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FINANCIAL GUIDELINES FOR APPLICANTS

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The purpose of this document is to enable applicants to prepare their grant applications.

Please be sure to read these guidelines carefully before replying to the current call for proposals.

MAIN FINANCIAL AND MANAGEMENT RULES

Disclaimer: this document provides the applicants with a quick summary of the main legal and financial rules contained in the Financial Regulation applicable to the general budget of the European Communities (FR)¹ and its Rules of Application (RAP)². The information given is not exhaustive and applicants are therefore asked to carefully read the call for proposals, the model grant agreement published with this call and, in case of selection, the grant agreement sent to them, as it will constitute the legal basis for the grant.

1 GENERAL PRINCIPLES

Grants are subject to the principles laid down in the Financial Regulation, in particular the principles of co-financing, prohibition of double financing and non-profit.

Co-financing principle

European Union grants may not finance the entire cost of the action to be subsidised. Co-financing may be provided either by means of the applicants' own financial contribution or in the form of public or private contributions obtained from other donors³.

No double financing rule

Each action may give rise to the award of only one grant, there can be no duplicate European Union funding of the same expenditure. The applicant must indicate the sources and amounts of any other funding received or applied for in the same financial year for the same action or for any other action and for routine activities (running costs)⁴.

No-profit rule

The EU grant may not have the purpose or effect of producing a profit for the beneficiary. Profit is defined as a surplus of the receipts over the eligible costs incurred by the beneficiary, when the request is made for payment of the balance. The receipts referred to above shall be limited to income generated by the action as well as financial contributions specifically assigned by donors to the financing of the eligible costs. Any income of the action must be indicated in the estimated budget and the final financial statement. If the final amount results in a profit for the beneficiaries, the amount of the grant will be reduced by the percentage of the profit corresponding to the Union contribution to the eligible costs of the action actually incurred by the beneficiaries⁵.

¹ Regulation (EU, Euratom) of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union n° 966 /2012 of 25.10.2012 (OJ L 298, 26.10.2012), as amended by Regulations (EU, Euratom) No 547/2014 of 29/05/2014 and No 2015/1929 of 30/10/2015

² Commission Delegated Regulation (EU) n° 1268/2012 of 29.10.2012, (OJ L 362, 31.12.2012) on the rules of application of Regulation (EU, Euratom) n°966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union as amended by Delegated Regulation (EU) No 2015/2462 of 29/12/2015

³ Art. 125(3) FR and 183 RAP

⁴ Art. 129 FR and 193 RAP

⁵ Art. 125(4) FR and 184 RAP

2 DEFINITIONS

Applicant/s - Beneficiary/ies:

The designation "applicants" refers to the organisations which submit a project proposal; "beneficiaries" are entities which sign the grant agreement with the Commission. They are actively involved in the implementation of the action and are financially engaged, be it by engaging staff or other costs or by providing a direct financial contribution.

The text of the call will specify, *inter alia*, the eligibility criteria for applicants, if proposals can be submitted by a single applicant (if selected, a "*mono-beneficiary agreement*" will be signed) or by a group of several applicants (consortium) (if selected, a "*multi-beneficiary agreement*" will be signed). The grant agreement model(s) is(are) published with the text of the call and provides details on the specific obligations of the beneficiary or, in the case of a consortium, of the coordinator and the co-beneficiaries.

Where proposals are submitted by several applicants, one applicant must assume the role of lead-applicant and is called the "*coordinator*". The other organisations involved in the application are called "*co-applicants*". The coordinator is responsible for submitting the proposal and signing the grant agreement after having received all the required powers of attorney from co-applicants⁶. Since co-beneficiaries will share the financial responsibility, the financial capacity of each co-applicant will be assessed against its share in the action's budget.

The grant agreement will detail the specific obligations of the beneficiary and, where appropriate, of the coordinator and the co-beneficiaries.

For projects led by a consortium, the lead applicant and co-applicants shall agree – preferably in writing – upon appropriate internal arrangements, consistent with the provisions of the grant agreement, for the proper implementation of the action.

Hereafter in this document, reference to the applicant or to the beneficiary is understood to include co-applicants where applications are submitted by a group of applicants and co-beneficiaries in the case of multi-beneficiary grant agreements.

Affiliated entities⁷

Affiliated entities are legal entities which have a specific relationship with a beneficiary. On that basis, they may incur eligible costs for the action covered by the grant under certain conditions, i.e.: they are legal entities satisfying the eligibility criteria of the particular call and non-exclusion criteria and having a link with a beneficiary, notably a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation⁸. This link must be proven by supporting documents such as the statutory list of members included in reports approved by governing bodies, the list of controlled companies in audited consolidated accounts, the balance sheet or the deeds of establishment proving ownership or partnership. Contrary to co-beneficiaries, affiliated entities are not signatories to the Grant Agreement and are, therefore, not financially liable in case of recovery of funds. The beneficiary to which they are linked is financially liable for them. Consequently, the Commission does not test the financial capacity of affiliated entities at time of application.

⁶ Please refer to the grant agreement model for more information on the responsibilities of the coordinator and other beneficiaries

⁷ Art.122FR, 199 RAP

⁸ Examples: member organisations of European social partner organisations, branches of international NGOs.

The call document published for each call for proposals will indicate whether affiliated entities may take part in that particular call or not.

Associate organisations

Other organisations may only participate in the action as associate organisations where this serves the aim of the action, on a no-cost basis. These organisations will not be a party of the grant agreement concluded with the Commission. Their role shall be described in Annex 1.

Third parties (other donors)

Other entities outside beneficiaries, affiliated entities and associate organisations are considered as third parties. Third parties can provide a financial contribution to the implementation of the action if these are specifically assigned by the third party to the financing of the eligible reimbursable costs of the action. Such third parties are not involved in the implementation of the action.

