

FIN

Financial & Other Conditions

Note that **III.1** at the end of each heading refers to the relevant chapter in the official **Programme Guide**

1. Introduction **III.1**

As with all EU grants, financial contributions awarded under the Culture Programme are subject to the rules deriving from the Financial Regulations, such as the General Conditions¹. Their application is compulsory.

This **Info-Sheet** sets out the rules, which apply to all grants under the Culture Programme.

2. Grant Amount **III.1.1**

Under no circumstances will the amount awarded exceed the amount applied for.

The amount granted by the *Grant Agreement / Grant Decision* is a maximum, which cannot be increased in any circumstances.

The final amount is only granted after assessment of the interim (if any) and final report and can be reduced on inspection of the actual implementation of the action.

The *beneficiary* and *co-beneficiary's* (where applicable) *bank account* must make it possible to identify sums paid by the Executive Agency.

3. Co-financing **III.1.2**

The EU grant cannot finance the entire costs of the action. Applicants must show their commitment to the action by finding additional financing sources other than the EU grant. This can be done, for example, by fund-raising activities, by adding own resources, or by requesting grants from other organisations (e.g. local, regional or national authorities, foundations, etc.).

Proof of co-financing must be included in the final report. Grants calculated according to the flat-rate based financing (*see below*) are not affected by this rule.

4. No Double-Financing **III.1.3**

Each individual action is entitled to receive one, and only one, grant from the EU budget for the same action. An organisation may be awarded only one operating grant per *financial year*.

Organisations which have applied or plan to apply for another EU grant under the Culture Programme or under any other programme of the European institutions should indicate this clearly in their application and must inform the Executive Agency of the outcome of their parallel application.

If an organisation receives an operating grant and a grant for projects, the staff costs of the organisation can not be taken into consideration in the *eligible budget* for the project, as the staff costs are in principle covered by the operating grant. The same rule applies for the 7% indirect costs, which are also covered by the operating grant.

5. Eligibility Period - Non-Retroactivity

III.1.4

The *eligibility period* for expenditure resulting from the implementation of a co-financed action is specified in the *Grant Agreement / Grant Decision*.

No grant may be awarded retrospectively for action(s) already completed.

A grant may be awarded for an action, which has already begun only if the applicant can demonstrate the need to start the action before the agreement/decision has been signed. In such cases, expenditure eligible for financing may not have been incurred prior to the date of submission of the grant application.

6. Non-Profit² **III.1.5**

Grants awarded including operating grants must not have the purpose or the effect of producing a profit. In practical terms this means that: if the total receipts of an action are higher than the final total costs of the action, the EU grant will be reduced accordingly after the analysis of the final report taking into consideration the information in the application (Article 173 of the Financial Regulation's Implementing Rules: "The budget for the action or the operating budget attached to the application shall have revenue and expenditure in balance, subject to provisions for possible variations in exchange rates (accounting rate), and shall indicate the costs which are eligible for financing from the Community budget.").

Existence of a profit may bring about recovery of amounts previously paid.

Grants calculated according to the flat-rate based financing for Literary Translation (*see Info-Sheet LIT*) are not affected by this rule.

7. Guarantee **III.1.6**

The Executive Agency may require any organisation (which has been awarded a grant) to provide a guarantee first, in order to limit the financial risks linked to the pre-financing payment.

The purpose of this guarantee is to make a bank or a financial institution, third party or the other *beneficiaries* stand as irrevocable collateral security for, or first-call guarantor of, the grant *beneficiary's* obligations.

This financial guarantee, in Euro (hereafter "EUR"), shall be provided by an approved bank or financial institution established in one of the EU Member States. If the *beneficiary* is established in another *eligible country*, the Executive Agency may agree that a bank or financial institution established in that country may provide the guarantee if it considers that the bank or financial institution offers equivalent security and characteristics as those offered by a bank or financial institution established in an EU Member State.

The guarantee may be replaced by a joint and several guarantees by a third party or by a joint guarantee of the beneficiaries of an action who are parties to the same *Grant Agreement / Grant Decision*.

¹ As annexed to the Grant Agreement and Grant Decision are available on the website of the Executive Agency.

