Call for proposals 2015

<2015CE16BGT001>

"Multi-region assistance for the assessment of the potential use of financial instruments supported by the ERDF, CF, ESF and EAFRD in accordance with Title IV of Regulation (EU) 1303/2013"

Questions and Answers - Guide for Applicants

Deadline for submission of applications:

31 July 2015
Notice

This document provides practical information to potential applicants in preparing and submitting their grant application. It includes a quick summary of the main legal and financial rules contained in the Financial Regulation (FR)\(^1\) applicable to the general budget of the Union 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 and the model grant agreement annexed to the call, as it will constitute the legal basis for the grant.


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1. THE OBJECTIVES AND THE THEMES OF THE CALL FOR PROPOSALS

1.1. Which kind of projects can be supported by the EU grant following this call for proposals?

The projects (=actions) supported by grants under this call for proposals, shall serve the Union objective of broadened use of financial instruments co-funded by ERDF, CF, ESF or EAFRD as called for in the "An Investment Plan for Europe" Communication COM(2014)903. The broadened use of financial instruments can be understood as increasing the amounts involved, widening the geographical scope, as well as the thematic scope to innovative new areas.

To facilitate this, with grants under this call for proposals the European Commission (Commission) would like to incentivise and promote bottom-up initiatives aiming at the assessment of possible use of financial instruments and involving cooperation among regions from distinct Member States, exchange of practices and mutual learning, as well as cooperation and tapping in the expertise financial institutions.

The Commission, notably DG REGIO, DG EMPL and DG AGRI, will therefore co-finance projects which:

- Assess the potential use of FIs supported by ERDF, CF, ESF and/or EAFRD,
- Cover at least two regions (not necessarily adjacent regions) and are submitted by two managing authorities/intermediate bodies from at least two distinct Member States (except in the case the application involves a cross-border or a transnational cooperation programme for which the requirement for the managing authorities/intermediate bodies to originate from different Member States does not apply),
- Are targeting investment priorities that are specific to and shared by the applying regions,
- Involve expertise of at least one International Financial Institution (IFI), such as the EIB, EBRD, World Bank, CEB, or one or more financial institutions covering with their, cumulated if applicable, activities all the regions included in the geographical scope of programmes under the responsibility of the applying managing authorities/intermediate bodies,
- Ideally involve further relevant partners, e.g. academia or other relevant institutions with public mission.
1.2. Can you give examples of projects which could be eligible for grants under this call for proposals?

The call is open to actions envisaging the use of financial instruments in all 11 thematic areas of the European Structural and Investment Funds (ESIF) as stipulated in article 9 of the Regulation(EC)1303/2013 (CPR). However, in particular actions which aim at assessing the use of financial instruments in new, innovative, areas going beyond the fields in which financial instruments have typically been used, such as SME support, are encouraged and will be rewarded accordingly in the evaluation procedure.

Based on the experience regarding investment priorities which may be common and specific to some EU regions, the following - INDICATIVE ONLY - examples can be given:

- **Energy efficiency**: for instance, the renovation of multi-apartment blocks has a potential to significantly reduce CO₂ emissions, energy costs and to improve living conditions of many citizens; this has been successfully implemented through financial instruments in 2007-2013 in Lithuania or Estonia. Basing on this experience supporting the implementation through Energy Service Companies (ESCO) can be supported through new financial instruments. Also support for measures improving energy efficiency in enterprises could be an area to explore. The dedicated expertise in energy efficiency of financial institutions, such as the EBRD or the KfW can be a valuable asset in this context.

- **Roma inclusion**: Many of the about 6 million Roma living in the EU are victims of prejudice and social exclusion which has important human, social and economic consequences. Speeding up the inclusion of Roma communities in all areas of life, such as housing, education, employment or health could be addressed by potentially using ERDF or ESF-supported financial instruments, such as microcredits. For instance, the CEB (Council of Europe Development Bank) or the World Bank with their missions to contribute to social cohesion and to reduce poverty could be interesting partners in this area.

- **Macro-regional strategies**: established so far for Baltic Sea Region, Danube Region or Adriatic and Ionian Region: financial instruments co-funded by the ERDF, the CF, the ESF or the EAFRD could be potentially used to address common challenges as identified in the framework of a given macro-regional strategy, as a means of strengthened cooperation contributing to achievement of economic, social and territorial cohesion. The choice of the financial institution to cooperate will depend on the sectorial and geographical focus of the proposed action.

- **Broadband networks**: in areas where the market does not provide the necessary infrastructure investment (the so called white and grey areas) public support for broadband roll-out may be possible. In cases where infrastructure projects with a

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potential for commercial revenues face constraints in accessing usual sources of financing, managing authorities/intermediate bodies may consider the support through financial instruments. The EIB and Caisse des Dépôts have experience in financing high-speed broadband networks realised through public-private partnerships.

- **Urban development:** Europe continues to be faced with challenges related to the economy, the climate and the environment. Most of these challenges have a strong urban dimension and are shared by many of the EU cities. Deployment of ESI Funds in urban projects through financial instruments is crucial to support sustainable urban transformation investments (such as brownfield regeneration sites) and achieve more competitive, liveable, socially inclusive, innovative and sustainable cities. In the shorter term, a rapid establishment of financial instruments mobilising the resources from ESIF and leveraging other sources of funding may also contribute to alleviating the consequences of the current financial crisis for urban investment, which in many countries, particularly by private sector operators and enterprises, has practically been halted. The EIB and the CEB have considerable expertise in this sector also through the establishment of an extensive number of funding structures supported through the JESSICA initiative during the 2007-2013 programming period.