3 RULES RELATED TO THE REQUESTED GRANTS

- The rules on co-financing rates can be found in the text of the call for proposals.
- The grant may not cover ineligible costs (see point 4.2.4).
- Contributions in kind (i.e. contributions for which no financial flow can be traced in the written accounts like unpaid charity work by a private individual or corporate body, etc.) cannot be accepted.
- Where applicable according to the text of the call for proposals:
 - Co-applicants must provide a letter of mandate, authorising the coordinator to submit the proposal and, if the proposal is accepted for funding, to sign the grant agreement with the Commission on its behalf. In addition to the information provided in the application form, co-applicants must also provide a signed letter of commitment explaining the nature of their involvement in the implementation of the action – the way they are financially engaged should be detailed in the project budget.
 - Affiliated entities must provide a signed letter of commitment, explaining the nature of their involvement in the implementation of the action. They must also provide a document demonstrating their legal or capital link with the parent organisation (lead applicant or co-applicant). No letter of mandate is required.
 - Associate organisations must provide a signed letter of commitment, explaining the nature of their involvement in the action or any other type of support to it. No letter of mandate is required.
 - Third parties (i.e. other donors) that only make a cash contribution to the action should provide a signed letter of commitment stating the amount of their contribution.
- Financial support to third parties (i.e. cascading grants) ⁹: If the implementation of the action requires financial support to be given to third parties, the call can authorise the beneficiary to do so, provided the amount does not exceed EUR 60 000 per third party

⁹ Art. 137 FR, 210 RAP

unless the financial support is the primary aim of the action, and on condition that the types of activity that may receive such support, the criteria for determining the exact amount of the financial support, the categories of persons which may receive financial support and the criteria for giving the financial support are clearly defined in the description of the action. The text of the call will specify if financial support to third parties is accepted.

- The beneficiary shall be responsible for carrying out the action in accordance with the terms and conditions of the grant agreement.
- An external audit report of the previous accounts of the applicant organisation/s, produced by an approved external auditor, must be provided for action grant applications where the grant request is EUR 750.000 or more. In the case of applications by a consortium this threshold shall apply to each co-applicant.

For further information on audit reports, see section 13 – Checks and audits

- The partial or total withholding by the applicant/s of any information or any misrepresentation of information that may have an impact on the Commission's final decision concerning the application could entail the disqualification of the application or, if discovered after signature of any Grant Agreement, will entitle the Commission to impose financial penalties and administrative sanctions¹⁰.

4 THE ESTIMATED BUDGET OF THE ACTION

4.1 The budget must be detailed and balanced

Grant applications must include a detailed estimated budget presented in Euros (see application form). Applicants established in countries outside the Euro zone must use the conversion rates published in the C series of the Official Journal of the European Union (OJ) available at <http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>).

If no daily euro exchange rate is published in the *Official Journal of the European Union* for the currency in question, conversion must be made at the average of the monthly accounting rates established by the Commission and published on its website (http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm).

Applicants should be aware that they fully carry the exchange rate risk.

The budget estimate must be properly balanced: the two totals (income and expenditure) must be the same, since the available income (including the grant requested from the Commission) will have to finance the planned expenditure¹¹. Please make sure that all the items related to the implementation of the action are included and not just those for which financing is being sought.

4.2 Expenditure

Expenditure must include the estimated costs exclusively for the implementation of the action.

¹⁰ Art. 106 FR

¹¹ Art. 196(2) RAP

4.2.1 General criteria for eligibility of costs

In order to be eligible for EU funding, costs must meet the following criteria¹²:

- a) **be incurred by the beneficiary during the duration of the action**, with the exception of costs relating to final reports and audit certificates;
- b) **be indicated in the estimated overall budget of the action** attached to the grant agreement;
- c) **be necessary for the implementation of the action** which is the subject of the grant;
- d) **be identifiable and verifiable**, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is/are established and according to the usual cost-accounting practices of the beneficiary;
- e) **comply with the requirements of applicable tax and social legislation**;
- f) **be reasonable, justified and comply with the principle of sound financial management**, in particular regarding economy and efficiency.

If applicable under the call for proposals, costs incurred by entities affiliated to a beneficiary will be eligible provided:

- the concerned entities are identified in the grant agreement
- they abide by the rules applicable to the beneficiary under the grant agreement with regard to eligibility of costs and rights of audits by the Commission, the European Anti-Fraud Office and the Court of Auditors.

Value added tax (VAT) is considered as eligible¹³ where it is not recoverable under the applicable national VAT legislation and is paid by a beneficiary other than a non-taxable person as defined in the first subparagraph of Article 13(1) of Directive 2006/112/EC¹⁴ on the common system of value added tax.

If VAT is not eligible in view of the nature of all or part of the activities funded by a specific call for proposals, it will be clearly announced in the text of the call.

The successful applicant/s must take care to avoid any unnecessary or unnecessarily high expenditure.

The beneficiary's internal accounting and auditing procedures must permit a direct reconciliation of the costs and revenue declared in respect of the action with the corresponding accounting statements and supporting documents.

Documentation justifying costs must be kept by the beneficiary for **five years** following the Commission's final payment.

¹² Art. 126(2) FR

¹³ Art.126.3(c)

¹⁴ OJ L 347, 11.12.2006, p.1

Expenditure eligible for financing may not have been incurred before the grant application was submitted. Please note that the call might specify a reference date for the eligibility of costs.

4.2.2 Eligible direct costs

The eligible direct costs for the action are those costs which, provided that they satisfy the criteria of eligibility set out above, are identifiable as specific costs directly linked to the performance of the action and which can therefore be attributed to it directly.

Extra costs associated with the participation of people with disabilities are also eligible. These costs may be required to cover the use, for example, of special means of transport, personal assistants or sign language interpreters.

In particular, the following categories of direct costs may be considered eligible:

4.2.2.1 Staff costs (Heading 1 of the budget form)

The costs of personnel working under an employment contract with the beneficiary or an equivalent appointing act and assigned to the action, comprising actual salaries plus social security contributions and other statutory costs included in the remuneration, provided that these costs are in line with the beneficiary's usual policy on remuneration; those costs may also include additional remunerations, including payments on the basis of supplementary contracts regardless of the nature of those contracts, provided that they are paid in a consistent manner whenever the same kind of work or expertise is required, independently from the source of funding used.