² For further details, please see "non-profit rule" Article 165 of the Financial Regulation's Implementing Rules.

The guarantee shall be released as the pre-financing is gradually cleared against interim payments or payments of balances to the *beneficiary*, in accordance with the conditions laid down in the *Grant Agreement / Grant Decision*.

This requirement does not apply to *public organisations* and international organisations under public law as described in *Info-Sheet ASG*.

8. Type of Grants III.2

Within the Culture Programme there are two types of grants:

- grants for projects (Multi-annual Cooperation projects (*strand* 1.1), cooperation projects (*strand* 1.2.1), Literary Translation projects (*strand* 1.2.2) and cultural cooperation projects with *Third Countries* (*strand* 1.3). Projects are actions with a limited lifetime during which proposed specific activities are implemented. Project costs must be directly linked to the implementation of the proposed specific activities.
- grants for operating costs (structural support) of an organisation active at European level in the field of culture (*strand* 2). Operating grants are different from project grants as they provide financial support to costs necessary for the proper conduct of the usual and permanent activities of an organisation. These costs include staff costs, costs of internal meetings, publications, information and dissemination and other costs directly linked to the organisation's work programme.

9. How the Grant is Calculated III.3

The grant is calculated either based on either:

- a detailed budget (see *below*) OR
- a flat rate financing³ (see *below*).

10. Budget Based Financing III.3.1

(only for strands 1.1, 1.2.1 and 1.3 – not strands 1.2.2 or 2)

Budget based grants are calculated on the basis of a balanced, detailed estimated budget, established in EUR. The calculation of the final grant amount is based on a detailed final financial statement accompanied by supporting documentation for the expenditure.

The maximum grant may not exceed a maximum rate of *eligible costs* for the action concerned. There is a maximum grant for the different *strands* – see *Info-Sheets PROJ / LIT / ST2* for details.

Accordingly, a defined percentage of the total estimated eligible expenses (depending on the specific action) must be financed from sources other than the EU budget. Applicants must provide proof that the remainder of the total costs of the action is covered by (secured) co-financing.

The applicant must indicate the sources and amounts of all other finance receiving or requested during the *eligibility period* and for any other action.

Beneficiaries and co-beneficiaries (where applicable) undertake to implement actions as submitted in the grant application. Prior agreement in writing of the Executive Agency must be obtained for any amendment to the action. The inclusion in the final financial statement of expenses not set out in the grant application may lead the Executive Agency to demand the return of all or part of the grant.

The budget attached to the application form must have income and expenditure in balance and clearly show the costs that are eligible for financing from the EU budget.

Applicants must indicate, by filling in the spaces provided for this purpose in the application form, the sources and amounts of any other funding received or applied for the same *financial year* for the same actions of for any other actions and for regular activities.

Applicants from countries outside the "euro zone" must use the official EUR exchange rate (accounting rate) published by the Commission's Directorate General of Budget⁴ for the month

preceding their application.

10.1 Eligible Costs III.3.1.1

Eligible costs of the action are costs actually incurred by the *beneficiary* or *co-beneficiary* (where applicable), which meet the following criteria:

- they are incurred during the duration of the action as specified in the Grant Agreement / Grant Decision, with the exception of costs relating to final reports and certificates on the action's financial statements and underlying accounts;
- they are connected with the subject of the agreement and they are indicated in the estimated overall budget of the action;
- they are necessary for the implementation of the action which is the subject of the grant;
- they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost-accounting practices of the beneficiary;
- they comply with the requirements of applicable tax and social legislation;
- they are reasonable and, justified and comply with the requirements of sound financial management, in particular economy and efficiency;

The internal accounting and auditing procedures of the *beneficiary* or *co-beneficiary* must permit direct reconciliation of the costs and income declared in respect of the action with the corresponding accounting statements and supporting documents.