- **Agriculture / forestry:** Agriculture and forestry are important engines of growth and sustainability in Europe's rural areas, contributing also substantially towards climate change objectives, reduction of CO₂ emissions, use of new technologies, etc. Farmers, however, are often facing difficult access to finance, changing market conditions or price volatility, while certain agricultural sub-sectors face at the same time serious economic and financial problems. Financial instruments, supported by the EAFRD and leveraging other sources of funding in the field of agriculture and/or forestry, can help with restructuring, modernisation, energy efficiency, notably by supporting the introduction of new processing technologies, precision farming, and saving technologies, etc. The dedicated experience of the EIB/EIF in these fields may bring additional value added.

### 1.3. What if a project proposes to assess the use of a financial instrument which would use a combination of funds, e.g. ERDF and ESF?

Actions which would assess the potential of financial instruments combining ESIF are eligible and could be recognised as exploring new ways of using financial instruments.

### 1.4. Is the setting-up and implementation of a financial instrument required as result of the grant action?

The objective of grant action is to assess the possible use of financial instruments. The establishment of a financial instrument is not required as the result of the grant action. It is, however, required to carry out a comprehensive set of activities which would allow concluding when the action is terminated, whether financial instruments or a concrete financial instrument could be used in the area which was subject of the assessment. Nevertheless, the Commission expects that in most cases the establishment of a financial instrument/financial instruments should be the consequence of the action. Taking into account the specificity of ESIF and the regional or at most national character of the (operational) programmes on one hand and the at least bi-national character of the actions to be co-funded under this call on the other hand, formally two financial instruments could be established (one
in each participating EU Member State/region) but addressing a common investment priority and being designed in the same or similar way.

1.5. Can an ex-ante assessment be eligible for co-financing under this call for proposals?

No, an ex-ante assessment as such is not eligible for co-financing under the call. In 2014-2020, a comprehensive ex-ante assessment which addresses all elements listed in article 37(2) of the CPR must be carried out by the managing authority before any ESIF programme contribution to a financial instrument is decided. This means that for a given financial instrument understood as operation according to article 2(9) of the CPR there must be specific assessment which takes into account the specificities of the programme in question, e.g. its investment priorities, geographical area, and therefore provides specific conclusions for this financial instrument. Taking into account the specificity of ESIF and the regional or at most national character of its (operational) programmes but the at least bi-national character of the action to be co-funded under this call, it seems that a formal ex-ante assessment of a concrete regional or national financial instrument cannot be expected as the result of the grant action. However, such ex-ante assessment could build on the results of the grant action.

1.6. Why does the application have to be submitted by at least two managing authorities/intermediate bodies, normally from two different Member States?

EU funding granted under this call shall be an additional incentive as compared to what managing authorities/intermediate bodies could do under EU funding already available to them. In addition, the objective is to develop knowledge and expertise that can be relevant to more than one Member State. Cooperation between regions of the same Member State can be covered by the technical assistance appropriations from the (operational) programmes of the Member State in question. Common activities between regions of a cooperation programme could be covered by the technical assistance budget of the latter.

1.7. Can intermediate bodies apply?

Since the intermediate bodies are designated to carry out tasks of the managing authority, they are also eligible to apply under this call for proposals, provided that the formal conditions as specified in the call are met.

1.8. Can cities apply?

Cities can be involved in the grant action as long as they can be considered eligible applicants, e.g. intermediate bodies, or non-beneficiary parties that are allowed to incur eligible expenditure, i.e. affiliated entities or sub-contractors (please see points 2.7-2.10 for more information).

1.9. What is the role of financial institutions in the projects? Will they apply for the grant together with the managing authorities/intermediate bodies?

The beneficiaries of the EU grant will be managing authorities/intermediate bodies as it is them who should be incentivised through the support to use financial instruments at a bigger and broader scale. To render the assessment meaningful and target by it financial instruments which have a realistic chance to be implemented, managing authorities/intermediate bodies
are required to benefit from advice and expertise of financial institutions. Managing authorities/intermediate bodies will have the possibility to involve financial institutions in the projects as non-beneficiary parties so that the costs resulting from the involvement of financial institutions can be considered eligible and reimbursed by the grant. According to the Financial Regulation and taking into account the role that the financial institutions are required to play in the co-funded projects, as well as their specific legal and organisational set-ups, financial institutions could be involved as affiliated entities or sub-contractors (please see points 2.7-2.10 for more information).

1.10. Which financial institutions can be involved in the grant action, e.g. only public or also private ones?

The call does not introduce any formal restrictions on the type of financial institutions\(^4\) which can be involved in the grant action. They may therefore be public or private. International Financial Institutions, such as the EIB, EBRD, World Bank, CEB or national development and promotional banks could be particularly suited to contribute to actions sought under this call. Nevertheless, it is the appreciation of the managing authorities/intermediate bodies which financial institution(s) are considered as most helpful and relevant to the grant action they apply for.

