minus the years of project implementation in which revenues have been generated; in this case 13 years. A financial discount rate of 4% shall be applied on the net revenues. **<u>In order to apply the financial discount rate on the positive net revenues please refer to the UIA revenues post implementation excel template.</u>**

NR: Net Revenue; GR: Gross revenue; RC: Running costs