The costs of natural persons working under a contract with the beneficiary other than an employment contract may be assimilated to such costs of personnel, provided that the following conditions are fulfilled:

- (i) the natural person works under the instructions of the beneficiary and, unless otherwise agreed with the beneficiary, in the premises of the beneficiary;
- (ii) the result of the work belongs to the beneficiary; and
- (iii) the costs are not significantly different from the costs of staff performing similar tasks under an employment contract with the beneficiary.

Conversely, the cost of any work to be performed by external experts must not be included in staff costs but under services (see Heading 3).

The salary costs should not exceed the rates corresponding to the beneficiary's usual policy on remuneration.

Should your proposal be financed by the Commission, only the real costs (i.e. actual salaries paid) will be considered eligible costs. For personnel costs to count as eligible direct costs there must be a real and verifiable transfer of funds from the organisation and the assignment of the staff in question must be genuine, necessary and reasonable in relation to the activity being subsidised and to the duration of the action.

The costs of personnel of national administrations may be considered as eligible to the extent that they relate to the cost of activities which are additional and which the relevant public authority would not carry out if the project concerned was not undertaken.

Please fill in the section reserved for staff costs in the budget estimate (see application form) as follows:

- **Column "Profile/Category of personnel"** – indicate the profile or category of the staff according to their role in the project (Coordinator, Project manager, etc.) and the number of persons in each category. The names of individuals **are not required and should not be indicated**.
- **Column "Name of the organisation"** – indicate the name of the lead applicant, co-applicant or, where applicable, the name of the affiliated entity.
- **Column "Types of employment (permanent/temporary) and work patterns (full-time/part-time)"** – indicate how many of each type.
- **Column "Indicative daily salary cost"** – the indicative daily rate for each category of staff should be determined as follows:

$$\frac{\text{Gross actual salaries} + \text{social security charges} + \text{statutory costs}}{\text{Total workable days}}$$

The determination of the workable days should be made respecting the standard working time either under national laws, collective agreements or under the organisations' normal accounting practice. An example for determining the total workable days per year could be as follows (according to the appropriate legislation):

Days/year	365 days
Less 52 weekends	104 days
Less annual holidays	25 days
<u>Less statutory holidays</u>	<u>11 days</u>
 Total workable days =	 225 days

If necessary, homogeneous sub-categories of profiles (e.g. Senior Project officer/ Junior Project officer) can be used as necessary so that the indicative daily salary cost is as representative of that particular sub-category as possible.

- **Column "number of days"** - the number of days of work to be performed on the project per category or sub-category of personnel or per person as applicable.

The actual time spent on the action must be recorded on a regular basis using timesheets or an equivalent time registration system established and certified by the employer. Timesheets must be dated and signed by the individual concerned and validated by the employer. It is recommended to adopt a single timesheet encompassing the overall time worked by each staff member (not just the time worked by the employee on the particular EU supported action).

Timesheets should not be sent to the Commission, except if specifically requested. For instance, when submitting the request for final payment, the beneficiary might be requested to provide pay slips and timesheets justifying the actual staff costs declared, as well as the basis for the calculation of daily rates and workable days.

4.2.2.2 *Travel, accommodation and subsistence allowances (Heading 2 of the budget form)*

Costs of travel and related subsistence allowances are eligible provided that they are in line with the beneficiary's usual practices on travel. .

Heading 2 may also include expenses for participants from organisations other than the beneficiaries or affiliated entities where applicable (e.g. for attendance of a conference).

Attendance lists of all meetings that take place in the context of the action must be established and signed by all participants. These lists must be provided to the Commission if so requested.

Journeys must be carried out by the most direct and economic route. Economy class fares will be used as the benchmark for analysing air travel costs. Air travel is acceptable only for distances above 400 km, i.e. return flight above 800 km. For other modes of transport, the benchmark is the first-class rail fare. Car journeys: equivalent of corresponding first-class train ticket.

The *Daily subsistence allowances (DSA)* are paid in addition to costs for accommodation as a flat-rate amount and are considered to cover breakfast and the two main meals, local transport, the cost of telecommunications and all other sundries. Daily subsistence allowances are to be calculated as follows according to the length of the mission:

- 6 hours or less: 20% of the daily allowance and any transport costs on the basis of supporting documents, up to EUR 0.22/km if a private car is used or the first-class rail fare if the journey is by train
- more than 6 hours but not more than 12 hours: 0.5 DSA;
- more than 12 hours but not more than 24 hours: 1 DSA;
- more than 24 hours but not more than 36 hours: 1.5 DSA;
- more than 36 hours but not more than 48 hours: 2 DSA;
- more than 48 hours but not more than 60 hours: 2.5 DSA;
- each successive 12-hour period: 0.5 DSA.

The amounts (in Euros per calendar day) for each country set out in the table below will be used as a benchmark for analysing accommodation and subsistence costs¹⁵. Please note that this is a general list; please check each call for proposals to find out the eligible countries for that specific call.

<i>Destinations</i>		<i>DSA in EUR</i>	<i>Hotel price in EUR</i>	<i>Destinations</i>		<i>DSA in EUR</i>	<i>Hotel price in EUR</i>
AL	Albania	50,00	160,00	LI	Liechtenstein	80,00	95,00
AT	Austria	102,00	132,00	LT	Lithuania	69,00	117,00
BA	Bosnia-Herzegovina	65,00	135,00	LU	Luxembourg	98,00	148,00
BE	Belgium	102,00	148,00	LV	Latvia	73,00	116,00
BG	Bulgaria	57,00	135,00	ME	Montenegro	80,00	140,00
CH	Switzerland	80,00	140,00	MK	F.Y.R. of Macedonia	50,00	160,00
CY	Cyprus	88,00	140,00	MT	Malta	88,00	138,00
CZ	Czech Republic	70,00	124,00	NL	The Netherlands	103,00	166,00
DE	Germany	97,00	128,00	NO	Norway	80,00	140,00
DK	Denmark	124,00	173,00	PL	Poland	67,00	116,00
EE	Estonia	80,00	105,00	PT	Portugal	83,00	101,00
EL	Greece	82,00	112,00	RO	Romania	62,00	136,00
ES	Spain	88,00	128,00	RS	Serbia	80,00	140,00
FI	Finland	113,00	142,00	SE	Sweden	117,00	187,00
FR	France	102,00	180,00	SI	Slovenia	84,00	117,00
HR	Croatia	75,00	110,00	SK	Slovak Republic	74,00	100,00
HU	Hungary	64,00	120,00	TR	Turkey	55,00	165,00
IE	Ireland	108,00	159,00	UK	United Kingdom	125,00	209,00
IS	Iceland	85,00	160,00	XK	Kosovo (under UNSCR 1244)	80,00	140,00
IT	Italy	98,00	148,00				

Please note that the Commission and the other European Institutions cover the travel and subsistence costs of their own officials when they participate in an event organised by the beneficiary/ies and these should therefore not be included in the budget estimate.

