



## Market Replication: Eco-Innovation

2008 - 2013

### FINANCIAL GUIDELINES for co-ordinators and co-beneficiaries

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## PURPOSE OF GUIDELINES

These guidelines have been prepared to help co-ordinators and co-beneficiaries (hereafter referred to as “the participants”<sup>1</sup>) to understand the financial provisions of the Eco-Innovation grant agreement. Participants should read the guidelines carefully together with the submitted grant agreement and its special and general terms and conditions. The grant agreement referenced below refers to the model grant agreement for Eco-Innovation actions.

If the guidelines conflict with the provisions of the grant agreement, the latter shall prevail.

### I ACCOUNTING DOCUMENTS

All participating organisations must keep proper accounts and supporting documents to justify, as necessary, all costs incurred and generated by the action.

Original documents, especially accounting and tax records, or in exceptional and duly justified cases, certified copies of original documents relating to the grant agreement (stored on any appropriate medium that ensures their integrity in accordance with the national legislation) must be kept for five years after the date of payment of the balance of the Union contribution.

Evidence of costs, explanations and justifications, must be readily available for inspection by the Executive Agency for Competitiveness and Innovation (EACI) and/or the European Commission and their authorised representatives, as well as by the European Anti-fraud Office (OLAF) and the European Court of Auditors.

In order to substantiate the time worked on an Eco-Innovation project, participants must have daily records of all hours spent by a given person (i.e. the timesheet shall not only record the time spent on a specific project, but shall reconcile the total working time of each person, say for example 1700 hours per year). This level of detail might be requested in a later audit of the project. Participants may use their own reporting system, but an 'example' of a timesheet template can be found under the following link:

[http://ec.europa.eu/environment/eco-innovation/managing-projects/contract-finance/index\\_en.htm](http://ec.europa.eu/environment/eco-innovation/managing-projects/contract-finance/index_en.htm)

Please note that the indirect costs do not need to be supported by accounting documents, as they are calculated using a flat rate.

The accounting procedures must permit direct reconciliation of the cost and revenue declared in respect to the action with the corresponding supporting documents.

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<sup>1</sup> Attention! Subcontractors are not participants of a grant agreement.



## **II COST REIMBURSEMENT**

Funding is based on **cost-sharing**. This means that the EACI contributes up to a maximum percentage of the eligible costs incurred for the performance of the work defined in the grant agreement. These percentages can change depending on the work programme approved by the EU.

In order to be paid, the coordinator's bank account or sub-account must be denominated in Euro.

### **Maximum financing rates for Call 2009 and later Calls (per project)**

☑ 50% of the whole project, and consortiums are free to distribute the funding between the participants in accordance with their own agreement

### **Maximum financing rates for Call 2008 (per participant)**

- ☑ 40 % if the beneficiary is a large enterprise;
- ☑ 50 % if the beneficiary is a medium enterprise;
- ☑ 60 % if the beneficiary is a small enterprise;
- ☑ 50 % for all other beneficiaries.

### **Associations and affiliates**

Where an association participating in the action involves its members or a participating company involves its affiliates to carry out work, the costs incurred by the members or the affiliates can be accepted provided they can be verified as being 'actual' and follow the guidance below.

- (a) For members of an association / European Economic Interest Group, the participant (association) shall
  - Provide a clear description and evidence of the association's structure including the membership list (to be provided during negotiations)
  - Ensure that the contractual provisions applicable to him, especially those related to the eligibility of costs and the checks and audits that the EACI and/or the European Commission may carry out, are also applicable to its members;
  - Retain sole responsibility to carry out the action and for compliance with the provisions of the grant agreement.



The member(s) involved in the action shall be clearly identified and their activities duly described in the work programme (Annex I to the grant agreement).

(b) For affiliate(s), the participant ('Mother Company') shall

- Provide a clear description and evidence of the ownership structure showing the affiliation with the affiliate(s);
- Provide clear evidence that the costs are recharged and therefore incurred by the participant;

The affiliate will execute the tasks in relation to the project on behalf of the participant at no additional financial cost and without profit.

When submitting the interim and final reports, the participant (Association/Mother Company) shall identify the work performed and resources deployed by each member/affiliate involved in the action.

In addition, the participant (Association/Mother Company) shall provide

1. an individual financial report from each member/affiliate involved in the action,
2. a summary financial report consolidating the sum of eligible costs borne by the participant (Association/Mother Company) and each member/affiliate involved in the action, as stated in their individual financial report.

### III WHAT ARE ELIGIBLE COSTS?

To be eligible all costs must

- connected with the subject of the agreement;
- be included in the estimated budget annexed to the grant agreement;
- be **necessary** for the fulfilment of the action which is the subject of the grant;
- be generated during the duration of the action (except for costs relating to final reports and audit certificates **when incurred within a maximum period of two months following the completion of the action**).

