



**UNION CIVIL PROTECTION MECHANISM
FULL-SCALE EXERCISES**

Guide for Applicants

**Version 2.1
06 February 2020**



History of changes

Version	Date	Change
1.0	13.02.2019	▪ Initial version
2.0	14.02.2019	▪ Detailed description of the work packages in Section 5.2
2.1	06.02.2020	▪ Updated PP > FTP references

IMPORTANT NOTICE


The **Guide for Applicants** is a general user guide that aims to explain to **applicants** and **beneficiaries** the rules that apply to the evaluation of their proposals and management of their EU grants.

It covers action grants awarded under the:

UNION CIVIL PROTECTION MECHANISM

UNION CIVIL PROTECTION MECHANISM EXERCISES

- It is designed to be your main **practical reference** for preparing and submitting your proposal and — if successful — for managing your grant.

 *As far as possible, please try to find the answers you need yourself (we have limited resources for handling direct enquiries).*

All terms are explained in the [Glossary](#).

Details on processes and procedures are described in the [Online Manual](#). The Online Manual also contains FAQs and detailed instructions for the Electronic Exchange System



A complete list of reference documents (including legislation, work programme and templates) can be found on the [Funding & Tenders Portal Reference Documents](#) page.

Contacting the Commission directly:

If necessary, you can also contact the UCPM Grant Management Team via [e-mail](#) for questions related to the content of the call for proposals.

For IT questions, please contact the IT help desk via the [contact form](#) available on the Funding & Tenders Portal.

Suggestions or comments on how we could improve this guide for future calls?

Email us at [here](#)

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1. Legal framework

If you are in any doubt about any issues mentioned in this guide, the legally binding rules and conditions for the calls for proposals are in the following documents:

- Regulation No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union ([EU Financial Regulation](#))
- Decision No [1313/2013/EU](#) was amended by Decision 2019/420 of the European Parliament and of the Council on 13 March 2019 (rescEU);
- and the [Commission Implementing Decision](#)¹;
- The relevant [EU Work Programme](#);
- The relevant [call document](#);
- The [model grant agreements](#) (MGAs and FPAs/SGAs).

2. Projects that will be funded — Eligibility conditions — Admissibility requirements — Exclusion grounds — Operational and financial capacity requirements — Award criteria

The types of projects and activities that will be funded are set out in the EU work programme and call document.

Eligibility conditions, admissibility requirements, exclusion grounds, operational and financial capacity requirements and award criteria are explained in the call document.

3. Participants: Roles & responsibilities

Applicants are jointly responsible for their proposal. Each organisation is responsible for submitting correct information in the proposal. The coordinator submits the proposal on behalf (and in the name of) all applicants.

After grant signature, they become “beneficiaries” and are **jointly responsible** for implementing the action (in accordance with the description of action in part B of the proposal which becomes an annex to the grant agreement if the action is selected for funding). They are also jointly financially responsible: if an action is not properly implemented or not finished, the grant may have to be reduced for all beneficiaries.

For consortia, the **coordinator** is responsible for managing the action, submitting reports and deliverables and acting as intermediary for all contacts with the Commission.

The **other beneficiaries** must implement their part of the action and contribute to the formal and administrative grant obligations (*e.g. reporting, etc*).

The action may involve certain types of **third parties** to help with the activities (*linked third parties, subcontractors, third parties giving in-kind contributions, partner organisations, etc*).

Linked third parties (if allowed in the call document) can participate fully in the grant, i.e. implement a part of the action in their own name and claim their own costs. They are in practice very similar to beneficiaries (except that they don’t sign the grant agreement).

¹ Implementing Decision of 16.10.2014 laying down rules for the implementation of Decision No 1313/2013/EU of the European Parliament and of the Council on a Union Civil Protection Mechanism and repealing Decisions 2004/277/EC, Euratom and 2007/606/EC, Euratom (C(2014)7489 final): OJ L320, 6.11.2014, p. 1–45.

Both beneficiaries and linked third parties can use subcontractors to implement certain parts of the action (and charge the price paid to the the subcontractor to the grant).

Moreover, they can also rely on in-kind contributions by third parties (if against payment, they can be charged as project costs; if for free they will be cost-neutral, i.e. cannot be declared as project cost).

⚠️ If you use third parties, they and their contribution must be mentioned (and justified) in Part B of your application.

⚠️ Your consortium set-up must follow the roles of our grant agreements. Participants should be attributed their roles according to their real contribution to the project. The main actors should be the beneficiaries. All other roles should perform secondary tasks.

This means for instance that:

- Beneficiaries/linked third parties may NOT subcontract tasks to other beneficiaries/linked third parties
- The key coordinator tasks listed in the grant agreement may NOT be subcontracted (or delegated to another beneficiary); they may however be performed by a linked third party of the coordinator
 - If beneficiaries/linked third parties give in-kind contributions to other beneficiaries/linked third parties, their cost can normally simply be declared by the contributing beneficiary/linked third party (if the contributions are particularly important for the project, it may however make sense to specifically mention them in the description of the action)

⚠️ In the interests of equal treatment, you must NOT change your consortium set-up after you have submitted your project proposal.

⚠️ **Operating grants** — Operating grants are by definition mono-beneficiary grants without linked third parties (NOT allowed). Otherwise the same third party rules apply as for action grants (subcontracting, in-kind contributions, etc).

⚠️ **FPA/SGA** — The consortium composition must be identical at FPA and SGA level; partners/linked third parties that do not want to actively participate in a specific action may however participate as silent partners ('partners not carrying out action tasks').

4. Type of grant


The grant is a **reimbursement of eligible costs grant**.


This means that it reimburses ONLY the costs you *actually* incur for your project (NOT the *budgeted* costs).

The costs will be reimbursed at the **reimbursement rate** and up to the **maximum grant amount** fixed in the grant agreement.

The grant will be **paid out** in one or more parts:

- Pre-financing payment(s) (*if foreseen in the grant agreement*) — designed to provide beneficiaries with a float; normally paid at the beginning of the project
- Payment of the balance — reimburses the outstanding part of the costs incurred for the project implementation; calculated as the difference of total amount due and payments already made; paid on receipt and approval of the final report.

 If the total amount of earlier payments is greater than the final grant amount, we will have to recover the difference (i.e. you will have to pay back money).

 **Types of grants** — The standard format for all EU grants is a simple **action grant** (i.e. a grant agreement for implementing a project).

Exceptionally, some grants do not support individual projects but the functioning of organisations (**operating grants**) or are given in two phases (award of a **framework partnership (FPA)** followed by specific grants under the framework partnership).

5. How to submit your proposal

All proposals must be submitted directly online via the Funding & Tenders Portal Submission System. *Paper applications are no longer accepted.*

The **submission process** is explained in the [Funding & Tenders Portal Online Manual](#) (together with detailed instructions for the IT tool).

Submission is a 2-step process:

- a) **Register your organisation**
- b) **Submit the proposal** — in 3 parts, as follows:
 - Part A includes administrative information about the applicant organisations (future coordinator and beneficiaries) and the summarised budget for the proposal
Fill in directly online.
 - Part B (description of the action) covers the technical content of the proposal.
Fill in the word template and upload as PDF file.
 - Annexes (*if required in the call document*).
Upload as PDF files.

The proposal must be submitted before the **call deadline** (specified in the call document). After this deadline, proposals will be automatically disregarded by the system and considered not to have been submitted.

The proposal must keep to the **page limits** (specified in the proposal form); excess pages will be disregarded.

Documents must be uploaded to the **right category** (otherwise the proposal might be incomplete and so inadmissible).

Applicants can submit proposals in any official EU **language**. However, for reasons of efficiency, it is strongly advised to use English. Applicants that need the call document in another official EU language must submit a request within 10 days after call publication via the contact information mentioned in the call for proposals.

⚠️ We strongly advise you to complete your proposal **sufficiently in advance** of the deadline, to avoid any last minute problems. Any technical problems due to last minute submissions (*e.g. congestion, etc.*) will be at your risk. The call deadline will NOT be extended.

⚠️ Even though you can save successive versions of your application as you go, we strongly encourage you to have fully prepared your proposal before starting the online submission process (*sample text can be downloaded from the [Funding & Tender Portal Reference Documents](#) page*).

⚠️ To complete part A, all applicants must be **registered** in the [Participant Register](#) and have communicated their PIC to the coordinator. Linked third parties must also register, but later on during grant preparation. Subcontractors do NOT need to register.

⚠️ You may submit several proposals (and an organisation may participate in several applications), however those proposals must be for *different* projects.

If you have made several applications for the same project, you will be asked to clarify which application you would like us to evaluate (projects may normally receive only one grant from the EU budget).

⚠️ If you submit Part B of the proposal in a **language** other than English, please write your abstract/project summary (both in Part A and in Part B) in English.

5.1 Preparing your submission

You must do 3 things before submitting your application:

- Read the key background documents: work programme and call document
- Create an EULogin user account (if you don't already have one; former ECAS account)
- Register your organisation in the Beneficiary Register.

Read the background documents

Check whether:

- Your project falls within the scope of the call
- Your organisation/proposal meets the eligibility criteria

and inform yourself about the:

- Award criteria
- Financial and operational capacity requirements
- Exclusion criteria
- Admissibility conditions (*e.g. call deadline, page-limits, etc.*)
- Other (*e.g. pre-financing guarantees*).

For UK applicants: Please be aware that eligibility criteria must be complied with during the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that British applicants continue to be eligible, you will cease to receive EU funding or be required to leave the project based on the termination provisions.

Create a user account


To use the Funding & Tenders Portal Electronic Submission System (the only way to apply), all participants need to [create an EULogin user account](#).

Register your organisation in the Beneficiary Register


Once you have an EULogin account, you can [register your organisation](#) in the Beneficiary Register.

When your registration is finalised, you will receive a 9-digit participant identification code (PIC). You will need the PIC numbers (for the coordinator and the other applicants) to complete Part A of the application. PICs of linked third parties are not needed at this stage (they will have to register later on).


The person who registered the organisation can submit updates and corrections (including supporting documents) at any point before the call deadline (afterwards this can be done only by the legal entity appointed representative (LEAR)).

 You don't need to complete the registration process in a single session. You can enter some information, save it and continue later.

5.2 How to fill out your application

 To give your proposal the best chance of being selected for funding, make sure it is:

- **Relevant** — address the relevant priorities in the topic.
- **Complete** — include all the relevant information. Follow closely the format of the template in part B and ensure you upload all the information requested.
- **Clear & concise** — don't interpret completeness as a requirement to include as much information (and words) as possible. Your proposal must also be easy to understand, precise and focused on substance.
Respect the page limit. Do not repeat information.
- **Management-focused** — clearly indicate the resources you will allocate to managing the intended activities, especially financial management (ensuring the funding you are requesting will be adequate to finance the planned activities).
- **Results/impact-oriented** — clearly show the results that will be achieved, and how you intend to disseminate/use them. Include a sound and credible evaluation plan, not only focusing on process evaluation, but also looking at outcomes.


 **Operating grants & FPA/SGAs** — Operating grants and FPAs/SGAs have slightly different proposal forms, but the overall idea is the same: we need a detailed description in order to evaluate the quality of the proposal and whether it complies with all the conditions for funding.

Part A — Administrative forms

Part A of the proposal must be filled out directly online.

List of Participants

This section should list the organisations that wish to participate as beneficiaries. Other participants (linked third parties, subcontractors, etc.) should only be mentioned in Part B.

 All applicants must also register in the Beneficiary Register before proposal submission. Linked third parties can register later on (during grant preparation). Other third parties do not need to register.

Contact details

Please make sure that the e-mail address you give is correct and working as it will be used if we have to contact you for more information when evaluating the proposal.

Abstract of the proposal

The abstract of the proposal presented in the on-line form should correspond to the summary presented in Part B – Description of the action.

Budget overview table

The budget overview table should show the total *estimated* expenditure and receipts for each applicant, per budget category.