1.11. What is the difference between the multi-region assistance and INTERREG/ETC activities under the European territorial cooperation goal? Can cooperation programmes apply under this call for proposals?

Under the European territorial cooperation (ETC) goal the ERDF finances cross-border, transnational and interregional programmes. In 2014-2020 INTERREG (the common umbrella for all three types of cooperation programmes) represents more than €10 billion invested in cooperation between regions and territorial, social and economic partners in the framework of over 100 cooperation programmes. A cooperation programme has a single managing authority and its own budget, including an envelope for technical assistance. From this envelope, the preparatory work for the development of financial instruments under a cross-border or a transnational cooperation programme could be funded (according to article 38(b) of the CPR only those two types of cooperation programmes can use financial instruments).

Therefore, a proposal by one managing authority representing a cooperation programme is not eligible under this call. However, proposals made by more than one managing authority, including one or more cross-border or transnational cooperation programmes are eligible.

1.12. Why does the Commission expect that the action will be completed within one year?

Given the objectives of the call, the Commission expects that the actions would not run for longer than one year. The actions should produce tangible results within a reasonable timeframe. The Commission considers that one year is an appropriate period of time to carry out an action aiming at assessing the potential use of financial instruments. It should also allow for implementation of the financial instrument in the current programming period. The

proposed project duration and timeline will be assessed in the evaluation process on the basis of the published award criteria.

1.13. Is it a one-off initiative or will another call for proposals be launched? If yes, when?

This is the first call for multi-region assistance. The Commission currently intends to launch two more calls in the period 2014-2020: The second one in 2017 and the third one in 2019. This planning may be reviewed in the light of the demand under this call and any other relevant developments.

2. MAIN RULES CONCERNING EU GRANTS

2.1. What is the legal basis of this call for proposals?

Article 58 and article 91 of the CPR foresee that at the initiative of the Commission, the ESIF may support auxiliary measures which are necessary for managing authorities/intermediate bodies to implementation the CPR. Strengthening of national and regional capacity regarding investment planning, needs assessment preparation, design and implementation of financial instruments belong to such activities.

The funds used for grants under this call are implemented directly by the Commission and therefore governed by the rules of the Financial Regulation, in particular Title VI thereof, and its Rules of Application.

2.2. What are EU grants and their principles?

EU grants are direct financial contributions from the European Union budget awarded by way of a donation to beneficiaries engaged in activities that serve Union policies. They fall into two broad categories: grants for actions that finance actions intended to help to achieve an objective that forms part of a Union policy and operating grants that finance the operating expenditure of a body pursuing an aim of general European interest or an objective that forms part of a Union policy. Under this call grants for actions will be awarded.

The following general principles apply:

- **Non-cumulative award**: An action may only receive one grant from the EU budget. In no circumstances shall the same costs be financed twice by the Union budget. To ensure this, applicants will indicate the sources and amounts of Union funding received or applied for the same action or part of the action or for its functioning during the same financial year as well as any other funding received or applied for the same action.

- **Non-retroactivity**: No grant may be awarded retrospectively for actions and activities already completed.

- **Co-financing**: Co-financing means that the resources which are necessary to carry out the action must not be entirely provided by the EU grant. Co-financing of the action may take the form of: the beneficiary's own resources, income generated by the action, and financial contributions from other parties.
• **Non-profit rule:** an EU grant may not have the purpose or effect of producing a profit within the framework of the action of the beneficiaries. Where a profit is made, the Commission is entitled to recover the percentage of the profit corresponding to the EU contribution to the eligible costs actually incurred. For this purpose, profit is defined as a surplus of the receipts over the eligible costs incurred, when the request for payment of the balance is made.

• **Transparency:** the purpose is to ensure an efficient use of public resources by, on one hand, informing the targeted beneficiaries well in time about the planned call to give them enough time to prepare their proposals, and, on the other, ensuring an appropriate response to the call for the public funds to be allocated to the actions best suited for the purpose. There are measures aiming at transparency ex-ante (publication of the work programme and the call for proposals) and measures aiming at transparency ex-post (publication of awarded grants).

• **Equality of treatment:** this principle aims at guaranteeing impartial treatment of applicants in the grant award procedure and beneficiaries during the implementation of the awarded grant actions. For instance, the all the criteria published in the call must be applied equally and not changed during the award procedure.

### 2.3. What are the key differences between grants and procurement?

In the case of public procurement goods or services are provided in exchange for payment. Grants are based on the costs actually incurred by the beneficiaries for carrying out the agreed action serving Union policies and its results remain the property of the beneficiaries. Therefore, for instance there is no competition on "price" among the applications: an action involving a larger budget can be better scored than an action with a smaller budget. The proposal will be judged against the relevance, impact and quality of the action for which the grant is requested, taking into account principles of efficiency and economy.

### 2.4. Who is the grant beneficiary?

A grant beneficiary is defined as any natural or legal person with whom a grant agreement has been signed (or to whom a grant decision has been notified). A mono-beneficiary grant means that there is only one entity responsible for the implementation of the action. In case of a multi-beneficiaries grant there are several entities responsible. Under this call for proposals the Commission intends to provide multi-beneficiary grants only.