In addition, direct eligible costs must

- be reasonable, justified, consistent with the usual internal rules<sup>2</sup> of the participant, and in accordance with the principle of sound financial management, especially cost-effectiveness and “value for money”;
- be identifiable, verifiable and determined in accordance with the relevant accounting principles<sup>3</sup>

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<sup>2</sup> E.g. First class train travelling is only allowed if this is the usual internal category of travel.

<sup>3</sup> E.g. Invoices must clearly relate to the project, boarding passes must be kept



- be **actually incurred** by the participant and recorded in the accounts of the participant no later than the grant agreement completion date;
- be compliant with the requirements of applicable tax and social legislation;
- be substantiated by proper evidence allowing identification and checking (except for the flat rate indirect costs).

### **Actual costs as opposed to budgeted costs:**

"Budgeted" costs are used for establishing a budget estimate only (i.e. Contract Preparation Forms, which finally resulted in Annex II to the grant agreement, i.e. the estimated budget of the action). Once the project has started only "actual" costs incurred must be used as a basis for completing the Interim and Final financial reports (see point XI Reporting Requirements). Incurred costs must be supported by evidence that they are actual (recorded in the accounts of the beneficiary and supported by invoices for example), and linked to the funded project. As a general rule, neither estimated amounts, nor budgeted amounts, are acceptable. Where these conditions are not met, the amounts will be deemed to be ineligible.

### **Cost categories:**

Eligible costs must be split into direct and indirect costs (overheads). They shall be presented in Annex II of the grant agreement as well as in the financial report under the following headings:

#### Direct Costs

1. Staff Costs
2. Subcontracting
3. Travel and Subsistence Allowances for Staff
4. Purchase Costs for Equipment and Infrastructure
5. Other specific costs

#### Indirect Costs

6. Indirect eligible costs

**Attention:** If an audit of the participant finds that costs have been systematically wrongly charged for one cost category, the audit findings may be used by EACI with the extrapolation method, which means, that we may adapt the costs for all the other costs of this category accordingly: e.g. if one staff category of one participant was indicated to be 22% too high, we would reduce costs for all staff categories of this participant by 22%. This could even be applied to other ongoing grant agreements of this participant.



## IV WHAT ARE NOT ELIGIBLE COSTS?

Costs which are NOT eligible include in particular:

- VAT, unless the participant can show that he/she is unable to recover it; In such a case the participant must provide the EACI with proof from his national tax authorities.
- value of contributions in kind, e.g. if a co-beneficiary or if a party who is not a signatory to the grant agreement provides expertise, meeting rooms, brochures etc. free of charge as their contribution to the action, the value of these cannot be included as part of the eligible costs nor be claimed, as no cost is incurred by a participant to the grant agreement; they can also not be used as co-funding.
- "return on capital employed", including dividends and other distributions of profits;
- provisions for losses or possible future losses or charges;
- debt and debt service charges;
- interest owed;
- provisions for doubtful debts;
- resources made available to a participant free of charge;
- unnecessary or ill-considered expenses, excessive or reckless expenditure;
- costs declared by a beneficiary and covered by another action or work programme receiving a Union grant;
- exchange losses;
- land purchase
- studies not specifically addressing the objectives stated in the proposal;
- investments in major infrastructure, as long as they are not directly linked with the innovative action;
- 'notional rents', 'opportunity costs' or 'imputed interests'
- costs related to the proposal preparation or to the negotiation phase.

## V COST CATEGORIES

### V.1 STAFF COSTS

Staff cost is the cost of staff assigned to the action, comprising actual salaries plus social charges and other statutory costs included in the remuneration (overheads e.g. office renting, training... are financed under indirect costs and should not be included under staff costs), provided that this does not exceed the average rates corresponding to the beneficiary's usual policy on remuneration.

The corresponding salary costs of personnel of national administrations (incl. local, regional,... administrations) are eligible to the extent that they relate to the cost of activities



which the relevant public authority would not carry out if the project concerned were not undertaken;

Only costs related to the actual hours worked by the persons directly carrying out the **technical, analytical, implementation, and promotional work** under the action may be charged to the grant agreement (administrative and secretarial staff can only in exceptional cases be charged as 'direct staff costs', they are normally deemed to be covered in the indirect costs.). The persons directly carrying out the work under the action must be

- directly employed by the participant in accordance with national law;
- under the participant's sole technical supervision (in essence the technical output must belong to the participant);
- remunerated in accordance with the normal practices of the participant provided these are acceptable to the EACI.

**Work contracts** (when the person engaged on such a contract is a user of the infrastructure of the participant, e.g. in-house consultant) which fulfil the above criteria may be charged as personnel costs. The work contract must be economical and not increase unnecessarily the cost of the action.

### **'Civil' contracts**

The use of "civil" contracts concerns non-regular functions and specific tasks that do not usually fall under "labour" contracts.

Civil contracts correspond to a form of service contract under private law, with an obligation to deliver results in a specified time frame. The fee system is either a fixed "price" or is based on an hourly payment rate.

