



# Model Grant Agreement and Financial Management

## Grants under the EU4HEALTH Programme

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# Agenda



1. Structure of the grant agreement
2. Nature of the grant
3. Eligibility criteria
4. Cost categories
5. Administrative tasks
6. Procedures
  - a. Amendment
  - b. Payments
7. Closing remarks



## 1. Grant agreement “core”

Data Sheet - specific conditions of an action

Terms and conditions – general provisions for all actions

## 2. Annexes

Annex 1 Part A – Technical description - administration

Annex 1 Part B – Technical description

Annex 1 Part B – Detailed budget table

Annex 2 – Estimated budget

Annex 2a – Additional information on the use of unit costs

Annex 3 – Accession forms

Annex 4 – Model for financial statements

Annex 5 – Specific rules



## Article 5.1

- Actual cost-based grant with unit costs and flat rate elements
- **Grant = partial reimbursement of costs that are actually** incurred by beneficiaries of the grant agreement **at the fixed reimbursement rate**. Costs incurred are assessed at the time of the periodic reports (interim and balance payments).
- Grant amount is **assessed at action-level**
- **Double-ceiling of the grant:** maximum grant amount compared to the result of reimbursement rate applied to the consolidated total eligible costs of the action
  - a. In case of over-expenditure – maximum amount is paid
  - b. In case of under-expenditure – reimbursement % is applied



## Article 5, Article 22, Annex 2

- “**Maximum grant amount**” (in Article 5.2 and Annex 2, column m): the maximum amount the Agency will pay as contribution to the action’s costs. In most cases it is equal to “Maximum EU Contribution”, but can be lower.
- “**Final grant amount**” (Article 22.3.4): equals to or is lower than the maximum grant amount. Established at the balance payment and based on actual eligible costs reported according to article 21 in the template of Annex 4.



## Article 5.4 / Article 5.5 / Annex 2

- Summarizes the estimated costs and estimated receipts of the action per partner (and its affiliated entities, if any) and per budget category as presented in Annex 2.

Article 5.4: Reference to Annex 2 which contains the total amount of estimated costs

Article 5.5: **Budget flexibility** – no amendment is necessary, except for new subcontracting items which are not yet described in Annex 1.

## Article 4 / Article 6.1 / Article 21

- Indicates the **duration** (number of months) and the **starting date of the action**.
- All **activities** of the action should be completed **within the duration** – only those costs are eligible that are linked to activities within the duration.
- Costs until **60 days after the end** of the action can be eligible if they are **directly and only linked to the completion of the final reports** – i.e. staff costs, editing, printing the report, etc.



## Article 6.1

### General eligibility conditions - Cumulative requirements:

- Connected with the action as described in Annex 1 and necessary for its implementation;
- Reasonable and justified - “good housekeeping”;
- Incurred during the period of Article 4 (within the duration of the action);
- Declared under one of the budget categories set out in Article 6.2 and Annex 2
- **Actually incurred by the beneficiaries of the grant;**
- Comply with the applicable national law on taxes, labour and social security
- Identifiable and verifiable, in particular being **recorded in the accounting records of beneficiary in accordance with accounting standards** and the beneficiary’ accounting practices.





## All activities generating costs must fall within the duration

- Events, meetings, delivery of consumables, services etc.
- +60 days: activities directly linked to preparation of the final report

## All debts must be established by the time the final report is submitted to the Agency

Date of invoices and payments might be outside the duration

- Prior the duration (e.g. equipment, kick-off meeting)
- After the duration (e.g. service contracts, evaluation)

## Type of supporting documents

- Timesheets, salary slips, invoices, contracts, purchase orders, acknowledgments of receipts / delivery, participants lists, documents of procurement procedures for subcontracting
- The amounts of cost items must be accurately established from the supporting documents and reconciled to the accounting records.