Eligible costs are split into two main categories:

a) Eligible direct costs

Eligible direct costs are those costs which are directly linked to the implementation of the action and which can therefore be booked to it directly. This includes in particular:

- the cost of staff assigned to the action, comprising salaries, plus social security charges and other statutory costs included in their remuneration, provided that this cost does not exceed the average rates corresponding to the usual remuneration policy of the *beneficiary* or, where appropriate, that of the *co-beneficiary* (where applicable)
For staff partly involved in the action, only the percentage of the allocated time is eligible. The participation of staff in the action must be proven by secondment contracts, job descriptions, attendance records (i.e. time sheets) or any other evidence. The corresponding salary costs of personnel of national administrations are eligible to the extent that they are related to the cost of activities which the relevant public authority would not carry out if the action concerned was not undertaken.
Attention: for several actions there are ceilings regarding staff costs, which can be found in the application form for the specific strand.
- travel and subsistence costs and/or allowances for staff involved in the operation and implementation of the action. These must be in line with the *beneficiary's* usual practice on travel costs or, where appropriate, those of *co-beneficiaries*. If these costs are considered to be extravagant, they shall be revised downwards and capped in accordance with the scales approved annually by the European Commission⁵;
- rental or purchase cost of durable equipment (new or second-hand). The equipment concerned must be depreciated in accordance with the tax and accounting rules applicable to the beneficiaries and where appropriate, those of *co-beneficiaries*, and generally accepted for equipment of the same type. Only the proportion of the equipment's *depreciation* corresponding to the duration of the action and the rate of actual use for purposes of the action may be taken into account, except where the nature and/or the context of its use justifies different treatment;
- cost of consumables and supplies;

³ This type of co-funding is subject to a decision of the Commission.

⁴ <http://ec.europa.eu/budget/infoureuro>

⁵ For further details regarding the daily allowance, please have a look at the Executive Agency's website.

- costs of the certification of the final financial statements and of the audit report of annual accounts, where applicable, certifying the actions financial statements requested with the final financial statement (*see below*);
- costs arising from contracts awarded by the *beneficiary* or the *co-beneficiaries* for the purpose of carrying out the action (i.e. subcontracting and award of procurement or service contracts – *see below*);
- costs arising directly from requirements imposed by the implementation of the action (dissemination of information, specific evaluation of the action, audits, translations, reproductions, etc.), including, where applicable, the costs of any financial services (especially the cost of financial guarantees).

Attention I: For actions involving costs relating to a Third Country (i.e. costs relating to natural persons citizens of a Third Country, organisations based in a Third Country and activities taking place in a Third Country), the relevant costs incurred by the beneficiary and/or the co-beneficiary must not exceed 15% of the total eligible budget. This rule does not apply to projects submitted under Stand 1.3, Cultural Cooperation projects with Third Countries.

Attention II: Costs incurred by associated partners and cost incurred by partners in the Third Country are not eligible, unless they are directly paid or refunded by the beneficiary and/or the co-beneficiary.

b) Eligible indirect costs (administrative / operating costs)

These are general administrative/operating costs incurred by the beneficiary, or, where applicable, the co-beneficiaries and which can be regarded as chargeable to the action.

For projects only, a flat-rate amount, not exceeding 7% of the eligible direct costs and a maximum of EUR 180.000⁶, is eligible under indirect costs.

For projects, indirect costs are not eligible when the beneficiary or, where applicable, the co-beneficiaries also receive an operating grant awarded under the EU budget.

10.2 Ineligible costs

- return on capital
- debts and debt service charges
- provisions for losses or potential future liabilities
- interest owed
- doubtful debts
- exchange rate (accounting rate) losses
- VAT, unless the beneficiary shows that it cannot be recovered
- costs declared and covered in connection with another action or work Programme receiving a EU grant
- excessive or reckless expenditure
- contributions in kind

11. Flat Rate Based Financing III.3.2

(only for strands 1.2.2 and 2 – not strands 1.1, 1.2.1 or 1.3)
The flat rates have been introduced to simplify the grant management for the beneficiary. They will be evaluated on the basis of their results and may be developed or modified.

Under this system, the grant is calculated either:

- on the basis of a **fixed amount** (up to a maximum) **per page** to be translated for Literary Translation projects (strand 1.2.2);
- or
- on the basis of a **fixed amount** (up to a maximum) **per person** working for the organisation – support for organisations active at European level in the field of culture (strand 2, Operating Grants).

The fixed amounts per page or person are used as a calculation method to set the maximum amount of the grant. The beneficiary is responsible to decide how to best use the grant for the implementation of the project or work programme.