'Civil' contracts costs may be classified as eligible personnel costs **if the following cumulative criteria are fulfilled** (in addition to the general eligibility criteria of the grant agreement)

- (a) These costs **do not significantly differ** from the costs of employees working under labour law contracts and fulfilling comparable tasks requiring comparable expertise and responsibilities.
- (b) These costs **are declared consistently** under any project requiring the same kind of expertise regardless of the funding sources. These costs have to be compliant with the normal remuneration policy of the organisation.
- (c) **Remunerations are actually paid** according to the concerned 'civil' contracts.



(d) The use of "civil" contracts has to **comply with the requirements of applicable tax and social legislation**<sup>4</sup>.

'Civil' contracts costs are classified as 'staff costs' rather than as 'sub-contracting costs', if the following criteria are fulfilled:

- The person having a civil contract with the beneficiary must work under the instructions of this beneficiary (i.e. the work is decided, designed and supervised by the beneficiary);
- The result of the work belongs to the beneficiary.
- If appropriate, the person must work in the premises of the beneficiary.

When the eligibility of costs of 'civil' contracts as staff cost needs to be established, the following supporting documents must be available:

- Copy of the 'civil' contract, and
- Extracts of the accounting system and bank statements showing all postings related to the payments made for the contract, and
- Declarations relative to the applicable social charges and tax obligations.

In addition, the beneficiaries might also be asked to prove the payment of the complete remuneration due under 'civil' contracts after approval of the final reports and payment of the balance. In case of lack of reply or incomplete supporting documents, the corresponding costs will be refused and other measures may be taken if necessary, following the grant agreement.

### **In-house consultants**

Costs of consultants who join the participant's project team and work at the participant's premises may be classified as personnel costs, as long as no profit is included and all of the following conditions are met:

- (1) The consultant's rate is reasonable and is remunerated in accordance with the normal practices of the participant provided these are acceptable to the EACI and are not significantly different from the personnel costs of employees of the same category working under a labour law contract for the beneficiary
- (2) The output of the work belongs to the beneficiary

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<sup>4</sup> Beneficiaries who are in breach of their obligations related to the payment of taxes or social security contributions could result in the termination of grant agreements and exclusion of the concerned entities from future grant procedures for the whole Commission.





- (3) The consultant is under the supervision of the participant;
- (4) The consultant works on the participant's premises as a member of the project team and be a user of the beneficiary's infrastructure (i.e. user of the 'indirect costs') Please note that teleworking may only be allowed if the standard working conditions applicable to the employees of the beneficiary allow it and the above mentioned criteria are still respected. A copy of the standard working conditions might be requested by EACI on a case by case basis.
- (5) The beneficiary has a contract to engage the consultant to work for it and (some of) that work involves tasks to be carried out under the EACI project
- (6) Travel and subsistence costs related to such consultants' participation in project meetings or other travel relating to the project is directly paid by the beneficiary

If the above mentioned conditions are not met the In-house consultants should be considered under the "subcontracting" cost category.

#### **Staff Costs are calculated as follows:**

The following **three elements** must be known in order to calculate the total staff costs that can be charged to the action:

- **Working time** to be charged must be recorded ("timesheets") throughout the duration of the action. For each person involved in the project, participants must have daily records of all hours spent by a given person (i.e. the timesheet shall not only record the time spent on a specific project, but shall reconcile the total working time of each person, say for example 1700 hours per year). The records should be certified at least once per month by the person in charge of the work ('project manager'). Estimates of hours worked are not acceptable. This level of detail might be requested at any stage: during the interim or final report, or if there is an audit of the project. Participants may use their own reporting system, but a timesheet template can be found at [http://ec.europa.eu/environment/eco-innovation/implementation\\_en.htm](http://ec.europa.eu/environment/eco-innovation/implementation_en.htm).
- **Remuneration costs** charged should be taken from the payroll account and should be the total gross remuneration plus the employer's portion of social charges (e.g. holiday pay, pension contributions, health insurance and social security payments). Remuneration costs can be calculated individually for each employee or as an average by category of staff (the method should fairly represent actual labour costs).

**In the case of "work contracts" (e.g. in-house consultant fulfilling the previously listed conditions), the costs (excluding VAT when applicable), should be taken from the invoice received for the work performed. Invoices should indicate the project on which the persons have worked, the tasks carried out and the hours spent.**



- **Productive time** is the total hours worked, excluding holidays, sick leave, or other allowances like personal leave, training (i.e. average training days per person per year in your organisation – with a maximum of 10 days). Productive hours include hours spent on both external projects (i.e. 'billable') and internal work.  
In order to obtain an hourly rate for a given period, the salary costs related to that period must be divided by the productive time calculated for that period. Total productive hours can be obtained either on the basis of actual hours recorded in time sheets or on the basis of standard hours. In the latter case they should represent the total workable hours based on the contract of employment less a provision for allowances such as holidays, training and sick leave (these must correspond to the actual situation of the participant).