Column	Budget category
A	Direct personnel costs <i>Indicate costs for personnel. Include only persons working on the action (and only for their estimated time of work on the action).</i>
B.1, B.2	Direct costs of travel & subsistence <i>Indicate costs for travels.</i>
C	Direct costs of subcontracting <i>Indicate costs for subcontracted action tasks.</i>
D	Costs of financial support to third parties <i>Not applicable</i>
E	Other direct costs <i>Include costs for equipment, consumables, conferences, publications and other goods and services, provided they are not for subcontracted action tasks.</i>
F	Indirect costs <i>Automatically calculated (at the indirect cost flat-rate set out in the call document).</i>

G	Total costs <i>Automatically calculated.</i>
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H	Receipts <i>Indicate project-generated income and financial contributions from third parties that are specifically to be used to cover eligible costs.</i>
I	Reimbursement rate <i>Pre-filled (at the reimbursement rate set out in the call document).</i>
J	Maximum EU contribution <i>Automatically calculated.</i>
K	Requested EU contribution <i>Indicate the amount of EU funding you would like to have for the project.</i>

Only the white cells of the budget table in the Submission System need to be filled in (the grey cells are not applicable or automatically filled by the system).

The budgeted costs should be based on a detailed and accurate estimation of your project costs (based on the cost eligibility rules set out in Article 6 of the grant agreement and in Appendix 1 to this guide).

They should include all your estimated costs (including those of your linked third parties).

You may include only *eligible* costs (i.e. costs that fulfil the eligibility conditions).

Keep your estimates on file — you may be required to produce them later on.

The amounts presented in the overview budget table must correspond to the amounts calculated in the detailed budget tables attached to Part B – *Description of the Action* (see below). In case of discrepancies, the amounts presented in the on-line overview budget table will prevail.

Part B – Description of the exercise project

The description of the exercise project includes the following sections:

- *Summary of the project and dates context & needs analysis (Part 1)*
- *Context of the project, needs analysis and purpose (Part 2)*
- *Aim, objectives and methodology (Part 3)*
- *Description of Work Packages and activities (Part 4)*
- *Presentation of applicants and sustainability (Part 5)*
- *Information Concerning Other EU Funding (Part 6)*

These sections should contain a pitch for the project, its context, aim and objectives *its outputs* and methodology.

Description of Work Packages and activities

All activities must be grouped in a logical, consistent and structured way into separate **work packages**.

All work packages must present a clear, logical link to the action objectives and to the other work packages.

Ideally, each work package should constitute a **sub-part of the action**, a step leading to the achievement of the action's overall goals.

The Work packages from A to F mentioned below are **mandatory** and Work package G is **optional**. Other work packages can be added if necessary:

- WP A – Project management
- WP B – Planning
- WP C – Exercise conduct
- WP D – Dissemination and visibility
- WP E – Evaluation
- WP F – Way forward
- WP G – Workshops, training, seminars and fairs

Each work package has a number of activities (A1, A2, A3... B1, B2...) of which each should be described and presented with a deliverable (tangible or nontangible).

For **work package A**, enter all activities related to the general management and coordination of the project (and any activities that do not relate to any of the work packages leading to a specific result, but which are directly linked to the project as a whole).

At the end of the Part B a template for work packages can be found which can be duplicated if necessary to add more work packages. It can otherwise be deleted if not necessary.

 You are strongly advised to limit the costs of management and coordination to the minimum necessary.

Most of your project spending should be on the activities needed to achieve the project results.

Each work package has **one objective** that should be outlined under "Objective of the work package". There, you should describe briefly why this work package exists and what it is supposed to achieve.

Each work package is then divided into activities. Activities could refer to meetings or any endeavour that is performed. Under each activity you are requested to provide a "Description", the "Expected results" and present the "Deliverables" if there are any. Try to be as straightforward and simple as possible.

A deliverable is any product or service that is "delivered" as a result of the activity. The deliverable of the activity "kick-off meeting" could be a revised action plan, timeline, milestones and minutes.

Be as specific as possible, e.g.:

- *Events — the number of events, title, content, duration, number of participants, etc.*

- *Publications — number of pages, language, format (e.g. printed/electronic), number of printed copies (in each language), etc.*

Be realistic about what you can achieve within the project duration. The scope of your project should be large enough to make a difference, but it doesn't need to produce an excessively high number of deliverables.

If relevant, deliverables can also be internal (i.e. necessary for managing/coordinating/monitoring the project) or refer to intermediate stages of the project (e.g. *questionnaires for a survey whose results will be a final outcome*).

Annexes & supporting documents

 Use the forms provided inside the Submission System (not the documents available on the Reference Documents or Call Topic page — they are only for information).


Please be aware that if your proposal is successful, you will be asked to submit further documents later on (e.g. *financial documents, legal entity validation documents, LEAR appointment documents, etc.*).


Detailed budget table

The detailed budget table (annex to Part B) should show the detailed budget breakdown of the estimated costs in the Part A budget overview table.

It will be taken into account for the evaluation (cost efficiency).

The itemised expenditure should match the project activities described in Part B and linked to the work packages for which they will be used.

 The detailed budget table must be in line with the amounts entered into the Part A budget overview table.

 You should budget ONLY eligible costs (see the grant agreement and the Appendix 1 to this guide).


 Keep your estimates on file (you may be required to produce them later on).

CVs

Provide CVs for the core project team (these are the key staff you have listed in the relevant section of part B).

You can submit CVs in any format — though we strongly recommend you use the [Europass format](#).

As far as possible, upload them in a single PDF file, rather than individually.

 If nobody has yet been recruited for a key job at proposal stage, please provide a description of the profile or job.

Activity report of last year

This report should describe your organisation's activities for the last year.

It should be detailed enough to allow us to check your organisation's aims and activities and its operational and professional capacity.

No finalised annual report yet? Submit the draft version, certified by your organisation's legal representative.

No report of this type is available? Create one for this application and have it certified by your legal representative.

Online versions — If your report is available on your website, you can just provide a link (directly to the document(s), not simply to the homepage) and indicate the link(s) on a separate sheet and upload it as annex (PDF format).

- ⚠ The following organisations do NOT have to provide a report:
 - Applicants that are a public body (i.e. established as public body under national law, e.g. public authorities at local, regional or national level; university).
- ⚠ It is your responsibility to ensure the links are correct and working.

National Operational Structures

The competent national civil protection/maritime authority of each country benefiting from the proposed action must fill in and sign a letter of support (*for details see Call for Proposals document section 7.9*).

For other annexes, consult the call document.

5.3 Help

As far as possible, ***please try to find the answers you need yourself***, in this and the other documentation (we have limited resources for handling direct enquiries):

- [Online Manual](#)
- FAQs on the Call Topic page

Please consult the Call Topic page regularly, since we will publish new information (*e.g. call updates, FAQs*).


If you feel you have no other option:

- Technical questions about the Funding & Tenders Portal Submission System (*forgotten passwords, access rights and roles, technical aspects of proposal submission, etc.*) must be addressed to the IT helpdesk via the [contact form](#) available on the Funding & Tenders Portal.
- Non-IT related questions shall be sent to the following email address: ECHO-CP-TRAINING-EXERCISE@ec.europa.eu

- ⚠ Questions on submission must be:
 - Sent at the **latest 7 days** before the submission deadline
 - Indicating clearly the reference of the call you are interested in or applying to (*see call document cover page*).

5.4 Submission — Acknowledgement of receipt — Complaints

Once the proposal is submitted, you will receive a confirmation e-mail (with date and time of your application).

 If you do not receive this email, it means your proposal has NOT been submitted.


If you believe this is due to a fault in the Electronic Submission System, you should immediately file a complaint via the [Funding & Tenders Portal](#), explaining the circumstances and attaching a copy of the proposal (and, if possible, screenshots to show what happened).

6. Information on the evaluation results

After submission, you will normally not hear from the Commission before the evaluation of all proposals is completed — unless there is a need to clarify matters such as eligibility or to request additional information.

Applications will be checked for formal requirements (admissibility and eligibility) and will be evaluated against the operational capacity and award criteria set out in the call document.

Proposals that do not pass the evaluation will receive a letter at the end of evaluation.


 To ensure equal treatment for all applicants, we can NOT answer any questions on the outcome of the call before the evaluation is completed.

7. Preparing your grant agreement & final legal checks

Successful proposals will be invited to prepare the grant agreement directly online in the Funding & Tenders Portal (so-called 'grant agreement preparation').

At the same time, successful applicants will be requested to submit their financial data and appoint their LEAR and the Commission will finalise the mandatory legal checks (legal entity validation, operational and financial capacity, exclusion and double funding).

If all requirements are fulfilled, the successful applicants will receive an invitation to sign a grant agreement in the Funding and Tenders Portal (signature first by the coordinator on behalf of the consortium and then by the EU). The other beneficiaries must then accede to the grant agreement by signing an Accession Form (also directly in the Funding and Tenders Portal).

 Our model grant agreement clauses are mandatory and the same for all beneficiaries.

8. Managing your grant

Grants are managed exclusively via the Funding & Tenders Portal Grant Management System. *Paper or e-mail communications are no longer accepted.*

The system will prompt any action on beneficiaries' side via PNS e-mail notifications.

For a successful proposal implementation, we mainly require the following:

- **Implement the action** as described in the description of the action (DoA)
- and

- **Report** regularly by filling out the information in the:
 - Funding & Tenders Portal Continuous Reporting Module —open *from the signature of the grant agreement (for submission of deliverables, summary for publication etc.)*
 - Funding & Tenders Portal Periodic Reporting Module — open only at the end of the reporting period(s) *(for periodic and final reports linked to payments)*.

A proper implementation of the action will allow the Commission to process the reports quickly and make the **payments** provided for in the grant agreement.

⚠ Payments will be made exclusively to the coordinator (who must distribute them without delay).

⚠ You will be prompted to submit a financial statement to request payment of the costs incurred during the reporting period.

⚠ You should declare **ONLY** the eligible costs *actually* incurred for the project implementation (NOT the *budgeted* costs or other ineligible costs; *see the grant agreement and the Appendix 1 to this guide*).

⚠ Budget transfers are subject to ceilings/limits (*see the grant agreement*). Beyond those ceilings/limits, you will have to request a formal amendment.

⚠ Keep your calculations on file (you may be required to produce them later on and during an audit you will have to show how each cost item you declared can be reconciled with your accounts).

APPENDIX 1 — ELIGIBLE COSTS

IMPORTANT

This appendix is written for normal action grants. Although the cost eligibility rules for **operating grants** are essentially the same, please cross-check with your grant agreement in order to see the differences (*e.g. no distinction between direct and indirect costs; rules on double funding etc*). For **FPAs/SGAs**, the cost eligibility rules are the same, but at SGA-level.

GENERAL CONDITIONS

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

6.1 General conditions for costs to be eligible

'Eligible costs' are costs that meet the following criteria:

(a) For actual costs:

- (i) They must be actually incurred by the beneficiary;
- (ii) They must be incurred in the period set out in Article 3, with the exception of *[OPTION if applicable to the grant: costs of the kick-off meeting and]* costs relating to the submission of *[OPTION for actions with several RPs and interim payments: the periodic report for the last reporting period and]* the final report (see Article 15);
- (iii) They must be indicated in the estimated budget set out in Annex 2;
- (iv) They must be incurred in connection with the action as described in Annex 1 and necessary for its implementation;
- (v) They must be identifiable and verifiable, in particular recorded in the beneficiary's accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary's usual cost accounting practices;
- (vi) They must comply with the applicable national law on taxes, labour and social security, and
- (vii) They must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding economy and efficiency;

(b) For unit costs: *[OPTION 1: not applicable;]*

[OPTION 2 if unit costs apply:

- (i) *They must be calculated as follows:*

{amounts per unit set out in Annex 2a

multiplied by

the number of actual units};

(ii) *The number of actual units must comply with the following conditions:*

- *The units must be actually used or produced in the period set out in Article 3;*
- *The units must be necessary for implementing the action or produced by it, and*
- *The number of units must be identifiable and verifiable, in particular supported by records and documentation (see Article 13);]*

(c) **For flat-rate costs:**

- (i) They must be calculated by applying the flat-rate set out in Annex 2, and
- (ii) The costs (actual costs or unit costs [*or lump-sum costs*]) to which the flat-rate is applied must comply with the conditions for eligibility set out in this Article ;

(d) For **lump sum costs:** not applicable.