## Article 6.3 / Article 27

- Return on capital;
- Debt and debt service charges, Interest owed, Doubtful debts;
- Provisions for future losses or debts;
- Interest owed
- **Currency exchange losses**
- Costs of the beneficiary's bank for transfers from the Agency;
- Costs covered by another action funded by an EU grant (**attention to operating grants**);
- **Contributions in kind provided by 3rd parties**;
- **Deductible or refundable VAT**;
- Excessive or reckless expenditure;
- Costs incurred during suspension of the action



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# Cost categories

## Article 6.2

### Direct Costs - as actually incurred by the beneficiaries

- Personnel costs (employees + natural persons with direct contract + seconded persons)
- Subcontracting costs (engagement of a 3rd party to carry out certain activities of the proposed action)
- Purchase costs
  - a. Travel, accommodation and subsistence allowances
  - b. Equipment (depreciation, renting, leasing)
  - c. Other goods, works and services

### Indirect Costs

- Flat rate of 7% of total direct costs

## Article 6.2

**Staff = employment contract** or equivalent appointing act with one of the beneficiaries.

- Costs claimed: salary + social security + taxes;
- Any other statutory charges) based on national law or employment contracts;
- Additional remuneration, if it is part of beneficiary's usual practices, objective and generally applied regardless of sources of funding.

### **Considered as personnel costs**

- Costs of natural persons working under a direct contract with the beneficiary other than employment
- Seconded persons against payment  
(on the beneficiary's premises, results belong to the beneficiary with similar costs of employment)



## Article 6.2 / Article 9.3 / Article 7

- Contracts awarded to cover the execution of an action / task.
  - a. Activities undertaken by the project
  - b. Service contracts
  - c. Invoices (including taxes, charges, travel & subsistence costs)
- Core elements and **technical / financial management** of the action **cannot be subcontracted** (see Article 7);
- Tasks subcontracted must be clearly set out in Annex 1;
- Requirement of **transparency, best value for money** and, if appropriate, lowest price.
- Conflict of interest** must be avoided;
- Documents of procedures applied must be available.



## Article 6.2

Travel & subsistence incurred as costs by the beneficiary for all participants, **except subcontractors** shall be claimed here:

- Personnel
- Invited experts, speakers
- Board members
- Trainees, other participants

Costs should be in line with the unit costs as described in the Commission Decision C(2021)35

(link in the Call document and Grant Agreement).

## Article 6.2

- Specific equipment (software, PC, laptop, fee for license, etc.) necessary for the action

### Costs eligible:

- a. Portion of **equipment's depreciation costs only**, for the period of the action, if recorded in the beneficiary's accounts. Purchase and depreciation is in accordance with international accounting principles and the beneficiary's usual accounting practices.
  - b. Costs of **renting** an equipment or **leasing** an equipment (excluding financing costs)
    - with limits to equivalent depreciation costs
- Common software (Microsoft Office, Excel, Word,) are part of Indirect Costs



## Article 6.2 / Article 22.1

- Must be directly linked to and necessary to implement the action
  - Requirement of transparency, best value for money and, if appropriate, lowest price.
- Conflict of interest must be avoided.

### - Examples (non-exhaustive):

- a. Dissemination of information;
- b. Specific evaluation of the action;
- c. Certificates of financial statements;
- d. Translations, reproduction of reports;
- e. Consumables and supplies (excluding general office supply);
- f. Bank charges (please refer to Article 22.1);
- g. Cost of financial guarantee, if applicable.



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# Administrative tasks



## Article 21.3

### **Financial statements must be drafted in EURO.**

Beneficiaries with accounting established in another currency must convert costs at the **average of the daily exchange rates** published in the Official Journal of the EU calculated **over the corresponding reporting period.**

**In practice** average of exchange rates for currencies concerned are on **ECB website** – instructions in the Annex of this presentation

[https://www.ecb.europa.eu/stats/policy\\_and\\_exchange\\_rates/euro\\_reference\\_exchange\\_rates/html/index.en.html](https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/index.en.html)

Beneficiaries with accounts established in euro must convert costs incurred in another currency into euro according to their usual accounting policies.