Microsoft Office  
Excel Worksheet

An example for determining the total productive hours per year on the basis of standard hours would be as follows:

Days/year	365 days
Less 52 weekends	<u>104 days</u>
Subtotal	261 days
Less	
Annual holidays	22 days
Statutory holidays	15 days
Sick leave	5 days
Training	<u>4 days</u>
<b>Total-Productive days</b>	<b>215 days</b>

Depending on the hours/days that your company/organisation uses, productive hours per year or month can be:

Productive hours/year (215 days x 7 hrs/day)	1.505 hrs
Productive hours/year (215 days x 7,5 hrs/day)	1.613 hrs
Productive hours/year (215 days x 8 hrs/day)	1.720 hrs

Productive hours/month (1.505 hours/12 months)	125 hrs
Productive hours/month (1.613 hours/12 months)	134 hrs
Productive hours/month (1.720 hours/12 months)	143 hrs



Please note that the time charged by the participant should not exceed the actual productive time. Otherwise a participant would recover more than its actual personnel costs.

**Attention!** As a general rule, no overtime should be charged to projects in the framework of European Union Programmes, unless this element has been taken into account in the calculation of the total productive hours and overtime is reimbursed specifically by the participant.

**Special case : Owners of companies not receiving a 'salary'**

As remuneration cost (staff cost of the owner) we will consider the average income as declared by the owner in the income tax over the last three years.

**Frequent misunderstandings**

**Hourly rates included in the 'Contract Preparation Forms' do not constitute 'agreed' hourly rates, they are only to be considered as 'estimates'.**

The financial reports to be submitted at the time of the interim/final report on the action should present the actual costs incurred and therefore use the actual rates, recalculated on the basis of the real staff costs paid. These actual costs need to be evidenced by the corresponding payslips, bank transfers, etc. - evidence which might be requested by the EACI on a case by case basis.

**Only costs can be reimbursed and not prices** that would normally be charged to customers when engaging in commercial activities (price = staff cost + commercial uplift). Staff costs will only be considered eligible if they are reasonable and justified, and if they accord with the principles of sound financial management (i.e. (i) they may not unnecessarily increase the cost of the project and (ii) substantial deviations from the average cost of similar labour in the country concerned must be justified and agreed by the Agency.

**V.2 SUBCONTRACTING (external services)**

Subcontracting may only cover the execution of a limited part of the action. It is expected that the share of Subcontracting should remain below 35 % of the total budget of the project. Subcontracts must be awarded in accordance with the conditions set out in Article II.9 of the grant agreement.

Where the implementation of the action requires the procurement of goods, works or services, the beneficiaries shall award the contract to the tender offering best value for money, or as appropriate to the tender offering the lowest price. In doing so, they shall avoid any conflict of interest.

Please note that EACI is not imposing the EU public procurement rules on the beneficiaries. All beneficiaries in the agreement are free to organise the procurement in their usual way as



long as they respect the criteria on 'best value for money or lowest price' and 'absence of conflict of interest'.

In all cases and also in the case where according to the beneficiary it does not make sense to organise a formal tendering process, this should be substantiated with supporting documents.

When work is subcontracted it must be identified in the Description of the Action (Annex I of the grant agreement) as well as in the Estimated Budget (Annex II/contract preparation forms). Note that according to Article II.9.2 any subcontracting during the course of the action, which was not foreseen or identified in the Description of the Action, (Annex I of the grant agreement), is subject to prior written approval of the EACI.

The participants must ensure that their agreements with subcontractors mention in particular that the EACI and/or the European Commission may at any time during the grant agreement and up to five years from the date of payment of the balance, arrange for audits of the subcontractor to be carried out by the EACI and/or the European Commission or any other outside body authorised by them as well as by the European Court of Auditors and the European Anti-fraud Office (OLAF).

Copies of the three highest invoices for subcontracting must be submitted to the EACI with the Final financial report.

Copies of the other invoices (if any) may however, be requested on a case by case basis. In general, supporting documentation should be kept in the participant's files and provided at the EACI's request.

All copies of invoices for subcontracting must (where possible) make reference to the grant agreement or action name but in any case to the concrete tasks and services concerned.

A clear contractual basis is necessary for all cases, e.g. subcontract agreements.

Subcontracting is not allowed between participants or between subdivisions of the same company.

### **V.3 TRAVEL AND SUBSISTENCE ALLOWANCES and TRAVEL FLAT RATE**

From the Call 2011 onwards, projects may choose to apply a travel flat rate model or to charge travel cost as actual cost.

#### **Travel flat rate**

The travel flat rate simplifies the calculation (and checking) of travel costs. It is calculated as 4% on the total direct eligible costs. Please note that there are certain conditions connected to this model:

- There is an upper limit of 60.000€ EU funding (per project) for the travel flat rate.