[...]



1. Eligible costs

The grant can **only** reimburse **eligible costs** (i.e. costs that comply with the general and specific conditions set out in this Article) (**'reimbursement of eligible costs grant'**).

⚠️ ONLY eligible costs may be entered into the estimated budget for the action (*see Article 4*) and declared in the financial statements (*see Article 15*).

Record-keeping & burden of proof — The **burden on proof** for eligibility is on the beneficiaries/linked third parties. They must keep sufficient supporting documents (*see Article 13*) to show that the costs they declare are eligible.

Compliance with eligibility rules may be subject to a **check or audit** by us. Any ineligible costs found will be **rejected** (*see Article 28*).

If a beneficiary **declares ineligible costs**, the ineligible costs will be rejected and, if needed, other measures specified in Chapter 6 (*e.g. suspension, termination, grant reduction, etc.*) may be taken.

Article 6.1 refers to general eligibility conditions, applicable per cost form (*see Article 5*).

Article 6.2 refers to specific eligibility conditions, applicable per budget category (*see Article 4*).

2. General eligibility conditions for actual costs

In order to be **eligible**, actual costs must be:

- **Actually incurred by the beneficiary** (i.e.:

- Real and not estimated, budgeted or imputed and
- Definitively and genuinely borne by the beneficiary (not by any other entity)).
- **Incurred during the action duration** (i.e. the generating event that triggers the costs must take place during the action duration)

The 'action duration' is the period running from the action starting date to the end date of the action (*see Article 3*).

If costs are invoiced or paid later than the end date, they are eligible only if the debt existed already during the action duration (supported by documentary evidence) and the final cost was known at the moment of the financial report.

Costs of services or equipment supplied to a beneficiary (or to its linked third party) may be invoiced and paid after the end date of the action if the services or equipment were used by the beneficiary (or to its linked third party) during the action duration. By contrast, costs of services or equipment supplied after the end of the action (or after GA termination) are not eligible.


***Example:** A conference for which costs are claimed must take place during the action duration; a publication for which costs are claimed must have been completed during the action.*

Certain other costs incurred before or after the action duration may be considered exceptionally eligible if the timing is imposed by us (i.e. a bank guarantee to be provided before the action starting date, kick-off meeting organised before the action starting date).

- **Entered as eligible costs in the estimated budget of the action**, under the relevant budget category (*see Annex 2*)


When the final amount of the grant is calculated, the eligible costs cannot include costs under budget categories that did not appear in the action estimated budget, unless the initial estimated budget was amended or if these additional costs were approved in accordance with Article 10.

Costs included in the estimated budget may be transferred between beneficiaries and budget categories without amending the GA under the conditions set out in Article 4.2.

 Budget transfers between categories must stay below 20% of the total costs for the action set out in Annex 2, unless they are approved by an amendment (*see Article 4.2*).

- **Connected to the action as described in Annex 1** (i.e. necessary to achieve the action's objectives)

The EU grant cannot be used to finance activities other than those approved by us.

 **Project management** — Coordination and administration tasks are considered action tasks.

- **Identifiable and verifiable** (i.e. come directly from the beneficiary's accounts (be directly reconcilable with them) and supported by documentation)

The beneficiaries must be able to show (with records and supporting documents; see *Article 18*) the actual costs of the work, i.e. what was actually paid for the work (and for depreciation costs: what is actually recorded in the beneficiary's profit and loss accounts).

Costs must be calculated according to the applicable accounting rules of the country in which the beneficiary is established and according to the beneficiary's usual cost accounting practices.

Example: if a beneficiary always charges a particular cost as an indirect cost, it must do so also for the EU action, and should not charge it as a direct cost.

This may NOT be used as an excuse for non-compliance with other GA provisions. A beneficiary must make any changes needed to bring its usual cost accounting practices in line with all GA provisions.

Examples: conditions for calculation of productive hours (see below); conditions for the eligibility of depreciation costs (in line with the international accounting standards, which may deviate from the accounting rules of the country)

Where national taxation and accounting rules do not require an invoice, an accounting document of equivalent value must be supplied (i.e. a document that (i) is produced to prove that the accounting entry is accurate and (ii) complies with the applicable accounting law).

- In **compliance with applicable national laws on taxes, labour and social security**

AND

- **Reasonable, justified and must comply with the principles of sound financial management, in particular regarding economy and efficiency** (i.e. be in line with good housekeeping practice when spending public money and not be excessive)

'Economy' means minimising the costs of resources used for an activity (input), while maximising quality; 'efficiency' is the relationship between outputs and the resources used to produce them.

Examples:

1. The beneficiary may NOT increase the remuneration of its personnel, upgrade its travel policy or its purchasing rules because of the EU grant.

2. Entertainment or hospitality expenses (including gifts, special meals and dinners) are generally not eligible.

3. Tips which are not obligatory are not eligible. By contrast, in some countries the invoice of the restaurant includes a certain mandatory amount as payment for the 'service'. In this case, the amount may be considered eligible — if the other eligibility conditions are fulfilled.

3. General eligibility conditions for unit costs - NOT APPLICABLE

In order to be **eligible**, unit costs must be:

- Calculated by **multiplying** the **number of actual units** used to carry out the work or produced (*e.g. days spent travelling*) **by the amount per unit**

Example: The unit cost for subsistence is fixed at EUR 120 per day of travel. This amount per unit is also set out in Annex 2a.

- The **number of units** must be **necessary** for the action
- The units must be **used or produced during the action duration**

AND

- The beneficiaries must be able to **show the link** between the number of units declared and the work on the action.

The beneficiaries must be able to show (with records and supporting evidence; see *Article 13*) that the number of units declared was actually used for the action. (The actual costs of the work are not relevant.)

Example: A beneficiary declares 10 days of travel for an action in 2014. If there is an audit, the beneficiary must be able to show a record of the days travelled for the action.

Specific cases (unit costs):

Costs declared on the basis of the usual accounting practices— If a budget category allows for costs declared not as a fixed unit cost, but on the basis of the beneficiary's usual cost accounting practices,:

- The beneficiary:
 - Must calculate the costs according to its usual accounting practices
 - Must budget and declare a total amount (not the units used)
- The amount per unit is not fixed in Annex 2a.

Other costs may NOT be declared according to the usual cost accounting practices. For them, the amounts per unit will be fixed by us and set out in Annex 2a of the GA (see *Article 5.2*).

DIRECT & INDIRECT COSTS

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

[...]

6.2 Specific conditions for costs to be eligible

Costs are eligible if they comply with the general conditions (see above) and the specific conditions set out below for each of the following budget categories:

- A. direct personnel costs;
- B. direct travel and subsistence costs;
- C. direct costs of subcontracting;
- D. not applicable;
- E. other direct costs;
- F. indirect costs.

‘**Direct costs**’ are costs that are directly linked to the action implementation and can therefore be attributed to it directly. They must not include any indirect costs (see Point F below).

‘**Indirect costs**’ are costs that are not directly linked to the action implementation and therefore cannot be attributed directly to it.

[...]



1. Direct costs

‘Direct costs’ are specific costs directly linked to the performance of the action and which can therefore be directly booked to it.

They are:


- Either costs that have been caused in full by the activities of the action
- Or costs that have been caused in full by the activities of several actions (projects), the attribution of which to a single action can, and has been, directly measured (i.e. not attributed indirectly via an allocation key, a cost driver or a proxy).

The beneficiaries must be able to show (with records and supporting evidence) the link to the action.

2. Indirect costs

‘Indirect costs’ are costs that cannot be identified as specific costs directly linked to the performance of the action.

In practice, they are costs whose link to the action can NOT be (or has not been) measured directly, but only by means of cost drivers or a proxy (i.e. parameters that apportion the total indirect costs (overheads) among the different activities of the beneficiary).

 Indirect costs are automatically declared as a **7% fixed flat-rate** of the eligible direct costs (see Article 6.2.F).

There is only one indirect cost rate per action; the amount of indirect costs will be calculated at the same rate for all beneficiaries.

PERSONNEL COSTS

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

[...]

A. Direct personnel costs

Types of eligible personnel costs

A.1 Personnel costs are eligible if they are related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action (**'costs for employees (or equivalent)'**). They must be limited to salaries, social security contributions, taxes and other costs included in the **remuneration**, if they arise from national law or the employment contract (or equivalent appointing act).

They may also include **additional remuneration** for personnel assigned to the action (including payments on the basis of supplementary contracts regardless of their nature), if:

- (a) it is part of the beneficiary's usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required;
- (b) the criteria used to calculate the supplementary payments are objective and generally applied by the beneficiary, regardless of the source of funding used.

A.2 The **costs for natural persons working under a direct contract** with the beneficiary other than an employment contract or **seconded by a third party against payment** are eligible personnel costs, if:

- (a) the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
- (b) the result of the work carried out belongs to the beneficiary (unless agreed otherwise), and
- (c) the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

Calculation

Personnel costs must be calculated by the beneficiaries as follows:

- for persons **working exclusively on the action**:

{ monthly rate for the person
multiplied by
number of actual months worked on the action }

The months declared for these persons may not be declared for any other EU grant.

The **'monthly rate'** is calculated as follows:

{ annual personnel costs for the person
divided by
12 }

using the personnel costs for each full financial year covered by the reporting period concerned. If a financial year is not closed at the end of the reporting period, the beneficiaries must use the monthly rate of the last closed financial year available.

- for persons **working part-time on the action**:

- {hourly rate for the person

multiplied by

number of actual hours worked on the action}.

The number of actual hours declared for a person must be identifiable and verifiable (see Article 13).

The total number of hours declared in EU grants, for a person for a year, cannot be higher than the annual productive hours used for the calculations of the hourly rate. Therefore, the maximum number of hours that can be declared for the grant are:

{number of annual productive hours for the year (see below)

minus

total number of hours declared by the beneficiary, for that person for that year, for other EU grants}.

The ‘**hourly rate**’ is calculated as follows:

{actual annual personnel costs for the person

divided by

number of individual annual productive hours}.

using the personnel costs and the number of annual productive hours for each full financial year covered by the reporting period concerned. If a financial year is not closed at the end of the reporting period, the beneficiaries must use the hourly rate of the last closed financial year available.

The ‘number of individual annual productive hours’ is the total actual hours worked by the person in the year. It may not include holidays and other absences (such as sick leave, maternity leave, special leave, etc). However, it may include overtime and hours spent in meetings, trainings and other similar activities.

The Commission may accept other calculation methods (such as, for instance, daily rates, daily rates calculated with annual personnel costs and 215 *fixed* annual productive days or a pro-rata apportionment of the monthly salary costs), if it considers that they reflect the actual costs incurred, in a fair, objective, realistic way and if there are sufficient records to support these costs (see Article 13).



1. Personnel costs (category A)

What costs?

This budget category covers personnel costs (employees or equivalent, natural persons under direct contract and seconded persons).

The personnel costs should correspond to the adequate human resources needed to ensure the successful implementation of the project.

The costs must be calculated on the basis of actual gross salary or wages plus obligatory social charges and any other statutory costs included in the remuneration.

The costs you declare must correspond to the actual time worked on the project by the staff concerned.

⚠ The rates at which staff is charged to the project must correspond to the **normal remuneration policy** of each beneficiary (documented by salary grids, long-term work contracts, etc.).