If catering services are provided by the organisers, the DSAs directly paid to participants must be reduced accordingly. In such cases, the daily allowance would be reduced by 30% for each meal provided, and by 15% for breakfast. NB.: Where applicable, catering costs should be mentioned under Heading 3, Costs of Services, subheading Other Services.

4.2.2.3 *Costs of services (Heading 3 of the budget form)*

The implementation of a project may require the buying of goods or services in order to carry out specialised tasks that beneficiaries cannot do themselves (i.e. translations, production of documents, web site creation, informatics support, accountancy, catering, etc.). This does not involve externalisation of parts of the action directly related to the main objectives of the action. The related contracts are known as "Implementation contracts".

The beneficiary should have the operational capacity to carry out the activities related to the main objectives of the proposed action. Nevertheless, if the staff do not have all the skills required, where justified and necessary, specific tasks that are part of the action (except the core tasks defined in the call document) may be executed by another person or organisation by means of a contract between one or more of the beneficiaries and a subcontractor. This is known as "subcontracting of tasks forming part of the action".

¹⁵ The daily allowance rates are subject to periodic review by the Commission.

With regard to subcontracting, in the SWIM application form there is a specific question: "*Will you subcontract any task related to the action?*" If your reply is yes, it must be clearly specified in the description of the action which tasks will be subcontracted and why this is necessary with regard to the nature of the action and its implementation.

Implementing contracts and subcontracting between beneficiaries is not allowed.

The estimated costs relating to any implementing contracts and any subcontracting should be indicated in the appropriate sub-heading in the estimated budget and, if the proposed action is selected to receive an EU grant, the award of such contracts will be subject to the procedures indicated below.

Information, dissemination, reproduction and publications costs can be taken into account provided that they are directly related to the action. Please give, for each publication and/or other materials, a description, an estimate of the number of pages and copies planned, the frequency and language of publication, an indication of the production costs per copy, as well as an estimate of the distribution costs where appropriate.

Translation costs must include the following details: the number of languages, the number of pages to be translated and the rate applied per page.

Interpretation: the different components must be specified. In particular, the number of languages, the number of interpreters, the number of days and the daily rates must be specified. Interpreters should be hired locally. For their travel and subsistence expenses to be covered by the grant, it must be impossible to hire them locally and it must be explained why this is so.

Specific Evaluation: if the call or the action proposed requires some form of evaluation, monitoring and evaluation methods must be developed, as well as tools to assess, on an on-going basis, the progress of the action in relation to the objectives defined at the beginning and the results. The cost of such work will be regarded as eligible expenditure, either under Heading 1 Staff costs if the work is done internally or under Heading 3 Costs of services, Specific Evaluation if done by an external expert.

External Expertise: this heading should include costs relating to : i) implementing service contracts not covered under the previous sub-headings; ii) costs relating to the subcontracting of tasks forming part of the action.

With regard to subcontracting, in the SWIM application form there is a specific question: "*Will you subcontract any task related to the action?*" If your reply is yes, it must be clearly specified in the description of the action which tasks will be subcontracted and why this is necessary with regard to the nature of the action and its implementation.

Main procurement rules for the award of implementing contracts and subcontracting

The Financial Regulation lays down the principles that should govern the conclusion of external contracts necessary to implement the action: the beneficiary must award the contract to the tender offering **the best value for money, i.e. the best price-quality ratio, or, as**

appropriate, to the tender offering the lowest price. In doing so, the beneficiary shall take care to avoid any conflict of interests¹⁶.

In addition the beneficiary shall ensure that the conditions applicable to itself under the articles of the General Conditions to the Grant Agreement related to liability, conflict of interests, confidentiality, ownership and use of results (including intellectual and industrial property rights), checks, audits and evaluation are also applicable to the contractors.

The beneficiary remains solely responsible for carrying out the action and for compliance with the Agreement. The beneficiary must undertake the necessary arrangements to ensure that the contractors and subcontractors waive all rights in respect of the Commission under the agreement.

Within the respect of these principles, the beneficiary may organise the award of contracts according to their usual practices.

Contracts and Sub-contracts entered into by a "public" beneficiary, i.e. a "contracting authority" within the meaning of EU Directives on public procurement procedures¹⁷ must be awarded in accordance with the applicable national rules on public procurement.

Where the value of the procurement contract to be awarded exceeds EUR 60 000, the Financial Regulation allows¹⁸ the Authorising Officer to request beneficiaries to apply specific rules of procedure which are based on the Financial Regulation and determined with due regard to the principles of proportionality and simplification taking account of the estimated value of the contracts concerned, the relative size of the Union contribution in relation to the total cost of the action and the management risk.

If specific conditions are imposed, these will be indicated in the text of the call document for each specific call and will be considered conditions for the eligibility of costs and will, therefore, be inserted in the grant agreement (under "Other special conditions"). At the time of the final payment the respect of the rules may be checked in order to guarantee the eligibility of costs.