- The flat rate needs to apply to ALL participants evenly.
- It cannot be higher or lower than 4%.

In this case, travel documents have to be kept according to your usual accounting practice.

### **Travel as actual cost**

Actual travel costs and related subsistence allowances for staff taking part in the action may be charged to the action provided they comply with the participant's established internal rules and usual practice or do not exceed the scales approved annually by the Commission ([http://ec.europa.eu/europeaid/work/procedures/implementation/per\\_diems/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm)).

In the case of travel costs as actual costs, you will have to keep all travel documents according to your accounting practices (boarding passes, hotel bills, invitations, agenda, attendance lists etc.) to be able to substantiate the costs.

Travel costs of subcontractors, if applicable, are to be included in the subcontracting costs. Travel and subsistence costs related to in-house consultants' participation in project meetings or other travel relating to the project are treated like the cost of the beneficiary and included in the financial report under travel costs.

Subscription fees to conferences or events, where relevant, should be charged under "other specific costs" (see point V.5 below).

Missions to any destination outside the Member States and outside the third countries eligible to participate in the programme should be reasonable and justifiable as necessary for the fulfilment of the action (see definition of eligible costs), and agreed beforehand, if not already mentioned in the grant agreement.

Please note that each beneficiary, according to their internal travel rules, should claim less daily allowance if dinner (or lunch) costs are paid by the organising beneficiary or if breakfast is included in the hotel costs.

### **V.4 EQUIPMENT & INFRASTRUCTURE**

Equipment charged to the grant agreement must be specifically required for the purpose of the action and should be directly related to the innovative action proposed. It should be correctly depreciated and must be entered in the inventory of capital expenditure of the participant according to the relevant (national) accounting principles, e.g. for establishing the correct point of time when depreciation starts. The cost must be incurred during the duration of the action. Electricity or gas for operating the equipment are deemed to be included in the budget via the indirect costs.



In order to identify the eligible costs in this category, the following needs to be taken into account:

- Only the share of the equipment's depreciation corresponding to the period of months used for the action and the rate of actual use for the purpose of the action can be taken into account as eligible costs. The costs to be charged to the action shall be calculated according to the following formula:  $(A/B) \times C \times D$

A – Period of months used for the action

B – Total period of depreciation (in months)

C – The actual cost or value

D – The percentage of usage of the equipment for the action

- Equipment costs must be capitalised in the books of the participant, based on the usual practice of the participant and in accordance with the national tax and accounting rules.

- Only the costs for equipment or infrastructure directly linked with the innovative action are eligible for funding.

E.g. the construction of a new recycling plant would not be completely eligible, but those components in the production process or parts of the plant which are needed to produce the innovative recycled material can be eligible (special machines, production and control cycle etc.).

It must be depreciated in accordance with the accounting rules applicable to the participant and generally accepted for items of the same kind. Spare parts that constitute part of the equipment will also be considered as equipment and will follow the same depreciation rules. The nature and use of the equipment or infrastructure should be convincingly described in the related work package description in the technical implementation reports.

In some EU countries, the tax authorities have granted companies the possibility to freely depreciate assets for tax purposes, as an extraordinary measure to foster investment and create jobs. In this framework, depreciation amounts declared for tax purposes can be different from depreciation amounts for accounting purposes. For Eco-innovation, only depreciation costs in line with accounting rules of the participant are eligible. Accelerated depreciation costs in line with possible existing extraordinary tax measures are not acceptable, unless they are in line with the accounting rules. A calculation has to be made to adapt it to the duration of the action and the % used for the action.

When there is divergence between the applicable tax rules and accounting rules, the accounting rules prevail.

Independent from that, the starting point for the depreciation of the equipment (date of delivery, commissioning date, date of invoice), needs to follow the national accounting rules.



In case of suspension of the action, depreciation costs shall be deducted according to the time of suspension.

Please note that at the time of the interim report, partners should report the depreciation of the equipment and infrastructure cost according to the number of months of use during the first interim period. This even if the equipment is paid entirely during the first reporting period.

### **Renting or leasing of equipment**

Renting or leasing of equipment is possible. Renting costs should be charged under "other specific costs". Leasing costs can be charged either under "other specific costs" or under "equipment costs", depending on the type of leasing (capital/finance leasing or operating leasing).

Capital or Finance Leasing costs (with the possibility to buy the equipment) should be depreciated in your accountancy and therefore these costs should be charged under "equipment costs". Operating Leasing costs (no possibility to buy) are considered as renting, cannot be depreciated in the balance sheets and therefore these costs should be charged under "other specific costs".

The price of the renting or leasing must be a "market" price and needs to be the offer representing the best value for money. It cannot exceed the costs that would have been incurred if the equipment had been purchased and depreciated under normal practices.

The participants can only rent equipment from another partner of the same project under the conditions that the price of the renting is a "market" price and that the offer represents the best value for money. Renting equipment to a company which is part of the same group (affiliates, mother company etc) is also possible as long as they are different legal entities and as long as they follow the previous conditions (market price and best value for money).