It should not significantly exceed the market rates generally applicable in the geographical area and sector (especially with respect to the profile of the staff concerned), and must be justified by the nature of the work.

Any amounts paid in excess of these rates may be considered an ineligible cost.

⚠ Overtime — Overtime is included and reimbursed just like normal working time. Overtime pay must be included in the annual personnel costs. Overtime worked (paid or unpaid) must be added to the annual workable hours to calculate the annual productive hours.

How to calculate them?

Budgeting personnel costs

For the estimated budget, you should indicate for each participant the total amount of staff costs they estimate to be necessary for the project.

These amounts should be a detailed and accurate estimate of individual staff costs (estimated person-months per staff category), following the calculation method described below. Only eligible costs should be budgeted.

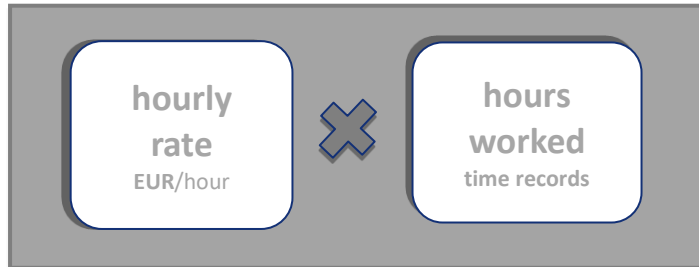
The cost details should contain:

- Number of persons per staff category (names are optional)
- Function in the project
- Working status, e.g.
 - *Recruited specifically for the project or permanent employee?*
 - *Under a contract other than an employment contract?*
 - *Part-time or full-time on the project?*
 - *Civil servant or private law employee?*

⚠ Record-keeping — Keep these detailed estimates **on file** (they may be needed during grant preparation or later on in case of an audit).

Reporting personnel costs (financial statement)

For the financial statement you should claim the personnel costs by using an **hourly rate** hourly rate x hours worked on the action):



Thus, personnel costs will effectively be based on **3 elements**:

- a) Annual personnel costs (gross salary, including social charges and other statutory costs)
- b) Annual productive hours (actual annual working time)
- c) Time actually worked on the action

$$\frac{\text{(a) annual gross salary + social charges}}{\text{(b) total actual annual productive working hours}} \times \text{(c) actual number of hours working on the action}$$

⚠ For reporting periods running over **several years**, the hourly rate must be calculated separately for each individual year. If a financial year is not closed at the end of the reporting period, the beneficiary must use the hourly rate of the last closed financial year.

(a) Annual personnel costs

This means costs actually paid by the beneficiary over a year, including: salary, taxes, employer's contribution for national security schemes etc.

Calculate as follows:

1	Annual gross salary including paid overtime and salaries for 13 th and 14 th 'month', if applicable.		How? Add up the gross salary on every monthly salary slip.
+ 2	Holiday allowance, if not included in item 1 above.		
+ 3	Obligatory/compulsory social charges imposed by law, such as pension/health/insurance schemes, contributions to labour market funds, etc.		
+ 4	Statutory pension schemes under national law.		
- 5	Compensation received from insurance or other sickness/employment schemes to reactivate unemployed people.		
Total	Annual staff cost (sum of 1 to 4 minus 5)		

Base the calculation on statutory documents, such as salary slips and payroll summary, so the amounts can easily be traced and verified.

Ineligible costs for this calculation:


- All additional (non-statutory) and individual pension schemes and/or sickness insurance schemes
- Company cars
- Bonuses and similar fringe benefits
- Dividends or profit sharing.
- Amounts paid for long-term illness or maternity leave.

(b) Total actual annual productive time

This means total time in hours worked over a year.

Calculate as follows:

1	Total number of days in a year	365
- 2	Minus weekends	104
- 3	Minus public holidays	
- 4	Minus annual leave actually taken	
- 5	Minus time compensation or flexitime	
- 6	Minus sickness	
+ 7	Plus any paid overtime	
<div style="display: flex; justify-content: space-between;"> Total number of productive days in the year (<i>1 minus 2 to 6, plus 7</i>) </div> <div style="display: flex; justify-content: center; margin-top: 5px;"> [Multiplied by daily working hours fixed in contract or other agreement] </div>		

 **Meetings trainings and similar absences** — Are considered productive working time and should not be deducted.

(c) Actual time worked on the action


For persons allocated exclusively to the project, the time worked on the project will not be calculated in hours, but in months.

For all other persons, the time worked for the project must be calculated in hours. It must be clearly substantiated by timesheets (or equivalent time registration system).

For this purpose, every beneficiary must establish a time registration system that meets at least the following rules:

- The timesheets (*paper or electronic*) must contain at least the following information:
 - Grant agreement number
 - Name of employer
 - Name of employee
 - Day, month and year

- Number of time units (hours) worked on the project during the period of the timesheet
- Number of time units (hours) worked on other projects/activities
- Total number of time units (hours) worked
- Details of the tasks performed for the project
- Date and signature of employee
- Date and signature of supervisor.
- The timesheet should cover either a week or a month and be filled in regularly, usually every day (*timesheets created retroactively are not acceptable*).
- The timesheet should be signed by the employee and approved by the supervisor in a timely manner – ideally during the week after.
- Summary sheets (*showing e.g. "x" hours spent per month*) are not accepted as supporting documentation.

 **Record-keeping** — You are strongly recommended to create a **written description** of your time registration procedure, for future reference.

Specific cases (personnel costs (A)):


Persons working exclusively on the action — For staff working 100 % on the project, beneficiaries are allowed to use monthly rates instead of hourly rates.

Moreover, they do not need to keep timesheets (but sign a declaration on exclusive work for the action; *see Article 13.1.2*).

If the declaration covers months during which the person was absent for more than half of the working days those months can NOT be taken into account to calculate the hours worked in the action (— unless the absence is linked to annual leave).

Non-permanent staff — Salaries (fees) of non-permanent staff (staff specifically recruited for the project) may be an eligible cost (budget category A.2), if the following conditions are met:

- The individual concerned works for the beneficiary under a direct contract explicitly linking them to the project (employment contract or equivalent, *but not a service contract*),
- The individual concerned works under conditions similar to those of an employee (regarding the way the work is organised, the tasks that are performed and the premises where they are performed),
- The result of the work belongs to the beneficiary (unless agreed otherwise),
- The costs are reasonable and not significantly different from the costs of staff performing similar tasks under an employment contract with the beneficiary,
- Travel and subsistence costs for participating in project meetings or project travel is directly paid by the beneficiary,
- The individual uses the beneficiary's infrastructure (i.e. generates indirect costs for the beneficiary).

 If the same person is contracted/recruited to work on different projects, with different contracts but performing similar roles, the hourly rates should not vary from one project to the other.

Seconded staff — Costs for persons that are seconded by a third party *against payment* maybe an eligible cost under the same conditions as non-permanent staff. Staff seconded to the beneficiary for free cannot be declared as cost.

Permanent staff of a public organisation — For public organisations (i.e. public bodies, with the exception of universities), the salary costs of permanent staff be claimed only if they relate to the costs of project activities which the organisation would not have carried out if the project not been undertaken.

TRAVEL AND SUBSISTENCE

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

B. Direct travel and subsistence costs

[OPTION 1 by default: Travel and subsistence costs (including related duties – except for value added tax (VAT) are eligible if they are in line with the beneficiary's usual practices on travel.]



1. Travel costs (category B)

What costs?

This budget category covers the travel costs and related subsistence allowances spent for the action.

Only travel costs relating to specific and clearly identifiable activities are eligible for EU funding and must have been incurred by people directly involved in or contracted for such activities.

Travel and subsistence costs must be reasonable and in line with your usual practices on travel costs.

Travel and subsistence costs of participants in conferences and seminars should also be included under this category.

How to calculate them?


Budgeting travel & subsistence costs

For the estimated budget, you should enter an estimate of the total amount of travel costs and subsistence costs (actual or per diems) needed for the project, for each partner.

These amounts should be a detailed and accurate estimate, based on the corporate policy, destination, number of people involved, etc. Only eligible costs should be budgeted.

Ideally the details should show the:

- Reason for travelling (*e.g. second project meeting, study visit, etc.*)
- Places of origin and destination
- Number and, if already known, names of the people travelling/receiving subsistence allowances
- Type of unit (*e.g. flights, train journeys*).

 **Record-keeping** — Keep the detailed estimates on file. You must provide these to us if requested and you will need them at the reporting stage.

Reporting travel & subsistence costs (financial statement)

The costs you declare must correspond to the costs you incurred for travels (including all related duties, taxes and charges; *for VAT, see Article 6.4*).

Travel costs

For the financial statement, you should include all costs from the point of origin to the destination, including transfers to/from airports/train stations.

All people travelling in connection with the project are required to make every effort to use the cheapest fare and method — wherever possible, public transport.


Rail travel — First-class fares are accepted

Air travel — You must take the most cheapest fare.

Cars — If air/rail travel is not cheap or possible, costs for travelling by car will be refunded as follows:

- Private vehicles (*own or company cars*): amount equivalent to the corresponding (or an equivalent) rail fare

Only 1 ticket will be reimbursed, even if where several people are travelling in the same vehicle.

 **Record-keeping** — Evidence of the corresponding rail fare (*e.g. declaration of costs from a travel agent, online quote*) should be kept **on file** (it will be needed later on in case of an audit).

- Hire cars (*maximum category B or equivalent*) or taxis: actual cost, if not excessive compared with other means of travel

Only 1 taxi fare will be reimbursed even if where several people are travelling in the same vehicle.

Subsistence costs

This means cost of accommodation, meals, local travel at the place of assignment and sundry expenses.

Such costs are eligible, if they are:

- In line with local prices
- Exclusively linked to the project
- Reasonable (for a guide to what is considered reasonable in each country, see these [daily \(per diem\) amounts](#)).

If the place of employment/residence is within 100 km of the place of the project event, no hotel cost can be accepted.

Avoid cash payments.

⚠ Record-keeping — All supporting documents for the real expenses (*e.g. hotel ticket, taxi receipts, restaurant bills*) should be kept **on file** (it will be needed later on in case of an audit).

You are also strongly recommended to create a **written description** of your organisation's reimbursement practices (actual costs incurred or daily per diem system).

Specific cases (travel (B)):

Rate per mile/km — Rates per mile/km will only be reimbursed if the beneficiary provides good reasons why the normal means of calculation for car travel costs cannot be applied.

⚠ Record-keeping — Full supporting documentation for the rate and that the rate was actually paid should be kept **on file** (it will be needed later on in case of an audit).

Beneficiary per diem system (daily allowance) — Per diems will be reimbursed if they are part of the beneficiaries usual practices (i.e. you can demonstrate that such a system was officially in place before the grant was awarded).

The per diem rate cannot exceed the maximum limits per country set by the [European Commission](#). Any costs declared in excess of this limit will be considered ineligible.

Unless otherwise specified in your specific corporate policy, we will use the following breakdown for per diems when assessing costs eligibility:

- 62% – covers accommodation (accepted only when an overnight stay is required)
- 38% – covers subsistence, itself broken down as follows:
 - 15% = breakfast
 - 30% = lunch
 - 30% = dinner
 - 25% = local transport and sundry expenses.

If a group meal, transport or other service normally covered by the per diem amount is provided to participants during a project event, and this is charged separately to the project (i.e. reported as a specific cost item), the following rules apply:

Report the relevant cost items under category E 'other direct costs', with details of the recipients.

If one or more recipients also receive the per diem amount, reduce this amount accordingly. Do not charge the amount to the project twice.

Indicate these cases explicitly in the relevant financial report.

PURCHASES — EQUIPMENT — OTHER GOODS AND SERVICES — SUBCONTRACTING

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

[...]

C. Direct costs of subcontracting (including related duties, taxes and charges – except for value added tax (VAT) are eligible if the conditions in Article 10.1.1 are met.

[...]