Additional rules concerning subcontracting of tasks:

- a) Subcontracting may not cover core tasks of the action;
- b) Recourse to the award of subcontracts must be justified in relation to the nature of the action and what is necessary for its implementation;
- c) The tasks to be subcontracted must be set out in the description of the action and the corresponding estimated costs must be set out in detail in the budget estimate;
- d) If not foreseen in the initial proposal (and subsequently in Annex I to any grant agreement), any recourse to subcontracting while the action is underway shall be

¹⁶ Art. 209(1) RAP

¹⁷ Directives 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC and 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC

¹⁸ Art. 209(2) RAP

communicated by the beneficiary to and approved by the Commission. The Commission may grant approval:

- i) before any recourse to subcontracting, if the beneficiary requests an amendment as provided for in the relevant Article of the grant agreement; or
- ii) after recourse to subcontracting if the subcontracting:
 - is specifically justified in the final technical report; and
 - does not entail changes to the Agreement which would call into question the decision awarding the grant or be contrary to the equal treatment of applicants;

NB.: Since a negative opinion by the Commission with regard to the criteria indicated in ii) above would entail the related costs being declared ineligible, it is strongly recommended to seek prior written approval of the Commission before recourse to any subcontracting not foreseen in Annex I to grant agreement.

- e) The beneficiary must undertake to ensure that the terms, mentioned above, applicable to itself under the agreement are also applicable to the subcontractor.
- f) The beneficiary shall ensure that the conditions applicable to itself under the relevant article of the Grant Agreement regarding visibility of Union funding are also applicable to the subcontractors.
- g) The coordinator shall not subcontract any part of its tasks to the other beneficiaries (in the case of multi-beneficiary grant agreements) or to any affiliated entity, associated organisation or donor.

4.2.2.4 Administration costs (Heading 4 of the budget form)

Depreciation for purchase of equipment¹⁹: the purchase cost of equipment or other assets (new or second-hand) is eligible provided that it is written off in accordance with the international accounting standards and the beneficiary's usual accounting practices and has been purchased in accordance with the procurement rules indicated above. Only the portion of the equipment's depreciation corresponding to the period of eligibility for EU funding covered by the grant agreement and the rate of actual use for the purposes of the action may be taken into account by the Commission.

Administration costs also include the specific sub-headings: Rental of meeting rooms (coffee breaks included); Rental of interpretation booths; Costs for external audits required by the call or grant agreement (see section 13 below); Financial costs such as those relating to any bank guarantee required under the terms of the specific call or grant agreement (see section 8 below) and other administrative costs such as costs for consumables and supplies directly assigned to the action and purchased according to the procurement rules.

4.2.3 Eligible indirect costs – Overheads (Heading 5 of the budget form)

Indirect costs are general administrative costs – overhead costs incurred in connection with the eligible direct costs of the action. They are limited to a flat-rate of 7% of the total eligible direct costs for the action. These can include maintenance, stationery, photocopying, mailing postage, telephone, internet and fax costs, heating, electricity or other forms of energy, water, office furniture, insurance and any other expenditure necessary for the successful completion

¹⁹ Art. 126(3)(d) FR

of the project. Postage costs are considered as overhead costs and cannot be accepted under the headings "publications" or "administration".

If the accepted budget includes a provision for flat-rate funding in respect of indirect costs, such costs do not need to be supported by accounting documents.

Indirect costs are not eligible for an action where the beneficiary already receives an operating grant from the EU budget during the period in question.

4.2.4 Ineligible costs

The following costs are ineligible and therefore not accepted:

- return on capital;
- debt and debt service charges;
- provisions for losses or debts;
- interest owed;
- doubtful debts;
- exchange losses;
- costs of transfers from the Commission charged by the bank of a beneficiary;
- costs declared by the beneficiary in the framework of another action receiving a grant financed from the Union budget (including grants awarded by a Member State and financed from the Union budget and grants awarded by other bodies than the Commission for the purpose of implementing the Union budget); in particular, indirect costs shall not be eligible under a specific grant for an action awarded to the beneficiary when it receives an operating grant financed from the Union budget during the same period in question;
- contributions in kind²⁰: these are contributions that are not invoiced, such as voluntary work, equipment or premises made available free of charge;
- excessive or reckless expenditure;
- deductible VAT. VAT²¹ will be ineligible when the activities to be supported through the grant are taxed activities/exempt activities with right of deduction or activities engaged in by bodies governed by public law acting as a public authority of a Member State (i.e. activities resulting from the exercise of sovereign powers or prerogatives exercised by Member States under the special legal regime applicable to them in line with Article 13(1) of Council Directive 2006/112/EC²²: e.g. police, justice, definition and enforcement of public policies, etc.).

4.3 Income

Total income must be identical to total expenditure. The income side of the budget must show:

²⁰ Art.183(2) RAP

²¹ Art.126(3)(c) FR

²² OJ L 347, 11.12.2006, p.1

- The beneficiary's contribution: the direct monetary contribution from the applicant's own resources (i.e. an effective expenditure for which a financial flow can be traced in the accounts);
 - Any financial contributions given by third parties to a beneficiary or to an affiliated entity, if they are specifically assigned by the third parties to the financing of the eligible costs of the *action* reimbursed by the Commission in accordance with Article I.3.2(a)(i) of the grant agreement.
- NB.: The following are not considered receipts:
- (a) financial contributions by third parties, if they may be used to cover costs other than the eligible costs under the Agreement;
 - (b) financial contributions by third parties with no obligation to repay any amount unused at the end of the implementation period;
- The revenue generated by the action: any income expected to be generated by the implementation of the action should be detailed (such as the yield from sales of publications or conference registration fees).
 - The EU grant: the grant requested from the Commission.

5 HOW THE GRANT WILL BE CALCULATED

If the proposal is selected for a grant, the Commission will calculate the EU contribution as a percentage of the total eligible costs as shown in the estimated budget for the implementation of the action.

The Commission reserves the right to invite the applicant to correct the grant requested if the proposal is acceptable but includes ineligible costs or requires non-substantial adjustments to optimise cost-effectiveness (e.g. reduction of number of working days if these are estimated to be too high, elimination of non-essential activities, etc.).

Determination of the final amount of the grant

The EU final grant is calculated on the basis of the **actual** eligible expenditure by applying the "double ceiling" rule and verifying compliance with the non-profit rule.

- Application of the "double ceiling" rule limiting the grant both to the percentage of the eligible costs and to the maximum amount mentioned in the grant agreement

The EU final grant is calculated by applying the percentage for the co-financing of the eligible costs laid down in the grant agreement to the total of the actual eligible costs. This amount must not exceed the maximum amount for the EU grant laid down in the grant agreement.