### 2.5. What are the responsibilities of a coordinator?

In the case of a multi-beneficiary grant, as will be the case under this call for proposals, a coordinator among the beneficiaries shall be nominated. The coordinator will be the intermediary for all communications with the Commission: the coordinator will submit the proposal, sign the agreement on behalf of the consortium, monitor that the action is implemented according to the agreement, establish the requests for payment, be the recipient of payments to be further transferred to the consortium members and provide all the necessary documents in the event of audit, checks or evaluations. To this end, the co-beneficiaries shall agree in writing upon appropriate internal arrangements, consistent with the provisions of the grant agreement.
2.6. Which non-beneficiary parties and how can be involved in a grant action?

Non-beneficiary parties, can be involved in the grant actions in the following ways:

- As affiliated entities – please see points 2.7-2.9 for more information,
- As contractors or sub-contractors – please see points 2.10 for more information,
- As third parties receiving financial support in the form of grants from the beneficiary – please see point 2.21 for more explanation.

The eligible costs of such non-beneficiary parties are reimbursable unless specified otherwise in the call. Please note that under this call for proposals costs of third parties receiving financial support in the form of grants from the beneficiary are not eligible.

2.7. What are affiliated entities? What is their relation to the grant beneficiary?

The Financial Regulation defines entities affiliated to the beneficiaries as non-beneficiary parties involved in the action, which share the right with the beneficiaries to declare the costs they incur as eligible. This category addresses in particular the situation of entities in clusters, groups, networks and decentralised organisations of administrations and companies.

An entity affiliated to a beneficiary under this call for proposals is an entity that fulfils the following cumulative conditions:

(a) In all cases, it complies with the eligibility and non-exclusion criteria applying to applicants to ensure that affiliated entities are not used to circumvent the eligibility rules and to channel EU funds to entities not targeted by the action;

(b) It has a structural link with a beneficiary, in particular a legal or capital link. The legal and capital link defining the affiliation encompasses mainly two notions:

(i) Control, as defined in Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

Entities affiliated to a beneficiary may hence be: entities directly or indirectly controlled by the beneficiary (daughter companies or first-tier subsidiaries); entities controlled by an entity controlled by the beneficiary (granddaughter companies or second-tier subsidiaries); entities directly or indirectly controlling the beneficiary (parent companies); entities controlling an entity controlling the beneficiary; Entities under the same direct or indirect control as the beneficiary (sister companies).

(ii) Membership, i.e. the beneficiary is legally defined as a e.g. network, federation, association in which the proposed affiliated entities also participate or the beneficiary participates in the same entity (e.g. network, federation, association) as the proposed affiliated entities.

(c) The structural link referred to in point (b) is neither limited to the action nor established for the sole purpose of its implementation. This means that the link would exist independently of the award of the grant; it should exist before the call for proposals and remain valid after the end of the action.
The beneficiaries are fully responsible for the implementation of the tasks assigned to its affiliated entities, from operational and financial points of view. Therefore, they must inform the Commission of any change to the situation of their affiliates and they are financially responsible for any amount that would have been paid as reimbursement of costs unduly declared by its affiliated entities. They also must ensure that the eligibility criteria applying to its own costs apply mutatis mutandis to the costs incurred by its affiliates. Last but not least, the beneficiaries must ensure that their affiliates respect the right of checks and audits of the Commission, the OLAF and the European Court of Auditors.

2.8. What are affiliated entities in the case of public bodies and publicly owned entities?

Publicly owned entities and public bodies (entities established as such under national, European or international law) are not always considered as affiliated entities (for example public universities or research centres). The notion of affiliation in the public sphere covers:

- The different levels of the administrative structure in case of decentralised administration. Example: National, regional or local ministries in case of separate legal entities can be considered as affiliated to the State to avoid interference with the various institutional set-ups in the different Member States;

- A public body established by a public authority to serve an administrative purpose and which is supervised by the public authority. This condition is to be verified on the basis of the statutes or other act establishing the public body. It does not necessarily entail that the public body is financed, in full or part, from the public budget. Example: National schools for the judiciary or for the police are affiliated to the State.

2.9. What are not affiliated entities?

The following are not entities affiliated to a beneficiary:

- Entities that have entered into a (procurement) contract or subcontract with the beneficiary, act as concessionaires or delegates for public services for the beneficiary,

- Entities that cooperate on a regular basis with the beneficiary on the basis of a memorandum of understanding or share some assets,

- Entities that have signed a consortium agreement under the grant agreement.

2.10. Is outsourcing of parts of the grant action possible? What is the difference between contracting and sub-contracting?

The implementation of the grant action will usually necessitate purchase of goods and/or services (contracting). Therefore costs incurred by the beneficiaries for such purchases from non-beneficiary parties – if complying with all other criteria of eligibility – will represent eligible costs.

The organisation of the procurement of goods and/or services, including compliance with national public procurement rules, is the responsibility of the beneficiary. The only
The Financial Regulation further differentiates "sub-contracting" which is contracting with the aim to externalise specific tasks or activities which form part of the action. Sub-contracting must be justified by the nature of action and cover only a limited part of the action: core activities and tasks of the coordinator must not be subcontracted. The related costs must be identified in the estimate budget and the role of the sub-contractors must be clarified in the description of the action of the beneficiary.