E. Other direct costs

E.1 The depreciation costs of equipment, infrastructure or other assets (new or second-hand) as recorded in the beneficiary's accounts are eligible, if they were purchased in accordance with Article 9.1.1 and written off in accordance with international accounting standards and the beneficiary's usual accounting practices.

The **costs of renting or leasing** equipment, infrastructure or other assets (including related duties, taxes and charges– except for value added tax (VAT) are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

The only portion of the costs that will be taken into account is that which corresponds to the duration of the action and rate of actual use for the purposes of the action.

E.2 Costs of other goods and services (including related duties, taxes and charges – except for value added tax (VAT) are eligible, if they are purchased specifically for the action and in accordance with Article 9.1.1.

Such goods and services include, for instance, consumables and supplies, dissemination, protection of results, certificates on the financial statements (if they are required by the Agreement), translations and publications.

E.2 Costs of other goods and services (including related duties, taxes and charges– except for value added tax (VAT) are eligible, if they are purchased specifically for the action and in accordance with Article 9.1.1.

Such goods and services include, for instance, consumables and supplies, dissemination, protection of results, certificates on the financial statements (if they are required by the Agreement), translations and publications.

[...]

ARTICLE 9 — PURCHASE OF GOODS, WORKS OR SERVICES

9.1 Rules for purchasing goods, works or services

9.1.1 If necessary to implement the action, the beneficiaries may purchase goods, works or services.

The beneficiaries must make such purchases ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 20).

The beneficiaries must ensure that the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 17 and 18 also towards their contractors.

9.1.2 Beneficiaries that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC (or 2014/24/EU) or ‘contracting entities’ within the meaning of Directive 2004/17/EC (or 2014/25/EU) must comply with the applicable national law on public procurement.

9.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 9.1.1, the costs related to the contract concerned will be ineligible (see Article 6) and will be rejected (see Article 26).

If a beneficiary breaches any of its obligations under Article 9.1.2, the grant may be reduced (see Article 27).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 10 — IMPLEMENTATION OF ACTION TASKS BY SUBCONTRACTORS

10.1 Rules for subcontracting action tasks

10.1.1 If necessary to implement the action, the beneficiaries may award subcontracts covering the implementation of certain action tasks described in Annex 1.

Subcontracting may cover only a limited part of the action.

The beneficiaries must award the subcontracts ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 20).

The tasks to be implemented and the estimated cost for each subcontract must be set out in Annex 1 and the total estimated costs of subcontracting per beneficiary must be set out in Annex 2. The Commission may however approve subcontracts not set out in Annex 1 and 2 without amendment (see Article 39), if:

- they are specifically justified in the final technical report and
- they do not entail changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants.

The beneficiaries must ensure that the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 17 and 18 also towards their subcontractors.

10.1.2 The beneficiaries must ensure that their obligations under Articles 20, 21, 22 and 30 also apply to the subcontractors.

Beneficiaries that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC (or 2014/24/EU) or ‘contracting entities’ within the meaning of Directive 2004/17/EC (or 2014/25/EU) must comply with the applicable national law on public procurement.

10.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 10.1.1, the costs related to the subcontract concerned will be ineligible (see Article 6) and will be rejected (see Article 26).

If a beneficiary breaches any of its obligations under Article 10.1.2, the grant may be reduced (see Article 27).

Such breaches may also lead to any of the other measures described in Chapter 6.



1. How to distinguish subcontracting from purchases / equipment from other goods and services?

Generally speaking, a **subcontract** is a procurement contract which covers the implementation by a third party of tasks forming parts of the action (i.e. action tasks mentioned in Annex 1 GA).

Purchases cover the procurement of ordinary services, goods or equipment needed to carry out the action. Unlike *subcontracting*, they do not involve any externalisation of the action tasks described in the proposal.

Rule of thumb to distinguish subcontracts from purchases:

Subcontracts provide for an output to be produced but do not specify any means or steps (such as number of days worked, number of pages, etc.) to reach that output.

For example, a contract providing for experts to evaluate a given set of questionnaires filled in by the participants after an event should be considered as purchase of service (budget category E). Whereas a contract providing for experts to evaluate an action without specifying the documents they should read, the event they should attend, the persons they should interview, etc., should be considered as subcontract in the sense of Article 10 of the Grant Agreement (budget category C).

Examples (purchases): Dissemination of information, evaluation, audits, translations, reproduction, purchase of tickets, renting of rooms and accommodation, purchase of consumables and supplies, website development.

Assets itemised in the organisation in which they are installed and bearing an inventory number are considered as **equipment** in the sense of Article 10 of the Grant Agreement (budget category E.1), while consumables are considered as **other goods and services** (budget category E.2).

Budget categories C 'Subcontracting' and E.1 'Equipment' and E.2 'Other Goods and Services' must be chosen accordingly.

2. Subcontracting (category C)

What costs?


This budget category covers the costs for subcontracting of a part of the action tasks (i.e. externalising a part of the action to a third party).

You may subcontract action tasks — *if you follow these rules:*

- Do NOT act as a subcontractor in the project (not possible for beneficiaries).
- Subcontract only a limited part of the project; subcontracting all or most of the activities would distort the concepts of partnership and ownership of the project.
- Subcontract only tasks that are absolutely necessary due to the nature of the project and its implementation needs.

- Do NOT subcontract the management and general administration of the project.
- For subcontracting going beyond 30% of the total eligible costs, give specific reasons.
- Specify in Part B of the Proposal Form the tasks that will be subcontracted and explain what value subcontracting will add and why the relevant expertise is not available in your consortium. Show the estimated costs in your estimated budget.

After the grant is awarded, if you want to subcontract any tasks that were not described in your application and are not included in Annex 1 of the grant agreement: notify us as specified in the grant agreement ('simplified approval procedure'; new subcontract must be included and explained in the technical periodic report in the section 'unforeseen subcontractor'; see *Article 10*).

 The approval is at the full discretion of the Commission and there is no automatic entitlement to it. Beneficiaries that rely on the 'simplified approval procedure' bear the **full risk** of non-approval and rejection of costs by the Commission.

- Retain sole responsibility for carrying out the project and for compliance with the provisions of the grant agreement.
- Ensure that there is no liability exposure on our side towards the subcontractor (since we are *not* party to the subcontracts, we should not have any liability towards the subcontractors and are bound solely by the terms of our grant agreement).
- Ensure that:
 - The goods/service provider waives all rights in our respect under these contracts
 - The European Commission, European Court of Auditors (ECA) and European Anti-Fraud Office (OLAF) can exercise their rights under Articles 17 and 18 of the grant agreement also towards your subcontractors
 - Your obligations under Articles 20, 21, 22 and 30 of the grant agreement also apply to your subcontractors.

Typically, your subcontracts should include the following terms:

- Goods/services to be provided and their links to the project
- Start and end dates
- Price to be paid (breakdown and description of the costs)
- Detailed description of the tasks/work schedule/completion phases
- Detailed description of the costs on which the price is based
- Payment arrangements (one or more advance payments, staggered payments, etc.)
- Clauses addressing non-performance or late completion.
- Ensure that the subcontracts are based on the best value for money (considering the quality of the service proposed, i.e. the best price-quality ratio) or on the lowest price.

This does NOT in all cases require a competitive selection procedure. You can organise the tender according to your internal practices – *if you can demonstrate that you will:*

- Select the tender offering best value for money, or the lowest price
- Avoid any conflicts of interest.

If you are acting as a contracting authority or entity (*as defined, respectively, in Directives [2014/24/EU](#) and [2014/25/EU](#)²*), you must abide by the applicable national public procurement rules.

How to calculate them?

Budgeting subcontracting costs

For the estimated budget, you should enter an estimate of the total amount of subcontracts needed for the project, for each partner.

Reporting subcontracting costs (financial statement)

For the financial statement, you should include all costs incurred for the subcontracts.

The costs you declare must correspond to the price you paid to the subcontractors (including all related taxes; *excluding VAT, see Article 6.4 of the Grant Agreement*).

3. Equipment costs (category E.1)

What costs?

The depreciation costs of other equipment (purchased before the beginning of the project) are in principle part of the 'indirect costs' (project overheads, category F).

However, if you need to buy/rent *specific equipment* for the project (*e.g. audio-visual equipment*), it can be charged as 'equipment costs' — *if you follow these rules:*

- Clearly demonstrate why the equipment needs to be purchased, rented or leased for the project
- Respect the contracting rules, *e.g. compare the prices of different suppliers to see who offers the best value for money (taking account of price and quality)*
- Charge to the project only the cost of equipment purchased or rented during the period covered by the grant agreement, at a rate that reflects the degree and duration of use for the project in that period
- Itemise the equipment with an inventory number in the organisation where it is installed.

² New directives in force since 2016:

Directive [2014/24/EU](#) of the European Parliament and of the Council of 26 February 2014 on public procurement (OJ L 94, 28.3.2014, p. 65) and repealing Directive 2004/18/EC (OJ L 94, 28.03.2014, p.65).

Directive [2014/25/EU](#) of the European Parliament and of the Council of 26 February 2014 on public procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243).

Old directives:

Directive [2004/18/EC](#) of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts (OJ L 134, 30.4.2004, p. 114).

Directive [2004/17/EC](#) of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (OJ L 134, 30.4.2004, p. 1).

- Calculate the depreciation in accordance with international accounting standards and your usual accounting practices, taking into account the rate of actual use for the project.

⚠ Record-keeping — Keep evidence of the procedure followed for selecting the supplier on file. You must provide these to us if requested.

How to calculate them?

Budgeting equipment costs

For the estimated budget, you should enter an estimate of the total amount of equipment costs needed for the project, for each partner.

This amount should be a detailed and accurate estimate, based on the depreciation. Only eligible costs should be budgeted.

⚠ Record-keeping — Keep the detailed estimates on file. You must provide these to us if requested and you will need them at the reporting stage.

Reporting equipment costs (financial statement)

For the financial statement, you should enter the depreciation (or rental/leasing costs) incurred for the equipment.

Example (depreciation):

Total value of equipment purchased: EUR 1,000

Service life: 3 years (36 months)

Monthly depreciation = EUR 1,000/36 = EUR 27.78

Duration of eligibility for cost in Grant Agreement: 01/10/2014 to 30/09/2016 (24 months).

Date of purchase (= date of invoice): 30/04/2015.

Period of use = maximum 17 months.

Usage rate (if equipment used on a half-time basis for the project) = 50%.

Total amount payable for depreciation = EUR 27.78 x 17 months x 0.5 = EUR 236.13.

4. Other goods and services (category E.2)

What costs?

This budget category covers consumables, conferences and seminars, publications and dissemination, translation and other costs not covered in the other categories.

The costs of consumables and supplies are eligible if they are exclusively used to implement the action and are identifiable as such in the beneficiary accounts and if the purchasing rules were complied with (best value for money).

Publications must be produced specifically for the action and must comply with the [Guidelines on the use of the EU emblem in the context of EU programmes](#).

Costs for conferences, seminars and other events do NOT include any travel and subsistence allowances provided for participants (these should be allocated to 'travel', category B).

Other costs not falling under any other category can be charged under category E, if they are necessary and specific to the action and contribute to its final results.

Typically these includes:

- Costs of services (*e.g. experts not considered staff members, specific evaluation of the project, auditor fees*)
- Conference fees; meeting registration costs
- Charges for financial transactions; fees for a bank guarantee requested by us
- Purchase of information materials specific and key to project implementation (books, studies, electronic data)
- Project-specific press releases and event advertisements (one-off costs)
- Purchase of copyrights and other intellectual property rights (IPR)
- Intellectual property costs connected with publishing project materials (*e.g. CD-ROMs*)
- Other costs stemming from obligations under the grant agreement which are not budgeted for under another budget category.