If the actual expenditure turns out to be lower than the estimated budget, the actual grant will be calculated on the basis of the % of total eligible costs foreseen in the grant agreement. If the actual expenditure turns out to be higher than the expenditure budgeted, the EU grant will not be increased above the maximum amount of the grant foreseen in the grant agreement. It is therefore in the applicant's interest to submit a realistic estimate of expenses.

- Verification of compliance with the **no-profit rule**

The grant may not have the purpose or effect of producing a profit within the framework of the action for the beneficiary²³. Profit is defined as a surplus of the receipts over the eligible costs incurred by the beneficiary, when the request is made for payment of the balance.

The receipts referred to above shall be limited to income generated by the action up to the date on which the request for payment of the balance is drawn up by the beneficiary as well as financial contributions specifically assigned by the donors to the financing of the eligible costs.

Any income of the action must be indicated in the estimated budget and the final financial statement. If there is a profit, it will be deducted in proportion to the final rate of reimbursement of the actual eligible costs of the action approved by the Commission for the categories of costs referred to in Article I.3.2(a)(i) of the grant agreement (as compared to the amount calculated following application of the "double-ceiling rule" indicated above)²⁴.

A mere forecast of expenditure does not give entitlement to a grant. This is why the exact amount of the final grant cannot be calculated until the Commission has received the final activity report and the final statement of expenditure. The expenditure that is committed to the implementation of the action must be justified by invoices or equivalent supporting documents, in order to be accepted as actual expenditure. It must also relate to actual rather than budgeted costs.

6 AGREEMENT GOVERNING THE GRANT

Should the Commission award a grant, a grant agreement setting out the conditions and maximum level of funding will be concluded with the beneficiary. A multi-beneficiary grant agreement will be signed in the case of proposals submitted by a consortium. The agreement will detail the specific obligations of the coordinator and the other beneficiaries.

Successful applicants/coordinators will receive two original copies of the grant agreement for acceptance and signature. Both of these copies must be sent back to the Commission, which will then return one of them once it has been signed by both parties.

If international organisations are eligible and selected under a specific call and the Commission has concluded a financial and administrative framework agreement (FAFA) with these organisations, they will receive the standard grant agreement model which allows for the inclusion of a provision on international organisations.

7 PAYMENT PROCEDURES

Payments will be made to the beneficiary or to the beneficiary acting as co-ordinator in the case of proposals submitted by a consortium.

²³ Art. 125(4) FR

²⁴ Art. II.25.3 of the Multi-Beneficiary Grant Agreement

The payment procedures will be laid down in the grant agreement.

Payment of the grant will be made in pre-financing instalments and a final payment (the balance). The aim of the pre-financing is to provide the beneficiaries with a float. The pre-financing remains the property of the Union until the payment of the balance. The frequency and size of pre-financing and balance payment will in principle be as described hereafter but may be adjusted according to the risk assessment of the responsible authorising officer.

- **For actions of 12 months or less**, one pre-financing payment and a final payment will be made as follows :

- A pre-financing payment of 70% of the grant within 30 calendar days from the entry into force of the grant agreement. In the case a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

- The balance will be paid within 90 calendar days from receipt by and subject to the approval of the Commission of the request for payment of the balance, the final technical implementation report and final financial statement (and, if required, a certificate on the financial statements and underlying accounts). If the total amount of earlier payments is greater than the final amount of the grant, the payment of the balance will take the form of a recovery.

- **For actions over 12 months up to 24 months**, two pre-financing instalments linked to one reporting period and a final payment will be made as follows:

- A first pre-financing payment of 40% of the grant within 30 calendar days from the entry into force of the grant agreement. In the case a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

- A second pre-financing payment of 40% within 60 calendar days from receipt by the Commission of a request for payment, a progress report on implementation of the action and detailed statement on the use of the previous pre-financing instalment. The request for payment must be submitted within 60 calendar days following the end of the reporting period in question. Where the consumption of the previous pre-financing is less than 70%, the amount of the new-pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment²⁵. If a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

- The balance will be paid within 90 calendar days from receipt by and subject to the approval of the Commission of the request for payment of the balance, the final technical implementation report and final financial statement (and, if required, a certificate on the financial statements and underlying accounts). If the total amount of earlier payments is greater than the final amount of the grant, the payment of the balance will take the form of a recovery.

For actions with duration of up to 18 months, the reporting period shall be 9 months. For actions of more than 18 months and up to 24 months, the reporting period shall be 12 months.

²⁵ Art. 207(1) RAP

- **For actions of more than 24 months and up to 36 months**, pre-financing instalments linked to annual reporting periods and a final payment will be made as follows:

- A first pre-financing payment of 30% of the grant within 30 calendar days from the entry into force of the grant agreement. In the case a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

- A second pre-financing payment of 40% within 60 calendar days from receipt by the Commission of request for payment, a progress report on implementation of the action and detailed statement on the use of the previous pre-financing instalment. The request for payment must be submitted within 60 calendar days following the end of the reporting period in question. Where the consumption of the previous pre-financing is less than 70%, the amount of the new-pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment²⁶. If a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

A third pre-financing payment of 20% within 60 calendar days from receipt by the Commission of request for payment, a progress report on implementation of the action and detailed statement on the use of the previous pre-financing instalment. The request for payment must be submitted within 60 calendar days following the end of the reporting period in question. Where the consumption of the previous pre-financing is less than 70%, the amount of the new-pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment²⁷. If a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

- The balance will be paid within 90 calendar days from receipt by and subject to the approval of the Commission of the request for payment of the balance, the final technical implementation report and final financial statement (and, if required, a certificate on the financial statements and underlying accounts). If the total amount of earlier payments is greater than the final amount of the grant, the payment of the balance will take the form of a recovery.