Please also see points II.9 and II.10 of the model grant agreement.

2.11. Will all the budget be spent, i.e. a minimum amount of proposals accepted in any case?

The budget specified in the call represents the maximum budget available. The Commission will co-finance only proposals selected in the evaluation procedure. Not all available budget resources must be spent.

2.12. What if the planned action requires a budget higher than the maximum grant amount per action under one of the themes?

The maximum grant amount per action under one of the themes as indicated under point 2 of the call for proposals is:

A. EUR 2.5 million,
B. EUR 0.5 million,
C. EUR 1.4 million.

For instance, the maximum grant amount for an action under theme A (ERDF and/or CF) of €2.5 million actually implies that an action which would receive a grant of this amount would have estimated eligible costs higher than €2.5 million as the grant amount is calculated as a percentage of eligible costs.

Please also note that the final grant amount will be calculated by applying the percentage for the co-financing rate as stipulated 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.

2.13. How to apply the maximum grant amount per action with the maximum grant amounts per theme in actions combining themes A, B or C?

Applications for actions combining themes A, B or C will need to respect on one hand the maximum grant amount per theme and on the other hand the maximum grant amount per action.

To this end, point 3.1 of the application form has to specify which applicant (and his estimated eligible costs) is associated to which theme. If the same applicant can be associated to more than one theme, the applicants are required to specify and justify a breakdown of the estimated eligible costs among the themes concerned.
The grant amount per theme will be obtained by applying the requested co-financing rate to the estimated eligible costs associated to this theme. This amount must not exceed the maximum grant amount for this theme (i.e. EUR 2.5 million for ERDF and / or CF, EUR 0.5 million for ESF and EUR 1.4 million for the EAFRD).

Finally, the sum of grant amounts requested per theme must not exceed EUR 2.5 million.

2.14. What if the planned project requires a co-financing higher than the maximum co-financing rate of 95%? Can it be exceptionally accepted?

No, the maximum co-financing rate of the actual eligible costs must not be exceeded.

2.15. Is there a minimum grant amount?

The call does not define the minimum grant amount. However, under the award criteria the integral and the comprehensive nature of activities proposed to be carried out under a given grant action will be assessed. The Commission encourages potential beneficiaries to submit proposals which group a wide-ranging set of activities under the common objective to assess the possible use of one or more financial instruments in a given investment priority.

2.16. What costs are eligible?

Eligible costs are costs actually incurred, i.e. generated, by the beneficiary of a grant and its affiliated entities if applicable which meet all of the following criteria identified in the Financial Regulation\(^5\) and recalled in article II.19.1 of the model grant agreement:

- They are incurred during the lifetime of the action, with the exception of costs relating to final reports and audit certificates;
- The period of eligibility of costs will start as specified in the grant agreement;
- They are indicated in the estimated budget of the action;
- They are necessary for the implementation of the action which is the subject of the grant;
- They are 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 established and according to the usual cost accounting practices of the beneficiary;
- They comply with the requirements of applicable tax and social legislation;
- They are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

\(^5\) Article 126
The beneficiary's internal accounting and auditing procedures must permit direct reconciliation of the costs and revenue declared in respect of the grant action with the corresponding accounting statements and supporting documents.

**The categories of direct eligible costs, i.e. those which are directly linked to the implementation of the actions and can therefore be attributed directly to it, are specified in articles I.10, I.11 and II.19.2 of the model grant agreement. They include, *inter alia*:**

- the costs of personnel assigned to the action;
- costs of travel and related subsistence allowances, provided that these costs are in line with the beneficiary's usual practices on travel;
- costs of consumables and supplies;
- costs arising directly from requirements imposed by the Agreement (dissemination of information, specific evaluation of the action, audits, translations, reproduction);
- costs entailed by subcontracts.

Value added tax (VAT) is considered as eligible 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/EC on the common system of value added tax.

**Indirect costs are declared on a flat-rate basis of 7% of the direct eligible costs.** These can include maintenance, stationery, photocopying, mailing postage, telephone and fax costs, heating, electricity or other forms of energy, water, office furniture, insurance and any other expenditure necessary for the successful completion of the grant action. Postage costs are considered as overhead costs and cannot be accepted under the headings "publications" or "administration". 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.

Documentation justifying costs must be kept by the beneficiary/ies for **five years** following the Commission's final payment. For low value grants (below EUR 60,000), the justifying documents must be kept by the beneficiary/ies for **three years** following the Commission's final payment. (FR Art. 136)

**2.17. How to estimate personnel costs?**

The costs of staff (permanent or temporary staff working under an employment contract with the beneficiary/ies, and if applicable with the affiliated entities, or an equivalent appointing act) and assigned to the implementation of the action, comprising actual salaries plus social security charges and other statutory costs included in the remuneration, are eligible. Those costs may include additional remuneration, including payments on the basis of supplementary contracts regardless of their nature, provided that it is paid in a consistent manner whenever the same kind of work or expertise is required and independently from the source of funding used. 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.

The salary costs should not exceed the average rates corresponding to the beneficiary's/ies' usual policy on remuneration. In addition, they should not be higher than the generally accepted market rates for the same kind of task.

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;

Other natural persons who receive a fee and/or submit an invoice for their services are considered external experts and are subject to the rules governing the award of contracts. The cost of any work to be performed by external experts must not be included in staff costs but under services.