Any **discounts** received have to be included in the cost calculations for the equipment.

### **Subcontracting vs. durable equipment**

Sometimes the purchase of equipment is associated with the provision of a service. This may be considered as subcontracting OR as part of the equipment (and hence, would need to be calculated like the equipment costs) depending on your relevant accounting principles.

## **V.5 OTHER SPECIFIC COSTS**

Other specific costs are those costs arising directly from requirements imposed by the grant agreement (see list below), including the costs of any financial services.



These costs are eligible and may include items such as:

- costs of audit certificates required by the grant agreement, specific evaluation of the action;
- charges for financial guarantees required by the grant agreement;
- bank charges of the co-ordinator related to opening a specific bank account for the grant agreement (unless already included in the indirect costs);
- subscription fees for fairs and events/conferences;
- costs of organising seminars, workshops, conferences (unless a subcontract has been concluded with a service provider, in which case these costs should be charged under "Subcontracting");
- travel and subsistence allowances of persons who are not under staff costs;
- consumables linked to the innovative action such as filters, tools;
- printing (e.g. of dissemination material or posters), translation.

Other specific costs do not cover electricity or gas used for the running of the project as they are covered under indirect costs.

## **V.6 ELIGIBLE INDIRECT COSTS**

The indirect costs incurred in carrying out the action are only eligible for flat-rate funding fixed at 7% of the beneficiaries total eligible direct costs. In case you have chosen the 4% travel flat rate, the travel costs are not being considered for the calculation of the 7% indirect costs. Indirect costs do not need to be supported by accounting documents.

Any organisation receiving an operating grant from the EU for the period of the action or parts of the period cannot claim the 7% indirect costs for the period in question as these are already covered.

## **VI BUDGET TRANSFERS**

When carrying out the action a beneficiary may adjust the estimated budget by transfers between items of eligible costs, provided that this adjustment of expenditure does not affect the implementation of the action and the transfer between items does not exceed 20% of the total eligible costs of the action.

In addition, beneficiaries may transfer between themselves the estimated budget, provided that this adjustment of expenditure does not affect the implementation of the action and the transfer does not exceed 20% of the total eligible costs of the recipient beneficiary and the





transfer does not exceed 50% of the total costs of the giving beneficiary. In case of budget transfers between partners with different funding rates, the maximum funding by the Agency as stipulated in Article I.4.3 and Annex II will not be exceeded, and the total eligible costs of the project will not be modified.

In all cases, the coordinator shall inform the Agency in writing at the latest at the time of the final report. The completion of the “budget transfer request” table is obligatory, and it must be signed and dated by the coordinator. Please see Appendix 3 for the table and Appendix 4 for more explanations on how to complete this table.

**In practical terms, this means the following:**

If the budget transfer is beyond the thresholds defined, we will need to amend the contract, so be sure to send an amendment request at the latest 1 month before the project ends, otherwise you risk not to be paid for the changes.

In order for us to check whether budget transfers are within the flexibility or not, you should always send us a “budget transfer request” (an xls-file indicating the old and new values).

If an amendment is needed (i.e. budget shift beyond the thresholds defined), we will also need a new Annex II.

## **VII AMENDMENTS**

Please note that every amendment is a time-consuming process and leads to more administrative burden, so please make sure that you provide correct information before signing the grant agreement. You should also know that if an amendment is launched and a payment should be done at the same time, the payment can be blocked till the amendment process is closed, this means signed by the 2 parties.

The modification of the grant agreement and its annexes is based on a written request approved by the Agency. No oral agreement may bind the parties to this effect (Article II.13).

Any request for amendment shall be made by the coordinator's legal representative in agreement with the co-beneficiaries, and must be send to the Agency in good time before it is due to take effect and at all events 30 (thirty) calendar days before the closing date of the action.

Amendments shall have neither the purpose nor the effect of making changes to the grant agreement which might call into question the grant award decision.

Examples of cases for which an amendment is needed: change of bank account details of coordinator, reporting schedule, change of name or legal form, budget transfer beyond the defined thresholds, change of Annex I, withdrawal of a co-beneficiary etc.

Under no circumstance may the maximum total Union contribution be increased through an amendment.



If the amendment concerns the termination of the participation of a beneficiary, please note that the beneficiary concerned is requested to submit a final report (technical, financial and supporting documents), at the time of the amendment request. Non-submission of a final report of a withdrawing beneficiary could imply that eventual costs of this beneficiary are considered as zero by the Agency, as no evidence of completion of tasks is provided.

## VIII REVENUES

Any revenue generated by the action needs to be recorded and must be reported to the EACI at the latest in the final financial report.

