

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 grants from the European Union, financial contributions awarded under the Culture Programme are subject to the provisions of the Financial Regulation. The application of these provisions 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 calculated after assessment of the final report and can be reduced on inspection of the actual implementation of the action.

The *beneficiary's* bank account, and that of the *co-organisers* where applicable, 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 at a flat-rate (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 wishes to receive a project grant too, a distinction must be made between two kinds of configuration:

1. The organisation is proposing the implementation of a specific project beyond the scope of the work programme on the basis of which the operating grant has been awarded and possesses administrative and accounting resources that will enable it to manage both operations reliably and identifiably.

In this case, the costs borne by the organisation in the performance of its diverse activities are assigned, depending on their purpose, to either the operating budget or the specific project budget. Costs arising from general expenditure, however, cannot ever be imputed to the budget of the specific project, since these costs are deemed to have been covered already by the operating grant.

2. The organisation is proposing the implementation of a project within the scope of the activities envisaged in the work programme on the basis of which the operating grant has been awarded. *In this case, costs arising from general expenditure and staff costs cannot ever be imputed to the budget of the specific project, since these costs are deemed to have been covered already 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 any case, the action cannot start before the starting date mentioned in the Calendar shown on the first page of **InfoSheet ALL**.

6. No-Profit rule **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 contained in the grant agreement signed by the *beneficiary*.

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

Literary-translation projects (Strand 1.2.2) obtaining a grant calculated on the basis of flat-rate funding (see **Info-Sheet L&F**) 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. On the basis of an analysis of the financial-capacity form and the official accounts of the organisation (see **InfoSheet ASG**), the Executive Agency decides whether a guarantee is required.

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"), must be provided at the time of signature of the grant agreement by an approved bank or financial institution established in one of the Member States.

If the *beneficiary* is established in a *non-Member State* that is taking part in the Programme, 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 guarantee provided by a third party or by a joint guarantee provided by the beneficiaries of an action who are parties to the same *Grant Agreement / Grant Decision*.

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*.

If an organisation is not in a position to provide a guarantee, it may nevertheless continue with the implementation of the project but will not receive any pre-financing when the contract is signed. Pre-financing may be made available to the said organisation during the implementation of the programme and in accordance with the terms of the grant agreement or grant decision following the submission of an interim report. The interim report shall comprise a progress report on the technical execution of the project and interim financial statements, that is to say financial accounts and a list of invoices, thereby providing a summary of progress in the implementation of the project and a review of the financial position.

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*); cultural cooperation projects with *Third Countries* (*strand 1.3.5*); support to European cultural festivals (*strand 1.3.6*) and co-operation projects between organizations involved in cultural policy analysis (*strand 3.2*)); 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, travel costs arising from the implementation of the work programme, rental payments, depreciation 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 financing (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, drawn up in EUR. Applicants from countries outside the "euro zone" must use the official exchange rate (accounting rate) published by the Commission's Directorate-General of Budget for the month preceding the submission of their application.

The calculation of the final grant amount is based on a detailed final financial statement accompanied by supporting documentation for expenditure and receipts.

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 / L&F / 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 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.

Proof of co-financing amounts already secured at the date of submission must be sent together with the application package. Co-financing amounts already secured must be indicated in the income part of the budget (chapter 3.b for action grants, chapter 2 for operating grants). Co-financing amounts which have not been secured at the date of submission must be indicated under chapter 3.a of the budget for action grants (income part, coordinator's self financing) or chapter 2 of the budget for operating grants.

Beneficiaries and, in the case of projects presented under Strands 1.1, 1.2.1, 1.3.5 and 3.2, *co-organisers* shall implement actions as described 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.

10.1 Eligible Costs III.3.1.1

Eligible costs of the action are costs actually incurred by the *beneficiary* or, where applicable, the *co-organiser*, 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-organiser* 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-organiser*
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.
Note: 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-organisers*. 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 Commission;
- 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, to *co-organisers*, and generally accepted for equipment of the same type. Only the proportion of the *depreciation* of the equipment 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;
- costs of the certification of the final financial statements and of the audit report of annual accounts, where applicable (*see below*);
- costs arising from contracts awarded by the *beneficiary* or the *co-organisers* 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).