A simplified budget is required but there is no need to submit a detailed financial statement.

A *Grant calculator*, inserted in the specific application forms, enables the automatic calculation of the potential grant.

12. Grant Agreement or Grant Decision

III.4

EU support to successful proposals takes the form of a *Grant Agreement* or a *Grant Decision* between the Executive Agency and the beneficiary.

a) Grant Agreement (strands 1.1 and 2)

The *Grant Agreement* (in two original sets), drawn up in EUR, sets out the terms and conditions governing the grant. It may be amended during the *eligibility period* of the action. The *Grant Agreement* can be annual or multi-annual. A specific form of a multi-annual agreement is the Framework Partnership Agreement. A Framework Partnership Agreement formalises a partnership relationship between the Executive Agency and the partner for 3 years, to enable the selected organisation to achieve its long-term objectives. The Framework Partnership Agreement is used for *strand 2* (operating grants), and is implemented through annual agreements.

b) Grant Decision (strands 1.2.1 and 1.2.2)

The Grant Decision is a unilateral act awarding a grant to a beneficiary. The reason for replacing the *Grant Agreement* by a decision is a simplification of procedures. Contrary to the *Grant Agreement*, the beneficiary does not have to sign the decision and can start the action immediately upon receipt. The decision thus speeds up the administrative process. Grant Decisions are used for the following strands:

- Cooperation projects (*strand 1.2.1*), where the *co-ordinator* is legally established in the EU, and
- Literary Translation projects (*strand 1.2.2*).

A model of the *Grant Agreement* (for project or operating grants), Framework Partnership Agreement and *Grant Decision* can be found on the website of the Executive Agency.

c) Obligations Arising from the Grant Agreement and Grant Decision III.4.3

By submitting a grant application form the applicant organisation commits itself to all of the conditions specified in *Info-Sheets PROJ / LIT / ST2* regarding their specific action as well as the general rules stipulated in this *Info-Sheet*, including the General Conditions, annexed to the *Grant Agreement / Grant Decision*.

Any changes to the planned activities must be submitted to the Executive Agency in writing for prior approval. No changes having the effect of altering the main concept of the planned activities are allowed.

13. Observance of Deadlines III.4.4

Should the beneficiary wish to postpone one or more actions, so that they finish later than specified in the *Grant Agreement / Grant Decision*, an official request must be presented to the Executive Agency. It must explain why the delay has come about and indicate the proposed modified timetable. Requests will be examined and – if accepted – an amendment to the *Grant Agreement / Grant Decision* shall be sent to the co-organiser. Requests for an extension of more than 3 months will normally not be accepted. The end date for *strand 2* (operating grants) cannot be extended, as it is linked to the financial year.

14. Implementation Contracts / Subcontracting III.5

Where implementation of the action requires subcontracting or the awarding of a procurement or service contract, the beneficiary and, where applicable, its co-beneficiaries must obtain competitive tenders from potential contractors (a minimum of 5 offers for procurement above EUR 60.000) and award the contract to the bid offering best value for money, observing the principles of transparency and equal treatment of potential contractors and taking care to avoid *conflicts of interests*.

⁶ For Multi-annual Cooperation projects (strand 1.1).

The value of the subcontracting cannot be higher than 1/3 of the awarded EU grant.

The *beneficiary* and where applicable its *co-beneficiaries* must clearly document the tendering procedure, submit a copy of the relevant documents together with the final report at the end of the action and retain them for control in case of audit.

15. Reporting Obligations III.6

Payment of further pre-financing / balance of the grant shall be made after check and acceptance of the interim / final statement and supporting documentation for expenditure, and after approval by the Executive Agency on the interim or final report on implementation of the action. For the final payment, a payment request from the *beneficiaries* is required. For details please see section 17 below as well as specific additional requirements under the headings Payment Arrangements for each of the different *strands* (**Info-Sheets PROJ / LIT / ST2**)

16. Certificate on Final Financial Statements III.7

For all cooperation projects (*strands* 1.1, 1.2.1 and 1.3) the final financial statements and underlying annual accounts have to be certified by a registered and independent external auditor. In case of an operating grant (*strand* 2), this is required if the awarded grant is more than EUR 100.000. In case of public organisations, this certification may be produced by a competent and independent public officer.