Account must be taken of revenue which is:

- **established** (revenue that has been collected and entered in the accounts),
- **generated or confirmed** (revenue that has not yet been collected but which has been generated or for which the participant has a commitment or written confirmation) **on the date when the request for payment of the balance of the grant is established.**

Revenue can be, for example, income generated by selling of a product, which is the core of a project.

You are allowed to generate income, even DURING the project. You may use it, for instance, as matched funding to the funding you receive from us. However, be careful with profit, as profit is now allowed. If you would make profit during the project, the EU funding would be reduced accordingly.

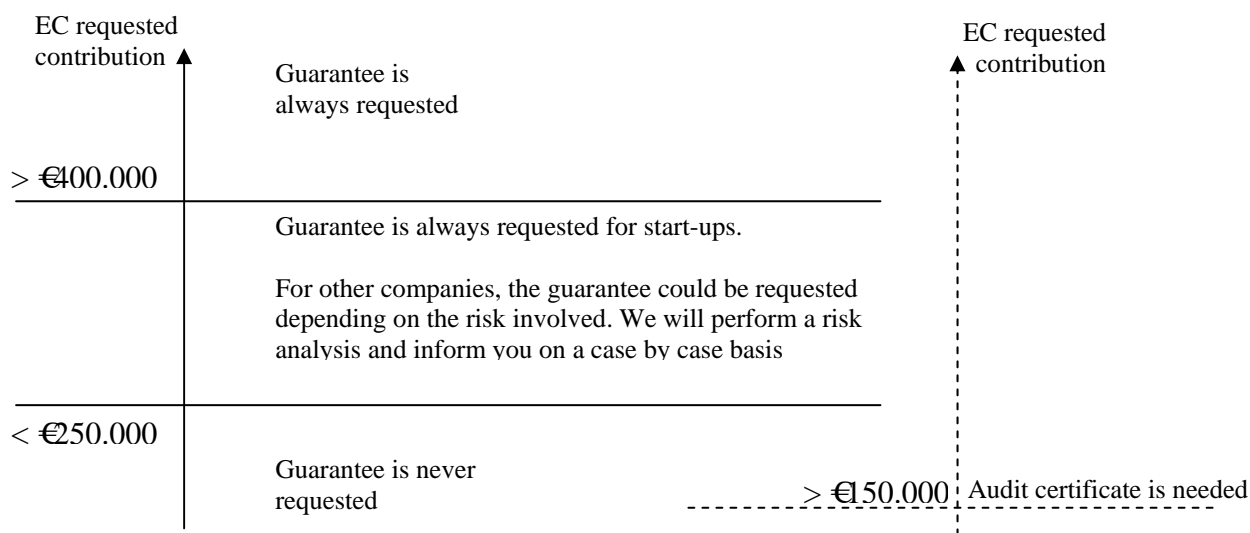
## IX FINANCIAL GUARANTEES

Where required by the special conditions of the grant the participant concerned shall provide a financial guarantee from a bank or an approved financial institution established in one of the Member States of the European Union.



The following conditions apply per partner:

**Calls 2011 and later**



**Call 2009 and 2010**

First pre-financing per partner < 50.000€ or EU requested contribution per partner <166.667€	No guarantee is requested
First pre-financing per partner > 100.000€ or EU requested contribution per partner >333.333€	Guarantee is <u>always</u> requested
First pre-financing START-UPS > 50.000€ or EU requested contribution per partner >166.667€	Guarantee is <u>always</u> requested
First pre-financing is between 50.000€ and 100.000€ or EU requested contribution per partner between 166.667€ and 333.333€	Guarantee could be requested depending on the risk involved (we will inform you case by case)

The financial guarantee must be drawn up in accordance with the model letter to be provided by the EACI ([http://ec.europa.eu/environment/eco-innovation/managing-projects/contract-finance/index\\_en.htm](http://ec.europa.eu/environment/eco-innovation/managing-projects/contract-finance/index_en.htm) or see below) and shall indicate that the guarantor stands as first call guarantor who shall not require the Agency to have recourse against the principal debtor (i.e. the beneficiary concerned).

This model letter cannot be altered neither by the guarantor nor by the beneficiary.

The financial guarantee shall remain in force until the Agency proceeds with the payment of the balance of the grant pursuant to the provisions of Article I.5.3. The Agency undertakes to



release the guarantee within sixty (60) days following that date. It will return the original financial guarantee to the party concerned.

a) When to submit the financial guarantee?

The participant concerned will submit it/them, in any case within 60 days from the date of entry into force of the grant agreement as provided for in Article I.5.1 second paragraph. The amount of the first pre-financing shall be retained by EACI until the original financial guarantee has been received.

b) Do you need a specific template?

Yes.

Please, find it here:



Template\_financial\_guarantee\_2012-FINA

c) How to avoid frequent mistakes?

- The amount of the pre-financing should be correctly calculated. It must equal exactly 30% (two decimals accuracy) of the EU funding of the coordinator/co-beneficiary concerned.
- Do not add any calendar date indicating the end of validity of the financial guarantee. This will result in the rejection of the financial guarantee!
- The financial guarantee shall be governed by the law applicable to the grant agreement; if modified this will result in the rejection of the financial guarantee.