General office supplies (*pens, paper, folders, ink cartridges, electricity supply, telephone and postal services, internet connection, software, etc.*) are 'indirect costs', belonging in category F — *unless unusually high quantities of such supplies are required due to the specific circumstances.*

Costs of purchasing land or immovable property are not eligible. For the costs of premises rented to carry out the project, you will have to provide a specific rental contract/lease indicating a clear and exclusive link with the project. If this link is not demonstrated, the cost will be considered covered by the indirect costs.

How to calculate them?

Budgeting other goods & services costs

For the estimated budget, you should enter an estimate of the total amount of all other goods and services needed for the project, for each partner.

These amounts should be a detailed and accurate estimate, based on type of publication (languages and number of copies/pages, etc), conference/seminar/event or other cost. Only eligible costs should be budgeted.

Publication & dissemination

Publication and dissemination costs include costs for editing, translation and printing, as well as costs for website creation and/or maintenance (keep track of these costs separately — *separate lines for editing, printing, translation, etc.*).

The details should include the following:

For publications:

- Title
- Reference number of the output in Annex 1 GA (*e.g. work package 4, output 3 - Conference*)
- Type of publication (*e.g. brochure, leaflet*)
- Language(s) in which it will be produced

- Estimated number of pages
- Number of copies
- Type of unit (usually number of pages or number of copies).

For translations:

- Title of the publication
- Reference number of the output in Annex I (*e.g. work package 4, output 3*)
- Source and target languages (*e.g. from English into Italian*)
- Number of pages
- type of unit (*e.g. pages*).

Conferences, seminars and other events

Costs for conferences, seminars and other events include costs for renting of rooms, interpreting, catering, etc. (keep track of these costs separately — *separate lines for renting of rooms, interpreting, catering, etc.*).

The details should show:

For renting of rooms:


- expected number of participants
- duration of the event (*e.g. days, half-days or number of hours*)
- title of the event in Annex 1 GA

for interpreting:

- number of interpreters per day
- number of days interpreting needed
- source and target languages (*e.g. English into French & vice versa*)
- type of unit to count (*e.g. days of interpreting*)

for catering:

- type of catering costs (*e.g. lunch, coffee break*)
- number of items
- number of participants
- type of unit to count (*e.g. participants*).

 **Record-keeping** — Keep the detailed estimates on file. You must provide these to us if requested and you will need them at the reporting stage.

Reporting other goods & services costs (financial statement)

For the financial statement, you should include costs for goods and services.

Catering costs must not include people receiving subsistence allowance for the same event, unless such costs are deducted from their allowance.

Subcontracting between beneficiaries — Is NOT allowed in the same GA. All beneficiaries contribute to and are interested in the action; if one beneficiary needs the services of another in order to perform its part of the work, it is the second beneficiary who should declare the costs for that work.

Subcontracting to affiliates — Is NOT allowed, unless they have a framework contract or the affiliate is their usual provider, and the subcontract is priced at market conditions. Otherwise, these affiliates may work in the action, but they must be identified as linked third parties under Article 11 and declare their own costs.

Coordination tasks of the coordinator (*e.g. distribution of funds, review of reports and others tasks listed under Article 25.2(b)*) — Can NOT be subcontracted. Other activities of the coordinator may in principle be subcontracted.

Framework contracts or subcontracts — Framework contracts can be used for selecting a provider if this is the usual practice of the beneficiary (*e.g. for a type of service*). In order to be eligible, the framework contract must (have) be(en) awarded on the basis of best-value-for-money and absence of conflict of interest. The framework contract does not necessarily have to be concluded before the start of the action.

FINANCIAL SUPPORT TO THIRD PARTIES

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

[...]


D. Direct costs of providing financial support to third parties

Not applicable



1. Financial support to third parties (category D)

Not applicable

 Actions may involve financial support to third parties ONLY where this is explicitly allowed in the call for proposals.

INDIRECT COSTS

F. Indirect costs

[OPTION 1 by default: Indirect costs are eligible if they are declared on the basis of the flat-rate of 7% of the eligible direct costs (see Article 5.2 and Points A to E above).

Beneficiaries receiving an EU operating grant¹ cannot declare indirect costs for the period covered by the operating grant, unless they can demonstrate that the operating grant does not cover any costs of the action.]

²¹ For the definition, see Article 180(2)(b) of the Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union ('**Financial Regulation No 2018/1046**') (OJ L 193/30.07.2018, , p.1): '**operating grant**' means a financial contribution by way of donation in order to finance the functioning of a body which has an objective forming part of, and supporting, a Union policy.

**1. Indirect costs (category F)**

Commonly known as *overheads*. These are costs that cannot be identified as specific costs directly linked to the project and so booked to it directly.

They cover general indirect costs you incur in implementing the project, typically:

- general rental costs or depreciation of buildings and equipment
- maintenance costs
- telecommunication and postal fees
- water, gas, electricity, heating, etc.
- office furniture
- supplies and petty office equipment
- insurance
- costs connected with support services, such as administrative and financial management, human resources, training, documentation, IT, etc.

Eligible indirect costs are calculated automatically by the system on the base a flat-rate fixed in the grant agreement at 7% of direct eligible costs.

This means that your indirect costs will depend directly on your direct costs. You will not need to keep track of your actual indirect costs.

⚠ Combining action & operating grants — Beneficiaries that also receive an EU operating grant can NOT charge any indirect costs for the reporting period(s) covered by the operating grant, unless they are able to demonstrate cost separation (i.e. that the operating grant does not cover any costs that may be claimed under the action).

Operating grants are annual grants to finance the operation and running costs of an entity (e.g. call [COMM-C2/01-2013](#) under the Europe for Citizens programme).

Example: Entity A receives an operating grant under the Europe for Citizens programme for the financial year 2016 (i.e. from 01.01.2016 until 31.12.2016) The operating grant is not renewed in 2017. On 01.04.2016, entity A signs an COSME action grant with one reporting period of 18 months (01.04.2016 – 31.12.2017). Beneficiary A may declare the indirect costs in the COSME action grant as follows:

- from 01.04.2016 to 31.12.2016 ONLY IF it can demonstrate that the operating grant does not cover any costs of the action (see below);
- from 01.01.2017 – 31.12.2017 under the normal COSME rules (i.e 7% of the direct eligible costs since there is no operating grant covering the 2017 financial year).

To **demonstrate cost separation**, the following conditions must be fulfilled:

- the operating grant may NOT cover 100% of the beneficiary's annual budget (i.e. it may not be a full operating grant)
- the beneficiary must use analytical accounting which allows for a cost accounting management with cost allocation keys and cost accounting codes AND must apply these keys and codes to identify and separate the costs (i.e. to allocate them to either the action grant or the operating grant)
- the beneficiary must record:
 - all costs incurred for the operating grant (i.e. personnel, general running costs and other operating costs linked to the WP) and
 - all costs incurred for the action grants (including the indirect costs linked to the action)
- the allocation of the costs must be done in a way that leads to a fair, objective and realistic result.

Beneficiaries that cannot fulfil these conditions must EITHER:

- terminate the operating grant, in order to sign the action grant with indirect costs
- keep the operating grant, but sign the action grant without indirect costs.

The possibility to combine operating grants with action grants if costs are separated was introduced with GA version 4.0. It applies also to older grant agreements, if the beneficiaries can demonstrate that there is no double funding, in accordance with the above-listed principles (analytical accounting tools, full cost recording, fair allocation).

Best practice: In case of an overlapping EU operating grant, the beneficiary should immediately contact the Commission (via the [Funding & Tenders Portal](#)). Be aware that operating grants are not always easy to identify. They exist under various labels (operating grants; financial contributions/support to the functioning/operation of entities; etc.). Check your call text.

6.4 Ineligible costs

Ineligible costs are:

- (a) costs that do not comply with the conditions set out above (Article 6.1 to 6.3), in particular:
 - (i) costs related to return on capital;
 - (ii) debt and debt service charges;
 - (iii) provisions for future losses or debts;
 - (iv) interest owed;
 - (v) doubtful debts;
 - (vi) currency exchange losses;
 - (vii) bank costs charged by the beneficiary's bank for transfers from the Commission;
 - (viii) excessive or reckless expenditure;
 - (ix) VAT;
 - (x) costs incurred during suspension of the implementation of the action (see Article 33);
 - (xi) in-kind contributions provided by third parties;
- (b) costs declared under another EU grant (including grants awarded by a Member State and financed by the EU budget and grants awarded by bodies other than the Commission for the purpose of implementing the EU budget); in particular, indirect costs if the beneficiary is already receiving an operating grant financed by the EU budget in the same period, unless they can demonstrate that the operating grant does not cover any costs of the action;
- (c) costs for staff of a national (or regional/local) administration, for activities that are part of the administration's normal activities (i.e. not undertaken only because of the grant);
- (d) costs (especially travel and subsistence costs) for staff or representatives of EU institutions, bodies or agencies.

6.5 Consequences of declaration of ineligible costs

Declared costs that are ineligible will be rejected (see [Article 42](#)).

This may also lead to any of the other measures described in Chapter 6.



1. Ineligible costs

Costs are **ineligible**, if one of the following applies:

- They **do not meet the general and specific eligibility conditions** set out in Articles 6.1 to 6.3

***Examples:** costs incurred in relation to activities not indicated in Annex 1 to the grant agreement (description of the action); subcontracting costs do not comply with Article 10; taxes for which you are liable in your capacity as a business (e.g. IRAP in Italy, Gewerbesteuer in Germany); gifts and presents; recreational/tourism/cultural activities; costs not entailing a cash flow for you; costs incurred by a third party to the grant agreement; conference fees for events co-funded by the EU.*

- They are **listed in Article 6.4**, in particular:
 - Costs related to **return on capital** or **return generated by an investment**

***Examples:** dividends paid as remuneration for investing in the action; remuneration paid as a share in the company's equity.*

- **Debt and debt service charges**

'Debt service' is the amount paid on a loan in principal and interest over a period of time.

***Example:** If a beneficiary takes a loan used to acquire equipment or consumables for the project of EUR 100 000 at 9 percent interest for 10 years, the debt service for the first year (principal and interest) is EUR 15 582.*

- **Provisions for future losses or debts**

'Provision' means an amount set aside in an organisation's accounts, to cover for a known liability of uncertain timing or amount. This includes allowances for doubtful or bad debts.

- **Interest owed** (i.e. interest on a loan to borrow capital)

- **Excessive or reckless expenditure**

'Excessive' means paying significantly more for products, services or personnel than the prevailing market rates or the usual practices of the beneficiary (and thus resulting in an avoidable financial loss to the action).

'Reckless' means failing to exercise care in the selection of products, services or personnel (and thus resulting in an avoidable financial loss to the action).

- **Currency exchange losses** (i.e. for beneficiaries using currencies other than euros or being invoiced in a currency other than the currency they use: any loss due to exchange rate fluctuations (e.g. between the date of invoicing and the date of payment))

This includes insurance premiums against risk of exchange rate losses.

- **Bank costs** charged by the beneficiary's bank for transfers from the Commission.

Conversely, bank charges for the distribution of the EU funding may constitute an eligible cost for the coordinator (if the eligibility conditions of Article 6.1 and Article 6.2.E.2 are met).

- **VAT**
- **Costs incurred during the suspension of the implementation of the action**

***Example:** The action is suspended and one of the beneficiaries continues working on it after the date of the suspension*

- **Costs declared under another EU grant** (i.e. double funding)

This includes:

- Costs funded directly by other EU programmes managed by the European Commission or its executive agencies or funding bodies (e.g. H2020 grants, Euratom grants)
- Costs managed/funded/awarded by Member States but co-funded with EU funds (e.g. European Structural and Investment Funds (ESIF))
- Costs for grants awarded/funded/managed by other EU, international or national bodies and co-funded with EU funds (e.g. Joint Undertakings, Article 185 TFEU bodies)
- If a beneficiary is receiving an EU operating grant³, then the indirect costs of that beneficiary are not eligible and the indirect cost flat-rate should not be applied — unless it can demonstrate that the operating grant does not cover any costs of the action (see Article 6.2.F).