Please fill in the form reserved for these costs in the budget estimate (see application form) by indicating the number of FTEs (full time equivalents) to be remunerated, the number of days of work to be performed and the daily rate calculated on the basis of an average of 225 workable days per year or determined 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 (provided what is established in the appropriate legislation):

Days/year 365 days

Less 52 weekends 104 days

Less annual holidays 25 days

Less statutory holidays 11 days

Total workable days = 225 days

Daily rate = (Gross actual salaries plus social security charges + statutory costs)/Total workable days

Should your proposal be financed by the Commission, only the real costs (i.e. actual salaries) will be considered eligible costs.

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 balance payment, the beneficiary/ies 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.

The estimated budget form differentiates between five categories of staff: management & coordination, administration & implementation, secretarial, accounting and other staff.

Please note that these sub-categories have an informative value only and the Commission does not provide formal definitions or criteria for their classification. The applicants decide which costs to put in which categories. The approach chosen in the estimated budget shall be followed in a consistent manner throughout the duration of the action.

2.18. How to estimate travel and related subsistence allowances?

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

Travel costs must not exceed the most reasonable rates available on the market. 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 related subsistence allowances cover accommodation and the Daily subsistence allowance (DSA) which is paid as a flat-rate amount and 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 trip:

- 6 hours or less: 20% DSA and any transport costs on the basis of supporting documents;
- 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.
Costs for subsistence allowances which do not respect the scales for DSA and accommodation as indicated in the table below may be considered ineligible by the Commission as not being reasonable, justified, and complying with the principle of sound financial management.

The maximum amounts (in EUR per calendar day) for DSA and accommodation accepted for each country are set out in the table below, and applicants are advised to adhere to these rates in their budget estimates.

<table>
<thead>
<tr>
<th>Member State</th>
<th>DSA in EUR</th>
<th>Max. accommodation/hotel price in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>95.00</td>
<td>130.00</td>
</tr>
<tr>
<td>Belgium</td>
<td>92.00</td>
<td>140.00</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>58.00</td>
<td>169.00</td>
</tr>
<tr>
<td>Croatia</td>
<td>60.00</td>
<td>120.00</td>
</tr>
<tr>
<td>Cyprus</td>
<td>93.00</td>
<td>145.00</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>75.00</td>
<td>155.00</td>
</tr>
<tr>
<td>Denmark</td>
<td>120.00</td>
<td>150.00</td>
</tr>
<tr>
<td>Estonia</td>
<td>71.00</td>
<td>110.00</td>
</tr>
<tr>
<td>Finland</td>
<td>104.00</td>
<td>140.00</td>
</tr>
<tr>
<td>France</td>
<td>95.00</td>
<td>150.00</td>
</tr>
<tr>
<td>Germany</td>
<td>93.00</td>
<td>115.00</td>
</tr>
<tr>
<td>Greece</td>
<td>82.00</td>
<td>140.00</td>
</tr>
<tr>
<td>Hungary</td>
<td>72.00</td>
<td>150.00</td>
</tr>
<tr>
<td>Ireland</td>
<td>104.00</td>
<td>150.00</td>
</tr>
<tr>
<td>Italy</td>
<td>95.00</td>
<td>135.00</td>
</tr>
<tr>
<td>Latvia</td>
<td>66.00</td>
<td>145.00</td>
</tr>
<tr>
<td>Lithuania</td>
<td>68.00</td>
<td>115.00</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>92.00</td>
<td>145.00</td>
</tr>
<tr>
<td>Malta</td>
<td>90.00</td>
<td>115.00</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>93.00</td>
<td>170.00</td>
</tr>
<tr>
<td>Poland</td>
<td>72.00</td>
<td>145.00</td>
</tr>
<tr>
<td>Portugal</td>
<td>84.00</td>
<td>120.00</td>
</tr>
<tr>
<td>Romania</td>
<td>52.00</td>
<td>170.00</td>
</tr>
<tr>
<td>Slovakia</td>
<td>80.00</td>
<td>125.00</td>
</tr>
<tr>
<td>Slovenia</td>
<td>70.00</td>
<td>110.00</td>
</tr>
<tr>
<td>Sweden</td>
<td>97.00</td>
<td>160.00</td>
</tr>
<tr>
<td>Spain</td>
<td>87.00</td>
<td>125.00</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>101.00</td>
<td>175.00</td>
</tr>
</tbody>
</table>

The total amount calculated according to the above mentioned rules regarding DSA shall constitute a maximum. 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.

The DSA are subject to periodic review by the Commission and changes if any will be communicated to the beneficiaries.

The attendance lists of all meetings that take place in the context of the action must be signed by all participants. These lists must be provided to the Commission if so requested.
2.19. **What costs are ineligible?**

In addition to any other costs which do not fulfil the conditions set out in 126 of the Financial Regulation, the following costs are ineligible (please see also articles I.10, I.11 and II.19.3 of the model grant agreement):

- Depreciation costs of equipment and other assets
- Costs of financial support to third parties
- 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 a beneficiary and covered by another action receiving a European Union grant. In particular, indirect costs shall not be eligible under a grant for an action awarded to a beneficiary who already receives an operating grant financed from the Union budget during the period in question;
- Indirect costs shall not be eligible under a grant for an action awarded to a beneficiaries which already receives an operating grant financed from the Union budget during the period in question;
- Contributions in kind;
- Excessive or reckless expenditure;
- Recoverable value added tax (VAT).