## **X AUDIT CERTIFICATE**

An audit certificate on the actions' accounts is required from each private body participating in the action whose total Union funding exceeds:

### **Call 2009 and later Calls**

- 150.000 € per partner, independent of its funding rate

### **Call 2008**

- 180.000 € for small size enterprises
- 150.000 € for medium size enterprises
- 120.000 € for large enterprises



It shall be provided by an independent external auditor, chosen by the participant. The external auditor shall issue the audit certificate for the attention of the participant and not for the attention of the EACI or the European Commission. Related costs are eligible under 'other specific costs'.

The participant is free to choose the external auditor, including her/his usual external auditor, provided that the external auditor is both independent from the participant and qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

In case the participant does not use his/her usual external auditor, the selection procedure has to comply with the requirements of subcontracting (see model grant agreement, article II.9), i.e. the participant should seek competitive offers from potential external auditors and select the offer providing the best value for money; the principles of transparency and equal treatment of the offers should be observed.

The purpose of the audit is to examine the actions' accounts and certify that (see also II.15.3 of the grant agreement):

- the financial documents submitted by the participants to the EACI comply with the financial provisions of the grant agreement, i.e. it should be checked whether
  - the declared costs satisfy the eligibility criteria of the terms of the grant agreement;
  - the eligibility rules specific to each cost category are correctly applied (e.g. ensure that the rules on subcontracting have been respected);
  - the direct and indirect costs are correctly differentiated;
  - the interest received on pre-financing has been correctly declared (where applicable);
  - the non-profit rule is complied with;
- the costs declared are actual costs, i.e. real and not estimated, budgeted or imputed;
- the accounting procedures used in the recording of eligible costs and receipts (i) comply with the accounting rules relevant for the participant and (ii) permit reconciling costs and receipts declared in respect of the action, funded under the grant agreement, with the statement of accounts relating to the participant's overall business activity;
- all receipts have been declared

Please note that the EACI does not require the audit certificate to comply with a specific format, nor has the EACI created a specific template for it. The auditor is free to use his/her



own wording to certify the above. However, the audit certificate should clearly mention the grant agreement number and acronym, the amount of the eligible costs as well as the reporting period.

With a view to avoiding delays in the submission of external audit certificates, participants should select and contract the external auditor well before the final financial report is due.

The cost of obtaining an audit certificate (excluding VAT when applicable) is reimbursed via the Other Specific Costs category.

## **XI PAYMENT SCHEME**

The grant to the action shall be paid in three instalments (first pre-financing, second pre-financing and payment of the balance) and in accordance with the provisions of Article I.5 of the Special Conditions and Article II.15 of the General Conditions of the grant agreement.

### **I. First pre-financing**

Within 45 (forty-five) calendar days from the date when the signed grant agreement and all the mandates (as well as the original financial guarantee, when needed) are officially received by the Agency, representing 30% of the grant (EU funding).

### **II. Second pre-financing**

The coordinator may request a second pre-financing payment provided that 100% of the first pre-financing payment has been used up. The aggregate amount of the pre-financing payments shall represent 60% of the maximum amount of the grant. The amount of the second pre-financing shall be paid to the coordinator upon approval by the Agency of the interim report (including the interim financial report) within 90 days.

### **III. Payment of the balance**

Upon completion of the action, a payment representing the balance of the grant shall be made to the coordinator. The amount of the final payment shall be determined on the basis of the eligible costs actually incurred, as shown in the final financial report and validated by the Agency. Where appropriate the amount of any pre-financing previously paid to the beneficiary shall be deducted.

The balance of the grant shall be paid to the coordinator upon approval by the Agency of the final report (including the final financial report) within 90 days.

For more details on payment arrangements please refer to article I.5 of the grant agreement.



## **XII REPORTING REQUIREMENTS**

### **Terminology for reports:**

<b>In Grant Agreement:</b>	<b>In Annex I and reporting templates:</b>
Technical progress report	Progress report (PR)
Interim technical implementation report	Interim report (IR)
Interim/final financial statement	Financial report
Final technical implementation report	Final report (FR)

The beneficiaries shall submit, through the coordinator and in the format provided by the Agency, the following documents:

- (a) progress reports;
- (b) an interim report including a financial report;
- (c) a final report including a financial report.

All these documents shall be submitted in English, in 2 (two) originals and 1 (one) electronic format. Any other deliverable shall be submitted in accordance with Annex I.

For more details on reporting requirements please refer to Article I.6. of the grant agreement.



## **Appendices:**

Appendix 1: Checklist on completeness of final reports

Appendix 2: Ease (y)our life: Technical and Financial Tips – ppt presentation including explanations

Appendix 3: Budget transfer request table

Appendix 4: Explanations on how to complete the Budget transfer request table