***Examples (operating grants):** Grants awarded to support the running costs of certain institutions pursuing an aim of European interest, such as: College of Europe, European standards bodies (CEN, CENELEC, ETSI)*

- Costs for **staff** of a **national** (or local) administration, for activities that are part of the administration's normal activities (i.e. not undertaken only because of the grant)

For public organisations (i.e. public bodies, with the exception of universities), the salary costs of permanent staff may be claimed only if they relate to the costs of project activities which the organisation would not have carried out if the project not been undertaken.

- Travel, subsistence and any other costs for EU **staff** (or elected representatives of the EU Parliament)
- **Cost categories explicitly excluded in the call** (if option applies).

If a beneficiary **declares ineligible costs**, the ineligible costs will be rejected and, if needed, other measures specified in Chapter 6 of the grant agreement (e.g. suspension, termination, grant reduction, etc.) may be taken.

³ For the definition, see Article 180(1)(b) of the Financial Regulation No [2018/1046](#): 'operating grant' means direct financial contribution, by way of donation, from the budget in order to finance the functioning of a body which pursues an aim of general EU interest or has an objective forming part of and supporting an EU policy.

Specific cases (ineligible costs):

Duties — The eligibility of duties depends on the eligibility of the cost item to which they are linked (i.e. in whose price they are included). If the item is eligible, the duty is also eligible.

In-kind contributions free of charge — This means non-cash inputs from third parties, such as:

- Donations of raw materials (*e.g. paper and ink for publication purposes*)
- Unpaid volunteer work or provision of services
- Any other good or service provided to the project whose cost is borne by another organisation and not reimbursed by the beneficiary.

They are not an eligible cost and can NOT be included when calculating total eligible costs and the final grant amount (nor should they be reported as receipt at final reporting stage).

KEEPING RECORDS — SUPPORTING DOCUMENTATION**ARTICLE 13 — KEEPING RECORDS — SUPPORTING DOCUMENTATION****13.1 Obligation to keep records and other supporting documentation**

The beneficiaries must — for a period of *five years after the payment of the balance* — keep records and other supporting documentation in order to prove the proper implementation of the action and the costs they declare as eligible.

They must make them available upon request (see Article 12) or in the context of checks, reviews, audits or investigations (see Article 17).

If there are on-going checks, reviews, audits, investigations, litigation or other pursuits of claims under the Agreement (including the extension of findings; see Article 17), the beneficiaries must keep the records and other supporting documentation until the end of these procedures.

The beneficiaries must keep the original documents. Digital and digitalised documents are considered originals if they are authorised by the applicable national law. The Commission may accept non-original documents if they considers that they offer a comparable level of assurance.

13.1.1 Records and other supporting documentation on the technical implementation

The beneficiaries must keep records and other supporting documentation on the technical implementation of the action, in line with the accepted standards in the respective field.

13.1.2 Records and other documentation to support the costs declared

The beneficiaries must keep the records and documentation supporting the costs declared, in particular the following:

- (a) For **actual costs**: adequate records and other supporting documentation to prove the costs declared, such as contracts, subcontracts, invoices and accounting records. In addition, the beneficiaries' usual cost accounting practices and internal control procedures must enable direct reconciliation between the amounts declared, the amounts recorded in their accounts and the amounts stated in the supporting documentation;
- (b) For **unit costs**: *not applicable*;

- (c) For **flat-rate costs**: adequate records and other supporting documentation to prove the eligibility of the costs to which the flat-rate is applied. The beneficiaries do not need to identify the costs covered or provide supporting documentation (such as accounting statements) to prove the amount declared at a flat-rate;
- (d) For **lump sum costs**: *not applicable*.

In addition, for **personnel costs** (declared as actual costs), the beneficiaries must keep **time records** for the number of hours declared. The time records must be in writing and approved by the persons working on the action and their supervisors, at least monthly. In the absence of reliable time records of the hours worked on the action, the Commission may accept alternative evidence supporting the number of hours declared, if it considers that it offers an adequate level of assurance.

As an exception, for **persons working exclusively on the action**, there is no need to keep time records, if the beneficiary signs a **declaration** confirming that the persons concerned have worked exclusively on the action.

[OPTION to be added if Article 11 applies: For costs declared by linked third parties (see Article 11), it is the beneficiary that must keep the originals of the financial statement(s) and the certificates on the financial statement(s) of its linked third parties.]

13.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, costs insufficiently substantiated will be ineligible (see Article 6) and will be rejected (see Article 26), and the grant may be reduced (see Article 27).

Such breaches may also lead to any of the other measures described in Chapter 6.



1. Records and other supporting documentation

The beneficiaries (for linked third parties, see *point 10*) must keep appropriate and sufficient evidence to **prove** the eligibility of all the costs declared, proper implementation of the action and compliance with all the other obligations under the GA.

⚠ Costs that are not supported by appropriate and sufficient evidence may be **rejected** (and other measures described in Chapter 6 may be applied as well).

The evidence must be the same as that which would be accepted by the national (tax) authorities.

The evidence must be verifiable, auditable and available. It must be persuasive enough for our auditors, who assess it according to generally accepted audit standards.⁴

Appendix 2 lists the records and documents (per cost category) that may serve as evidence.

It must be kept for at least 5 years after the balance is paid (3 years for grants up to EUR 60 000). If you throw supporting documents away during this period, you risk that the grant is reduced, that costs are rejected and that recoveries are more difficult.

We may require to see documents of any beneficiary in the consortium (both coordinator and co-beneficiaries).

If there are ongoing procedures such as audits, investigations or litigations, the evidence must be kept until these end, even if this is longer than five (or three) years.

The rules in the grant agreement do not affect national laws on keeping documents (which may require additional measures).

2. Original documents

The beneficiaries must **keep original documents**.

They will be accepted by us as originals, if considered an original under national law.


Examples:


- 1. The Commission will accept authenticated copies or digitally-signed documents, if national law accepts these as originals.*
- 2. The Commission will accept digitalised copies of documents (instead of hard copies), if this is acceptable under national law.*

This means that documents should be kept in the format in which they were received or created:

- Documents received or created in paper form should be kept in paper form
- Documents received or created electronically should be kept in their electronic format.

Hard copies of original electronic documents are not needed.

 Costs that are not supported by appropriate and sufficient evidence may be **rejected** (and other measures described in Chapter 6 may be applied as well).

 If you are asked to provide supporting documents, it is enough to send **copies**.

3. Records for actual costs

For actual costs, the beneficiaries must:

- Keep detailed records and other supporting documents to prove the eligibility of the costs declared

⁴ International Standard on Auditing ISA 500 'Audit Evidence'.

- Use cost accounting practices and internal control procedures that make it possible to verify that the amounts declared, amounts recorded in the accounts and amounts recorded in supporting documentation match up.

Best practice: The information included in the financial statements for each budget category (i.e. personnel costs, other direct costs, indirect costs) must be broken down into details and must match the amounts recorded in the accounts and in supporting documentation.

Examples:

1. For costs declared in category A.1 (employees or equivalent): the costs must be detailed for each person carrying out work for the action (individual hourly rate multiplied by the actual hours worked for the action). They must match the accounting records (i.e. general ledger transactions, annual financial statements) and supporting documentation (i.e. labour contracts, collective labour agreements, applicable national law on taxes, labour and social security contributions, payslips, time records, bank statements showing salary payments, etc.).

2. For costs declared in category D.1, D.2, D.3 and D.4 (other direct costs): the beneficiary must keep a breakdown of costs declared by type (i.e. travel costs and related subsistence allowances, depreciation, costs of other goods and services etc.). It should be able to provide details of individual transactions for each type of cost. For depreciation, it must be able to provide details per individual equipment used for the action. Declared costs must match accounting records (i.e. general ledger transactions, annual financial statements) and supporting documentation (i.e. purchase orders, delivery notes, invoices, contracts, bank statements, asset usage logbook, depreciation policy, etc.).

4. Records for unit costs set by the EU – NOT APPLICABLE

For unit costs, the beneficiaries must keep:

- Detailed records and other supporting documents to prove the number of units declared.

It is NOT necessary to keep records on the actual costs incurred.

The Commission/Agency may access the accounting records, but will reject costs only if the number of units declared is incorrect. (The actual costs of the work are not relevant).

If the Commission/Agency detects an irregularity or fraud in the action's implementation, it may reduce the grant.

5. Records for unit costs calculated in accordance with the beneficiary's usual cost accounting practices – NOT APPLICABLE

For costs declared in accordance with their usual cost accounting practices (**average personnel** costs and costs of **internally invoiced goods and services**), the beneficiaries must keep detailed records and other supporting documents to:

Show that the costs used to calculate the unit cost match the actual costs as recorded in the statutory accounts

Examples:

1. For personnel costs: accounting records; financial statement extracts; labour contracts; collective labour agreements; applicable tax, labour and social security laws; pay slips; bank statements showing salary payments; classification of employees (based on experience, qualifications, salary, department, etc).

2. For internally invoiced goods and services: accounting records; financial statement extracts; time records (or other records) for the share of personnel costs included in the unit costs; invoices or contracts for maintenance costs, cleaning costs, other services, showing that the cost are directly identifiable.

Manual interventions into the accounting data must be traceable and documented.

- Verify that the unit cost is free of ineligible cost components

Examples:

1. For personnel costs: records that show that the hourly/daily rate does not include an indirect cost component (already covered by the 25 % flat rate); records that show that the hourly/daily rate does not include travel costs (they should be claimed under category D.1 'travel').

2. For internally invoiced goods and services: evidence that shows that there is no profit/margin/mark-up included in the internally invoiced goods and services (e.g. different rates: one for billing the activity, with mark-up, and another one for internal costing, free of any mark-up); lists of accounts/cost centres that were excluded from the calculation of internally invoiced goods and services — because already included in the costs claimed under another budget categories (e.g. LRI costs, indirect costs, in-kind contributions, etc.).

- Assess the acceptability of budgeted and estimated elements

Examples:

1. For personnel costs: records that show the method for calculating the annual salary increases (e.g. consumer price index which, according to the beneficiary's usual remuneration policy, serves as the basis for annual salary increases).

2. For internally invoiced goods and services: traceable data used to determine the budgeted/ estimated elements; records on the nature and frequency of the updates of the budgeted and estimated elements; etc.

- For personnel costs: verify the number of productive hours/days used to calculate the unit cost (hourly/daily rate)
- For internally invoiced goods and services: verify that the cost items used for the calculation of the unit cost were directly linked to the production of the invoiced good or service.

Examples (not acceptable):

1. Maintenance which goes beyond than the maintenance of the infrastructure/facilities used to produce the good/service (e.g. maintenance costs for all the beneficiary's cleanrooms; maintenance costs for an entire building, while the cleanroom used for the good/service occupies only a part of the building).

2. Generic supplies for which there is no evidence that they were directly linked to the infrastructure/facilities used to produce the good/service (e.g.

electricity costs when there is no electricity counter or technical specifications to measure the consumption).

By contrast, it is NOT necessary to keep records on the actual costs incurred (per person/good or service) — unless they are needed to document the usual cost accounting practices (as just described).

6. Certificate on the methodology (CoMUC) – NOT APPLICABLE

What?

To get additional assurance, a beneficiary/linked third party may request that the Commission/Agency confirms that its cost accounting practices for personnel costs comply with the conditions set out in Article 6.2.A, by approving a certificate on its methodology (CoMUC).

Approval concerns the cost accounting practices described and certified in the certificate on the methodology.

If the Commission/Agency approves the CoMUC, it will not challenge the personnel unit costs (hourly/daily rates) declared — unless information was concealed or fraud or corruption was used to obtain approval (or another methodology was applied).

Approval is valid for all personnel costs declared according to these cost accounting practices, including costs declared *before* the Commission/Agency approval (if the beneficiary can show that they were declared according to the approved practices).