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ecb.europa.eu/stats/policy\_and\_exchange\_rates/euro\_reference\_exchange\_rates/html/eurofxref-graph-usd.en.html



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# US dollar (USD)



23 May 2022

EUR 1 = USD 1.0659 +0.0082(+0.8%)

Change from 24 May 2021 to 23 May 2022

Min (13 May 2022)	Max (25 May 2021)	Average
1.0385	1.2264	1.1440

Select: EUR vs. USD

Average for the reporting period

Period: 23/05/2021

24/05/2022

Enter reporting period

Zoom: 1m 6m 1v 10y all

## Article 20

- Keep all records and supporting documents for a period of **5 years after the final payment** in order to prove proper implementation of the action!
- Beneficiaries must **keep the original documents**.
- Digital and digitalized documents are accepted in accordance with the national law.
- Records and supporting documents must be made available in the context of checks, reviews, audits and investigations.



## Article 25

- **Checks** — during the implementation of the action or afterwards —any aspect relating to the grant, including the assessment of deliverables and reports.
- **Reviews** — at any moment and up until 5 years after the payment of the balance. Reviews concern mainly the technical implementation of the action, but may also cover financial aspects or compliance with other obligations under the GA.
- **Audits** — at any moment and up until 5 years after the payment of the balance. Rights to access for the European Court of Auditors.
- **Investigations** — by the European Anti-Fraud Office to establish whether there has been fraud, corruption or other illegal activity.
- The Agency may be assisted by external experts or auditors.



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# Procedures



## Article 39

### The Grant Agreement may be amended

- If it does not call into question the decision awarding the grant
- If it does not breach the principle of equal treatment of applicants

Amendments may be requested by any of the parties. The requests of the co-beneficiaries must be submitted by the coordinator.

Change of legal representative or any other administrative details (name, address, legal form) are done directly into the IT system.

**Budget adjustments do not require formal amendment, except introducing new items under subcontracting.**





## Typical cases, when amendment is necessary:

- Beneficiary terminates its participation and leaves the consortium;
- New beneficiary joins the project consortium;
- Change / extension of duration;
- Change of Annex 1 – description of the action (without changing the scope of the action);
- Addition of new subcontracting item;
- Change of reporting scheme,
- Change of bank account

## Article 21.2

- **Individual financial statement from each beneficiary and affiliated entity!** It must detail actual costs incurred for the reporting period concerned. Template: Annex 4 + detailed financial statement.
- All costs incurred must be declared.
- Supporting documents to be sent for equipment and subcontracting.
- The report must also detail the receipts of the action with supporting documents.
- A certificate on the financial statements (CFS) is for beneficiaries / affiliated entities with EU contribution > 325.000,00 EUR (Article 24.2.)

## Article 22.1

### Pre-financing payment - Article 22.3.1

It provides beneficiaries with a float and remains the property of the EU until the balance payment.

### Interim Payment – Article 22.3.3

- Approval of periodic report + corresponding deliverables;
- **Payment is based on actual costs** incurred during the reporting period and approved by the Agency;

Calculation: total accepted actual eligible cost x reimbursement rate

Total amount of pre-financing and interim payment(s) is limited to 90% of the maximum grant amount;

## Balance Payment – Article 22.3.4

Reimburses the remaining part of the eligible costs for the implementation of the action.

- Approval of final report + corresponding deliverables;
- The consolidated total eligible costs are prepared automatically by the system from the periodic reports of the action;
- Determination of the final grant amount;
- Calculations are made at project / joint action level;
- Amount due is the balance of the final grant after the deduction of pre-financing and interim payments;
- The balance is a recovery, if the amount of earlier payments exceeds the final grant amount.

# Closing remarks



- Read the grant agreement, annotated grant agreement and the guidelines
- Involve your Accounting, HR and Procurement
  - Accounting** – must have all available financial information and supporting documents
  - HR department** – who is staff, components of salary
  - Procurement / Sourcing** – contract management with third parties, applicable procedures

Collect **supporting documents** systematically from Day 1

**Consortium agreement:** internal reporting within the consortium, close follow-up of expenditure.

Communication, communication!

# Thank you for your attention!

## Questions?



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