2.20. **What are contributions in kind and why are they not eligible under this call for proposals?**

Contribution in kind is the provision of goods or services to the beneficiary free of charge, e.g. voluntary work. Contributions in kind do not therefore involve any expenditure for the beneficiary and are not entered in his accounts.

Contributions in kind are not eligible under this call following the Commission’s risk assessment which took into account: on one hand the fact that this type of free-of-charge contributions is not expected to play an important role in grant actions eligible under this call, and on the other the difficulty in calculating the equivalent financial value and in assessing whether contribution in kind has indeed been provided.
For the sake of clarity the Commission would like to underline that the use by the beneficiary of e.g. his own staff for the purposes of implementing the action does not represent a contribution in kind since this constitutes a cost for the beneficiary and may consequently constitute a direct (or indirect) cost of the action. If the beneficiary intends to bear such cost himself, i.e. does not request reimbursement, it counts as his financial contribution to the grant action.

2.21. Why costs of "financial support to third parties" are not eligible under this call for proposal?

The term "financial support to third parties" is used in the FR for the case where the beneficiary of an EU grant is using it for provision of grants to third parties with the aim to achieve specific policy objectives. Under this call financial support to third parties is not eligible as it is the managing authorities who are expected to achieve the EU objective by their action.

2.22. Are costs incurred before signing the grant agreement, e.g. for preparation activities, eligible?

To be considered eligible costs must be incurred during the implementation of the action. As a general rule costs incurred before the starting date of the action are not eligible unless the applicant can demonstrate the need to start the action before the agreement is signed. In this case the period of eligibility of costs will start no earlier than the date on which an admissible grant application is submitted.

As activities may not start before the first day following the date when the last party signs the grant agreement (see article I.2 of the model grant agreement), costs incurred for preparation activities are not eligible.

2.23. How will the final grant 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 reduce the grant requested if the proposal is acceptable but considered too expensive, and to reduce individual costs if these are estimated to be too high.

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.

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.

As a result, if the actual expenditure turns out to be lower than the expenditure you budgeted, the actual grant will also be reduced in application of the percentage contribution which will remain the same. If the actual expenditure turns out to be higher than the expenditure budgeted, the EU grant will not be increased. 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 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. 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 beneficiary/ies to carry out the action.

2.24. Does the non-profit rule mean that commercial entities cannot be involved in the grant action and that their costs are therefore ineligible?

The non-profit rule is applied at the level of the action when the balance payment is made, i.e. when the action is terminated. It is verified that the EU grant did not generate profit for the beneficiaries in terms of a surplus of action revenue over its expenditure. The costs incurred by commercial entities or for purchase of goods or services from commercial entities, if compliant with eligibility criteria explained above, will count as expenditure of the action.

2.25. How much time does it take from the submission of the application to receiving the grant?

The indicative schedule for the different stages of the selection procedure indicated in the call takes into account the new maximum periods provided in the Financial Regulation: a maximum of 6 months from the deadline to submit the proposals to inform applicants about the outcome of their applications and a maximum of 3 months from the information about the outcome of the applications to the effective signature of the grant agreements. However, these periods may be exceeded in exceptional cases, in particular for complex actions, for when there are a large number of proposals or delays attributable to the applicants.

3. SUBMISSION AND EVALUATION OF THE PROPOSALS

3.1. How do I submit my application?

The application should be submitted by the coordinator. The instructions specified in the call, in particular respecting the deadline for application, shall be strictly respected.
3.2. What do I need to fill in practically?

The applicants need to fill in the application form, including the declaration of honour and the budgetary form. The form must be duly signed and dated.

3.3. Can I submit an application drafted in my mother tongue?

Applications must be drafted in one of the EU official languages. If the application is not submitted in English, it should be accompanied by a summary in English.

3.4. In which currency should the estimated budget be drawn up?

The budget must be drawn up in Euro. Applicants that foresee that costs will not be incurred in Euro, are invited to use the exchange rate published on the Info-euro website available at 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.

3.5. What does it mean that the budget estimate must be balanced?

The budget estimate must be balanced in the sense that the two totals (income and expenditure) must be equal. Please make sure that all the items related to the implementation of the action are included and not just those for which co-financing is being sought.

The income side of the budget must show:

- The beneficiary's contribution in cash: the direct monetary contribution from the applicant's own resources and/or the contribution from any other fund providers. This means an effective expenditure, i.e. a financial flow that can be traced in the written accounts. Placing a civil servant remunerated by a public administration, or an employee of a company or organisation, at the disposal of the project is treated as a cash contribution since this gives rise to an expense that can be identified in the accounts of these administrations or organisations. By way of another example: if a meeting room is made available paying the cost of rental, then this is treated as a cash contribution, which may be included in the direct eligible costs of the project and on the income side.

- 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) and

- The EU grant: the grant requested from the Commission.

3.6. What if I made a clerical mistake in the application which had already been submitted? Can I correct it by sending an updated application?