- **For actions of more than 36 months and up to 48 months**, pre-financing instalments linked to annual reporting periods and a final payment will be made as follows:

- A first pre-financing payment of 30% of the grant within 30 calendar days from the entry into force of the grant agreement. In the case a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

- A second pre-financing payment of 20% within 60 calendar days from receipt by the Commission of request for payment, a progress report on implementation of the action and detailed statement on the use of the previous pre-financing instalment. The request for payment must be submitted within 60 calendar days following the end of the reporting period in question. Where the consumption of the previous pre-financing is less than 70%, the

²⁶ Art. 207(1) RAP

²⁷ Art. 207(1) RAP

amount of the new-pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment²⁸. If a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

A third pre-financing payment of 20% within 60 calendar days from receipt by the Commission of request for payment, a progress report on implementation of the action and detailed statement on the use of the previous pre-financing instalment. The request for payment must be submitted within 60 calendar days following the end of the reporting period in question. Where the consumption of the previous pre-financing is less than 70%, the amount of the new-pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment²⁹. If a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

A fourth pre-financing payment of 20% within 60 calendar days from receipt by the Commission of request for payment, a progress report on implementation of the action and detailed statement on the use of the previous pre-financing instalment. The request for payment must be submitted within 60 calendar days following the end of the reporting period in question. Where the consumption of the previous pre-financing is less than 70%, the amount of the new-pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment³⁰. If a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee

- The balance will be paid within 90 calendar days from receipt by and subject to the approval of the Commission of the request for payment of the balance, the final technical implementation report and final financial statement (and, if required, a certificate on the financial statements and underlying accounts). If the total amount of earlier payments is greater than the final amount of the grant, the payment of the balance will take the form of a recovery.

- For action durations of more than 48 months, further reporting periods and pre-financing instalments will be defined, as appropriate.

8 GUARANTEE³¹

The Commission may require the beneficiary to provide a guarantee in advance, in order to limit the financial risk linked to the payment of the pre-financing.

The decision to request of bank guarantee is only possible for grants of more than EUR 60 000, and is to be taken by the responsible authorising officer, if he/she deems it appropriate and proportionate, on a case-by-case basis and subject to a risk analysis.

This guarantee shall be denominated in euro and shall be valid for a period sufficiently long to allow it to be activated. The guarantee shall be provided by an approved bank or financial institution established in one of the Member States.

²⁸ Art. 207(1) RAP

²⁹ Art. 207(1) RAP

³⁰ Art. 207(1) RAP

³¹ Art.134 FR and 206 RAP

The guarantee shall remain in force until the pre-financing is cleared against payment of the balance by the Commission, and, in case the payment of the balance is made in the form of a debit note, three months after the debit note is notified to the beneficiary. The Commission shall release the guarantee within the following month.

In exceptional cases, the guarantee may be replaced by a joint and several guarantee by a third party or by the irrevocable and unconditional joint guarantee of the beneficiaries of an action who are parties to the same grant agreement.

9 BANK ACCOUNT AND INTEREST GENERATED BY PRE-FINANCING PAYMENTS³²

Payment shall be made to the beneficiary's bank account or sub-account denominated in Euro (in the case of a consortium to the bank account of the beneficiary acting as coordinator).

Interest yielded by the pre-financing payments is not compulsory nor must it be reimbursed to the EU budget.

10 SUBMISSION OF FINAL REPORTS AND OTHER DOCUMENTS

Within 60 days after the closing date of the action, the beneficiary must submit to the Commission the final report on implementation of the action ("final technical report"), along with a final financial statement of all actual expenditure and actual revenue ("final financial statement"). Both reports must be submitted on-line via SWIM as well as in paper version (see section 14). The final implementation report must be completed using the template announced in the call that will also be annexed to the grant agreement. The summary financial statement referred to in the grant agreement is already included in the templates available on-line via SWIM.

If the beneficiary fails to submit the request for payment of the balance accompanied by the above mentioned documents within the above deadline, the Commission shall send a written reminder. If the beneficiary still fails to submit them within 60 days following the reminder, the Commission reserves the right to terminate the agreement.

Should the final report be deemed to be inadequate or of low quality, the Commission reserves the right to request additional information suspending the time limit for payment specified in the grant agreement. When the suspension exceeds two months, the beneficiary may request a decision by the Commission on whether the suspension is to be continued.

In addition to these requirements, other documents that might be indicated in the text of the call for proposals must also be provided.

11 PUBLICITY

All grant beneficiaries are required to clearly mention the fact that they have received funding from the European Union in any publication, in other information or promotional materials,

³² Art. 8(4) FR, Art. 2RAP

and during activities (conferences or seminars, etc.), for which the grant is used, using the following wording: "**With financial support from the European Union**". The emblem of the European Union, given at the following web address: http://ec.europa.eu/dgs/communication/services/visual_identity/index_en.htm should also be visible. When displayed in association with another logo, the European emblem must have appropriate prominence.

Any communication or publication by the beneficiary/ies related to the action, in any form and using any means, including the Internet, shall indicate that it reflects only the author's view and that the Commission is not responsible for any use that may be made of the information it contains.

In addition to these minimum requirements, references specified in the text of the call for proposals must also be indicated.

All grants awarded in the course of a financial year shall be published on the Internet site of the EU institutions during the first half of the year following the closure of the budget year in respect of which they were awarded.

By signing the grant agreement for an action, the beneficiary/ies authorises the Commission to publish the following information in any form and medium, including via the Internet site of the EU³³:

- the beneficiary's/ies' name/s and the address/es
- the subject of the grant,
- the amount awarded and the rate of funding of the costs of the action.

With a view to disseminating all results obtained and outputs delivered under the grant agreement, the Executive Summary sent with the Implementation Report will be posted on the website of the Directorate-General for Employment, Social Affairs and Inclusion.

Upon a duly substantiated request by the beneficiary/ies, publication of this data may be waived if it threatens the safety of the beneficiary or harms its business interests.

12 EVALUATION

If the proposal should include a specific evaluation component for ongoing monitoring and final evaluation of the action, these costs may be considered eligible in the budget estimate.

Successful proposals could be the subject of an ongoing and ex-post evaluation led by the Commission and/or by independent experts selected by the European Commission. Therefore, grant beneficiaries undertake to make available to the Commission and/or persons authorised by it, all necessary documents or information to ensure successful completion of the evaluation process and give these persons the rights of access required.