The certificate shall be attached to the request of final payment made by the *beneficiary* certifying the following:

"The costs declared by the *beneficiary* / *co-beneficiary* in the financial statements on which the request for payment is based are real, accurately recorded and eligible in accordance with the terms of the *Grant Agreement* / *Grant Decision*."

17. Payment Procedures III.8

a) Pre-financing

A first pre-financing payment is transferred to the *beneficiary* within 45 days of the date when the Executive Agency signs the *Grant Agreement* / *Grant Decision* and all the requested guarantees are received, if applicable. A pre-financing may be divided into different instalments. Please see **Info-Sheets PROJ / LIT / ST2** on the specific strands for more details.

For Grant Decisions, the *beneficiary* should confirm his intention to implement the action, by written notice within 10 calendar days from the notification of the Grant Decision. A pre-financing payment shall be made within 45 days from the receipt of this confirmation, and if applicable, from the date of receipt of all necessary guarantees. If written confirmation is not received by the Executive Agency a single payment shall be made based upon the final report.

Where applicable, the pre-financing payment is intended to provide cash flow to the *beneficiary* and where applicable to the *co-beneficiaries*.

If the pre-financing paid into the *beneficiary* and *co-beneficiary's* (where applicable) *bank account/s* give rise to interest or equivalent profits in accordance with the legislation of the country where the account is held and provided that the pre-financing is more than EUR 50.000 such interest shall be recovered by the Executive Agency.

b) Interim payment

Where applicable, an interim payment is intended to reimburse the *beneficiary* for expenditure on the basis of a detailed statement of the costs incurred once the action has reached a sufficient level of completion as defined in the relevant *Grant Agreement*. It may clear all or part of any pre-financing.

c) Final payment

The Executive Agency shall establish the amount of the final payment to be made to the *beneficiary*, on the basis of the final report.

Where applicable, the *beneficiary* is required to reimburse any excess amounts paid by the Executive Agency. Please see specific information in **Info-Sheets PROJ, LIT and ST2**.

In case the *beneficiary* is established in a country outside the "euro zone", the expenses should be converted into EUR, using the official euro exchange rate⁷ (accounting rate), for the month of the submission of the final report as foreseen in the *Grant Agreement* / *Grant Decision*⁸. **ADD IN SECTION FROM P 30**

18. Audits III.9

Selected applications may be subject to audits. The responsible person in the organisation undertakes to provide evidence that the EU grant has been used correctly. The Executive Agency, the European Commission, and the Court of Auditors of the European Communities, or any body mandated by them, may check the use made of the grant, at any time during the term of the *Grant Agreement* / *Grant Decision* and during a period of five years following the date of the final payment.

19. Legal Basis III.12

The following rules, as well as any future updates or amendments they might be subject to, are applicable to the administration and financing of the Programme:

- Commission Regulation (EC, EURATOM) No 478/2007 of 23 April 2007 amending Regulation (EC, EURATOM) No 2342/2002 laying down detailed rules for the implementation of Council Regulation (EC, EURATOM) No 1605/2002 on the Financial Regulation applicable to the EU general budget;
- Council Regulation (EC, EURATOM) No 2342/2002 of 23 December 2002 as amended by Commission Regulation (EC, EURATOM) No 1261/2005 and Commission Regulation 1248/2006 of 7 August 2006 (Financial Regulation's Implementing Rules);
- Council Regulation (EC, EURATOM) No 1995/2006 of 13 December 2006 amending Regulation (EC, EURATOM) No 1605/2002 on the Financial Regulation applicable to the EU general budget;
- European Parliament and Council Decision No 1855/2006/EC of 12 December 2006 establishing the Culture Programme (2007-2013), published in the EU Official Journal No L 372 on 27 December 2006.

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includes links to official EC / EACEA webpages

(to download full **Programme Guide** and **Application Forms**)

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- euronews.culture.info
- eu.culture.info
- europe.culture.info
- ccp.culture.info
- networks.culture.info
- partners.culture.info

⁷ <http://ec.europa.eu/budget/infoeuro>

⁸ The latest date of submission of the final report is stipulated in the Grant Agreement/Grant Decision.