The application already submitted can be modified until the deadline for submission of applications. After the deadline, no modifications by the applicants can be made. However, if there is a need to clarify certain aspects or for the correction of clerical mistakes, the Commission may contact the applicant for this purpose during the evaluation process.
3.7. Why do affiliated entities need to be identified in the application?

Since the costs incurred by affiliated entities can be considered eligible (if they fulfil all the other relevant criteria) affiliated entities, their role and estimated budget, must be identified in the application. Affiliated entities are proposed and identified by the applicants; the Commission will verify the affiliation and non-exclusion according to the evaluation criteria published in the call. Affiliated entities will subsequently be also identified in the grant agreement.

3.8. What are exclusion criteria?

Exclusion criteria are defined in Art 106 and 107 of the Financial Regulation. Entities that are in any of the situations listed there are not allowed to receive EU grant. The applicants must sign a declaration of honour (which is attached to the application form) confirming that they:

- are not bankrupt or being wound up or having their affairs administered by the courts;
- have not suspended business activities;
- have not been convicted of an offence concerning their professional conduct by a judgment of a competent authority;
- are not guilty of grave professional misconduct proven by any means;
- are in compliance with their obligations relating to the payment of social security contributions or the payment of taxes;
- are not subject of a judgment for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity.

3.9. What is the purpose of selection criteria?

Selection criteria have as objective to make sure that only applicants who are capable of completing the proposed action are retained.

The capability should be twofold: in terms of sufficient financial resources and in terms of sufficient operational resources, such as staff with appropriate competencies and functioning organisation.

3.10. How will the financial capacity of applicants be assessed?

According to the Financial Regulation, the verification of the financial capacity of public bodies is waived.

For applicants who are private bodies the way in which they need to demonstrate their financial capacity varies in function of the grant amount which they request in their application. Please note that also in the case of an application submitted by more than one applicant, the verification of the financial capacity is done per applicant. Therefore, the below thresholds apply to grant amount per applicant.
If the requested grant amount is equal or lower than €60,000, a declaration of honour is enough. If the amount is higher, in addition to the declaration of honour the applicants are requested to fill in a table provided in the application form with their relevant statutory accounting figures. Furthermore, if the requested grant amount is equal or higher than €750,000 also an audit report by an approved external auditor certifying the accounts for the last financial year available is required.

3.11. How will the operational capacity of applicants be assessed?

Each applicant is requested to provide a description of the relevant competences and previous experience and those of the key staff who will be involved in the project (according to their CVs) in the application form and to submit a declaration on their honour (attached to the application form).

3.12. What is the purpose of award criteria?

The award criteria are there to assess the proposed action. Please see the call for proposals for the list of award criteria, their weighting and minimum score.

3.13. Who will evaluate the received proposals?

The evaluation committee will consist of at least three Commission staff representatives with appropriate background and with no hierarchical link between them. The applications will be treated on a confidential basis and will be opened only after the deadline for submission of applications elapses. The evaluation committee will score eligible proposals using exclusively the criteria published in the call for proposals, and notably the award criteria scheme.

4. GRANT AGREEMENT, PAYMENTS & REPORTING AND CHECKS & AUDITS

4.1. What is the purpose of the model grant agreement attached to the call for proposals?

Once selected, the beneficiary will sign a grant agreement with the Commission which will represent the legal commitment of both sides, containing special and general conditions.

The grant agreement will be signed in English.

A model grant agreement is annexed to the call for proposals. Please note that by signing the application, the applicants declare that, in case they are awarded a grant, they accept the conditions defined in the model grant agreement. Therefore, please read it carefully and ask for any clarification needed before submitting your application.

The key elements of special conditions, i.e. those which may vary on the case by case basis, are:

- Entry into force of the agreement and duration of the action
- Maximum amount and co-financing rate of the grant
• Provisions on reporting, payments and payment arrangements, including pre-financing

General conditions are the standard clauses used by the Commission, for instance regarding:

• Obligations and roles of beneficiaries, liabilities
• Confidentiality, conflict of interest and processing of personal data
• Visibility of EU funding
• Awards of contracts and subcontracting
• Suspension of the action, termination of the agreement
• Eligible costs
• Checks, audits and evaluation

4.2. What are the rules for payments and reporting?

The payment procedures are laid down in article I.4 of the model grant agreement.

Payments will be made to the beneficiary acting as co-ordinator. Taking into account the expected duration for the action of one year, payment of the grant will be made in two instalments (a pre-financing payment and a final payment).

• A pre-financing payment of 40% at the entry into force of the grant agreement following its signature;

• The balance will be paid upon acceptance by the Commission of the final technical implementation report and the final financial statement in accordance with article II.23.2.(c) of the model grant agreement and the attached model reports.

4.3. When are external audits required?

An external audit report is required in the following cases:

• Audit report in support of grant applications:

Organisations' proposals for an action for which the grant exceeds EUR 750 000, shall be accompanied by an external audit report produced by an approved external auditor. This report should certify the accounts for the last financial year available. This will not apply if there has been already an application made to the same authorising officer responsible in the same 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. This obligation shall not apply to public bodies.

• Audit report in support of requests for payment:

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** or external auditor 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.

**The audit report is compulsory for interim payments and for payments of balance 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.

If an external audit of the action's accounts is not required, 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.