Best practice: Beneficiaries should nevertheless keep detailed records and other supporting documents (to prove that their methodology complied with the rules, if necessary).


Approval is valid for all H2020 grants (i.e. for the beneficiary's usual cost accounting practices) and is not linked or limited to a specific grant. (It is NOT valid for FP7 grants and, conversely an FP7 certificate is NOT valid for H2020.)

When?

Beneficiaries may in principle submit their requests for approval at **any time** — before or during the grant.

Best practice: In order to ensure that the auditor has enough information to get assurance on the methodology, it is recommended to request it only *after* the first reporting period has passed.

If the beneficiary **changes its cost accounting practices**, it must obtain a new certificate and submit a new request for approval to the Commission/Agency.

 If the beneficiary declares personnel costs according to the changed cost accounting practices *before* the new certificate is approved, it bears the **full risk** of non-approval and cost rejection by the Commission/Agency.

How?

The beneficiary must **submit** its certificate on the methodology to the Commission/Agency (via the following address: [EC-H2020-UNIT-COST-](#)

METHODOLOGY-CERTIFICATION@ec.europa.eu). The certificate should be drawn up by an independent auditor using the template in Annex 6 of the GA (or an independent public officer, if the beneficiary is a public body).

7. Records for flat-rate costs

For flat-rate costs, the beneficiaries must:

- Keep detailed records and other supporting documents to prove that the costs to which the flat rate is applied are eligible.

Example: For the flat rate of 25 % of indirect costs, the auditors will verify (and the beneficiaries must be able to show) that:

- a) the actual direct costs are eligible, using the detailed records and supporting documents explained above;
- b) the following costs were excluded: subcontracting costs, the costs of resources made available by third parties not used on the beneficiary's premises and financial support to third parties from the pool of actual direct eligible costs to which the flat rate applies.

It is NOT necessary to keep records on the actual costs incurred.

8. Records for lump-sum costs – NOT APPLICABLE


For lump-sum costs, the beneficiaries must:

- keep detailed records and other supporting documents to prove that the action tasks described in Annex 1 have been carried out in accordance with the GA.

It is NOT necessary to keep records on the actual costs incurred.

9. Records for personnel costs — Hours worked for the action

The records for personnel costs depend on whether the person worked exclusively for the action or not.

 Exclusive work or not matters ALSO for the calculation of the costs to be declared (— in this case they must be calculated through an simple monthly rate; see Article 6.2.A of the grant agreement).

For **persons who work exclusively for the action** (regardless if they are full-time or part-time employees), the beneficiary may either:

- Sign a declaration on exclusive work for the action (one per reporting period), to confirm that the person worked exclusively for the action, either:
 - During the whole reporting period
- or
- During an uninterrupted time-period, covering at least a full calendar month within the reporting period.

Best practice: Beneficiaries should take a prudent approach and use this possibility only if it is planned that the person works exclusively on the action during a long and continuous period of time. If there are any doubts, a record of actual hours worked should be kept (e.g. *time-sheets*).

'Exclusive work' means that the person carried out NO OTHER activities for the beneficiary than those of the action.

Intermittent (i.e. sporadic or random) periods of 'exclusive' dedication can NOT be subject of a declaration. If a person worked randomly for the action after an uninterrupted time-period covered by a declaration, time-sheets are needed for the period of random work.

Example: *The person worked for the action exclusively from 15/02 to 31/05 and then worked again in the action some days in July and October and the full month of November. The declaration will cover the period from 15/02 to 31/05 and time records must be kept for the time the person worked for the action in July, October and November.*

If a person worked under different regimes during the reporting period (exclusive and non-exclusive), the declaration may be used ONLY for a period of exclusive work. The other months must be recorded with time-sheets.

If there were several periods of exclusive work during one reporting period, the beneficiary may choose to use the declaration for the longest one (and use the monthly time-sheets for the others).

The declaration must be **dated** and **signed** by the person concerned AND the supervisor.

- Keep **time records**.

Best practice: If the person works exclusively for the action during a *full financial year*, it is strongly recommended that the beneficiary signs the 'declaration on exclusive work for the action' (— even if the person keeps time records). In this way, the declaration can serve as evidence that the person worked for the action all her/his annual productive hours.

For **persons who do NOT work exclusively for the action**, the beneficiaries must:

- Show the actual hours worked, with reliable **time records** (*i.e. time-sheets*) either on paper or in a computer-based time recording system.

Time records must be dated and signed at least monthly by the person working for the action and his/her supervisor.

If the time recording system is computer-based, the signatures may be electronic (i.e. linking the electronic identity data (*e.g. a password and user name*) to the electronic validation data, with a documented and secure process for managing user rights and an auditable log of all electronic transactions).


Time records should include, as a minimum:

- The title and number of the action, as specified in the GA
- The beneficiary's full name, as specified in the GA
- The full name, date and signature of the person working for the action
- The number of hours worked for the action in the period covered by the time record
- The supervisor's full name and signature
- A reference to the action tasks or work packages of Annex 1, to which the person has contributed by the reported working hours.

Information included in time-sheets must match records of annual leave, sick leave, other leaves and work-related travel.

A template for time-sheets with these minimum requirements is available. (This template is not mandatory; beneficiaries may use their own model, provided that it fulfils the minimum conditions and it contains at least the information detailed above.)

If time records are not reliable, the Commission may exceptionally accept **alternative evidence** if it proves the number of hours worked on the action with a similar (or at least satisfactory) level of assurance (assessed against generally-accepted audit standards).

 The Commission has full discretion to accept or refuse the alternative evidence and there is no entitlement to it. Beneficiaries that rely on alternative evidence bear the **full risk** of refusal and rejection of costs by the Commission.

Examples of possible alternative evidence (non-exhaustive list): travel documents proving participation in a project meeting (boarding pass, obliterated travel ticket, hotel invoice, etc.); agenda and minutes of the meeting; attendance lists; working papers; laboratory log books; professional/personal diaries; documents related to presentations; scientific publications; correspondence such as letters, notes, memos, emails; etc.

The auditors will use the following three criteria to assess how credible the alternative evidence is:

1. Clear identification of the person concerned
2. Clear link to the project under scrutiny
3. Possibility to quantify time spent on project-related tasks.

Alternative evidence will only be accepted if these three criteria are met.

Example (acceptable alternative evidence):

A researcher submits the following email as alternative evidence: 'I hereby send you the results of the analysis of project XYZ that I have been working on for the last two weeks.'

Criterion 1 is met – the sender of the email is the person concerned

Criterion 2 is met – the project is identified as XYZ

Criterion 3 is met – the time is quantified: two weeks

Example (not acceptable alternative evidence):

A beneficiary submits the following email as alternative evidence: 'I hereby send you the results of the analysis recently carried out by my team.'

Criterion 1 is not met – it is unclear who the person concerned is; the team members and their contributions are unknown

Criterion 2 is not met: the project name is not mentioned

Criterion 3 is not met – the time is not quantified

10. Records of (linked) third parties

The beneficiaries must ensure that **linked third parties** comply with the same obligations in terms of keeping appropriate and sufficient evidence.

Example: *Linked third parties that carry out work themselves must document all their costs in the same way the beneficiaries do. However, it is the beneficiary*

who must keep the original financial statements and the certificates on financial statements of the linked third parties.

The beneficiaries must also ensure that they keep appropriate and sufficient evidence related to **partner organisations** and **subcontractors**.

***Examples:** The beneficiaries must keep evidence showing that subcontractors fulfilled their obligations in terms of the visibility of EU funding. Alternatively, they may ensure that the subcontractors keep this evidence.*

Specific case (records of linked third parties):

Financial statements and certificates on the financial statements (CFS) — It is the beneficiary that must keep the originals of the financial statements and the certificates on the financial statements of the linked third parties.

APPENDIX 2 — LIST OF RECORDS & SUPPORTING DOCUMENTS PER COST CATEGORY


Personnel costs


All staff categories

- The total cost of the employee (comprising actual salary, statutory social security charges and other statutory costs included in the remuneration) and the amount allocated to the project
- Proof of regular salaries (salary grids) in your organisation.

Permanent staff working exclusively on the project


- Their existing contract with the beneficiary
- Assignment letter, specifying their tasks, a reference to the project and the duration of their allocation to it
- Declaration on exclusive work
- Monthly salary slips
- Proof of payment.


 Such staff must be registered in the beneficiary's payroll and accounting system.

 Timesheets are NOT required.

Permanent staff allocated partly to the project


- Their existing contract with the beneficiary
- Timesheets (or equivalent time-recording system)
- Salary slips
- Proof of payment
- Calculation of the hourly rate requested


 Such staff must be registered in the beneficiary's payroll and accounting system.

 Timesheets are mandatory.

Non-permanent staff recruited exclusively for the project and on the payroll of a beneficiary


- Specific contract linked to the project, specifying tasks, a reference to the project, the duration of the contract and the hourly rate
- Salary slips
- Proof of payment.

 Such staff must be registered in the beneficiary's payroll and accounting system.

 Timesheets are NOT required.

Individuals working for a beneficiary on the project under a contract other than an employment contract

- Specific contract linked to the project with description of tasks, reference to the project, the duration of the contract, time to be allocated to the project and hourly rate
- Timesheets (or equivalent time-recording system)
- Invoices stating tasks performed, date, number of hours worked and price per hour
- Proof of payment.

 If the person does not work exclusively for the project, timesheets are mandatory.

Travel & subsistence costs

Travel costs

- Copies of tickets (*airplane, train, bus, etc.*), including boarding passes when applicable
- Copies of invoices for flight or rail tickets (if bought online, a confirmation email is acceptable, providing it states the price paid)
- Travel by car: reimbursement claim, explanation of the reimbursement calculation, copy of the internal reimbursement policy, if available (maximum of the equivalent first-class rail fare)
- Proof of payment
- Attendance list signed by the participants (for meetings and conferences).

Subsistence costs

- Expenses claim form indicating place, date and time — signed and dated by the employee and the organisation authorising the expenditure (employer)
- Proof of accommodation (hotel invoice)
- Copies of all receipts related to food and beverages, local transport and other expenses
- Attendance list signed by the employees
- Proof the employee was reimbursed for their claimed costs.

Direct costs of subcontracting


- Invoice
- Documentation of the procedure used to award contracts: copies of bids received, records related to the award process (*comparisons of individual bids, minutes of meetings, etc.*)
- Proof of payment
- Subcontracting agreement.

 The **subcontracting agreement** should include the following terms:

- goods/service to be provided and links with the project (*it is advisable to include a reference to the project*)
- start and end dates
- price to be paid (*breakdown and description of the costs*)
- detailed description of the tasks/work schedule/completion phases
- detailed description of the costs on which the price is based
- payment arrangements (*one or more advance payments, staggered payments, etc.*)
- clauses/penalties for non-performance or late completion.


Equipment

- Copies of invoices stating when the equipment was purchased and delivered
- Proof of payment
- Calculation of the amount requested
- Internal rules on depreciation.

 Invoices related to the purchase of goods or equipment must bear the grant reference, date of purchase and delivery. Invoices for services must also specify the date(s) the services were provided.

Other goods & services costs

- Invoice, stating the following:
 - Editing — type/name of the publication and number of pages/words
 - Translations — title of the publication/document, translated languages (from-to) and number of pages/words
 - Printing — type/title of the publication, number of pages and number of copies
 - Conferences — detailed calculations of the relevant costs, e.g.:
 - For *room rental* — number of participants, number of days/hours of the stay
 - For *interpreting services* — cost per interpreter per day, languages involved)
- Procedure used to award contracts:
- Copies of price offers requested, including the description of the good or service to be provided
- Copies of bids received
- Records related to the award procedure (*comparisons of individual bids, minutes of meetings, etc.*)
- Proof of payment.

 Invoices related to the purchase of goods or equipment must bear the grant reference, date of purchase and delivery. Invoices for services must also specify the date(s) the services were provided.

Indirect costs

No supporting documents are required.