Note 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 1.3.5. Cultural Cooperation projects with Third Countries.

Note 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-organiser*.

b) Eligible indirect costs (administrative / operating costs)

These are general administrative/operating costs incurred by the *beneficiary*, or, where applicable, the *co-organisers* 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 is eligible under *indirect costs*. In addition, a second ceiling applies to multi-annual cooperation projects (Strand 1.1): indirect costs for the latter may not exceed EUR 180 000 for the entire duration of the project. 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 grant from the EU
- excessive or reckless expenditure
- contributions in kind (*see Glossary in InfoSheet ASG*)

11. Flat Rate Financing III.3.2

(only for strands 1.2.2 and 2 – not 1.1, 1.2.1, 1.3.5, 1.3.6)

Flat rates have been introduced to simplify 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 on the basis of either:

- a **fixed amount** (up to a maximum) **per page** to be translated for **Literary Translation** projects (strand 1.2.2);
- a **fixed amount** (up to a maximum) **per person** working for the implementation of the organisation's work programme – 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 for deciding how to maximise the utility of 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 applicants to calculate the potential grant automatically.

12. Grant Agreement / Grant Decision III.4

Support from the European Union for 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, 1.2.1, 1.3.5, 1.3.6, 2)

The *Grant Agreement* (in two originals), 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 Strands 1.3.6 (festivals) and 2 (operating grants), and is implemented through annual agreements.

b) Grant Decision (strand 1.2.2 only)

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.

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 / L&F / 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 *beneficiary*. 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-organisers* must obtain competitive tenders from potential contractors (at least 5 offers) if the value of the procurement contract exceeds EUR 60 000 and award the contract to the bidder offering best value for money, observing the principles of transparency and equal treatment of potential contractors and taking care to avoid *conflicts of interests*.

The total amount of procurement contracts may not exceed one third of the grant awarded by the European Union.

The *beneficiary* and where applicable its *co-organisers* 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 in case of audit.

15. Reporting Obligations III.6

Payment of pre-financing amounts other than those paid when the Grant Agreement or Decision is signed and of the balance of the grant shall be made after checking 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.

16. Certificate on Final Financial Statements III.7

For strands 1.1, 1.2.1, 1.3.5, 1.3.6 and 3.2 the final financial statements (annex III and the list of invoices) have to be certified by a registered and independent external auditor or, in the case of public bodies, by a competent and independent public officer.

It shall be attached to the request for final payment made by the *beneficiary* and shall be worded as follows:

"The costs declared by the *beneficiary / co-organisers* 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.9

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* and all the requested guarantees are received, if applicable. Pre-financing may be divided into a number of instalments. Please see **Info-Sheets PROJ / L&F / 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 following the receipt of this confirmation, and if applicable, following 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. The pre-financing payment is intended to provide cash flow to the *beneficiary* and where applicable to the *co-organisers*.

If the pre-financing paid into the bank account of the *beneficiary* and, where applicable, of the *co-organisers* 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) 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, L&F and ST2**.

If the *beneficiary* is established in a country outside the "euro zone", the expenses should be converted into EUR, using the official euro exchange rate¹ (accounting rate) in accordance with the following rules:

Strand 1

- Where the eligibility period laid down by the Grant Agreement or Decision is 12 months or less, the applicable rate of exchange is that of the month in which the final report is to be submitted.
- Where the eligibility period laid down by the Grant Agreement or Decision is longer than 12 months and provision is made for only one pre-financing payment, the applicable exchange rate is that of the month which coincides with the middle of the eligibility period.
- Where the eligibility period laid down by the Grant Agreement or Decision is longer than 12 months and provision is made for two pre-financing payments, the applicable exchange rate is that of the month in which the application for the second pre-financing payment is submitted.
- If the co-ordinator or one of the co-organisers from the "euro zone" has incurred a cost in another currency (for example for a trip to a non euro country), the reference month for the exchange rate is the one during which the payment was made.

Strand 2:

- The applicable exchange rate is that of the seventh month of the financial year.

18. Audits III.10

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.

¹<http://ec.europa.eu/budget/infoeuro>

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