³³ Art. 128(3) FR, 191(1) RAP

13 CHECKS AND AUDITS

An external audit report is required in the following cases:

13.1 Audit report in support of grant applications³⁴.

Where the application concerns grants for an action for which the amount exceeds EUR 750 000 an audit report produced by an approved external auditor shall be submitted. This report should certify the accounts of the applicant organisation for the last financial year available. This requirement applies only to the first application made by an applicant to the same authorising officer responsible in any one financial year.

In the case of proposals submitted by a consortium, the threshold mentioned in the first paragraph shall apply to each of the applicants.

In case of calls for framework partnership agreements, the audit report, covering the last two financial years available must be produced before the framework agreement is concluded.

This obligation shall not apply to public bodies or international organisations.

The authorising officer responsible may, depending on a risk assessment, waive the obligation of audit for education and training establishments and in case of agreements with a number of beneficiaries, beneficiaries who have accepted joint and several liabilities or who do not bear any financial responsibility.

13.2 Audit report in support of requests for payment³⁵

An audit report (certificate on the financial statements of the action and underlying accounts) produced by an approved external auditor or in case of public bodies, by a competent and independent public officer may be required by the authorising officer in support of any payment, on the basis of his assessment of risks. The certificate shall be attached to the payment request.

It is compulsory for payments of balances in the case of a grant for an action of EUR 750 000 or more, when the cumulative amounts of payment requests is at least EUR 325 000.

In case of an agreement between the Commission and a number of beneficiaries, the thresholds shall apply to each beneficiary.

The purpose of the audit report is to certify, in accordance with a methodology approved by the authorising officer responsible and on the basis of agreed-upon procedures compliant with international standards, that the costs declared by the beneficiary in the financial statements on which the payment request is based are real, accurately recorded and eligible in accordance with the grant agreement. In specific and duly justified cases, the authorising officer

³⁴ Art. 196(3) RAP

³⁵ Art. 207(3) RAP

responsible may request the certificate in the form of an opinion or other format in accordance with international standards.

The obligation to provide such a certification of the financial statements and underlying accounts may be waived based on a risk assessment:

- in the case of grant beneficiaries which are public bodies or international organisations
- in the case of beneficiaries of multiple grants who have provided independent certification offering equivalent guarantees on the control systems and methodology used to prepare their claims.
- where an audit has been or will be directly done by the Commission's own staff or by a body authorised to do so on its behalf and which provides equivalent assurances about the costs declared.

In any case, the beneficiary himself shall certify on his honour that the information contained in requests for payments is full, reliable and true. He shall also certify that the costs incurred can be considered eligible in accordance with the grant agreement and that requests for payment are substantiated by adequate supporting documents that can be checked

The beneficiary/ies undertakes to provide any detailed information requested by the Commission or by another qualified outside body chosen by the Commission for the purposes of checking that the action and the provisions of the agreement are being properly implemented. The beneficiary must enable the Commission and/or the Court of Auditors to verify the organisation's accounting documents, if they deem this appropriate. To this end, documentation justifying items of expenditure must be retained by the applicant's organisation for five years following final payment by the Commission.

14 PROCEDURE: ELECTRONIC MEANS OF SUBMISSION - SWIM

The Internet Web application called "SWIM" (Subventions Web Input Module) allows applicants/beneficiaries to introduce, edit, validate, submit and print grant applications, as well as requests for payments and modifications of the budget estimate. SWIM can be accessed in the following web address³⁶: <https://webgate.ec.europa.eu/swim>.

The final financial statement and the final implementation report will also be submitted via SWIM.

14.1 Introduction of grant applications

The grant application form has to be filled in electronically as follows: first, access the system at the address mentioned above and select the number of the call for proposals you wish to apply for in the box "New grant application", enter your e-mail address and then fill in your application. Once your application is completed, click on the "submission" button in order to finalise the submission procedure. Please note that after submitting your application form electronically no changes to the application are possible.

After electronic submission, the application form must also be printed out, signed by the legal representative of the organization submitting the proposal and sent by post to the responsible Unit, as specified in the text of the call for proposals.

³⁶ For more technical details on using SWIM, a user's manual is available on-line

Failure to respect this procedure will render the application ineligible.

Currently the submission on-line only is not possible. However, DG EMPL is working to phase out paper submission in the future.

14.2 Requests for payments (pre-financing and balance) and budgetary modifications

In addition to the documents specified in the grant agreement, financial documents required in support of requests for further pre-financing payments (if applicable) and for payment of the balance (see section 10 - final report on the implementation of the action and the final financial statement of the actual expenditure and actual revenue), as well as requests for modifications of the budget estimate to be made by addendum must also be submitted electronically using SWIM, as well as by post duly signed by the legal representative.

To be allowed to log on to SWIM and to access its grant file, the beneficiary will be asked to enter the same credentials (ECAS user³⁷) used to submit the grant application.

15 DATA PROTECTION

The reply to any call for proposals involves the recording and processing of personal data (such as names, addresses, CVs). Such data will be processed in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data.³⁸ Unless indicated otherwise, the questions and any personal data requested are required to evaluate the grant application in accordance with the specification of the call for proposals and they will be processed solely for that purpose by the department responsible for the EU grant programme concerned. On request, applicants may be sent personal data to correct or complete. For any question relating to these data, please contact the Commission department to which the form must be returned. Details concerning the processing of personal data are available on the privacy statement at: http://ec.europa.eu/dataprotectionofficer/privacystatement_publicprocurement_en.pdf.

Beneficiaries may lodge a complaint against the processing of their personal data with the European Data Protection Supervisor at any time.

16 EARLY DETECTION AND EXCLUSION SYSTEM (EDES DB)

Your personal data may be registered in the Early Detection and Exclusion System (EDES) if you are in one of the situations mentioned in Article 106 of the Financial Regulation³⁹. For more information, see the Privacy Statement on http://ec.europa.eu/budget/library/explained/management/protecting/privacy_statement_edes_en.pdf).

³⁷ European Commission Authentication Service

³⁸ Official Journal L 8, 12.1.2001.

³⁹ See footnotes 1 and 2