EFC OPERATING GRANTS
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1. **Eligible Costs**

1.1. **Are costs of member organisations eligible?**

Operating grants are awarded on the basis of a work programme proposed by a single beneficiary for the duration of the budgetary year concerned. An operating grant provides financial to finance the functioning of an entity that pursues an aim of general Union interest, or an objective forming part of, and supporting, a Union policy objective.

By its nature an operating grant is always a mono beneficiary grant supporting the work programme of only one organisation. Entities affiliated to a beneficiary may not participate in the implementation an operating grant. Therefore, only costs actually incurred by that beneficiary may be considered as eligible for the grant.

If EACEA awards an operating grant to beneficiary X. Only the costs incurred by X may be eligible. Even if Y and Z were a member of X (which should be checked against X statutes) and would fulfil the criteria for affiliation, their costs may not be eligible under an operating grant awarded to X.

1.2. **Can an operating grant be combined with a grant for an action?**

According to the principle of non-cumulative award\(^1\): each action may give rise to the award of only one grant from the budget to any one beneficiary, except where otherwise authorised in the relevant basic acts. A beneficiary may be awarded only one operating grant from the EU budget per financial year. The applicant shall immediately inform the Agency of any multiple applications and multiple grants relating to the same action or to the same work programme. In no circumstances shall the same costs be financed twice by the budget.

There is no prohibition for a recipient of an operating grant to be awarded also one or more action grants for one or more specific projects. This kind of situation can arise if the beneficiary offers to carry out a specific action over and above its normal activities (as described in the work programme on which the operating grant is based).

However, the basic principle of non-cumulative award means that costs declared in connection with one grant may not be declared and covered by another grant.

Please note that as of 2019 organisations receiving operating grants under the Europe for Citizens programme are not eligible as lead applicants for project grants as established in the Work Programme 2019.

If an additional specific action is carried out with financial support on top of the already subsidised normal activities, it is essential that these two supported operations are monitored and controlled separately. The beneficiary should therefore have the management and accounting tools necessary to manage such a situation in an accurate and verifiable way. It should in particular identify costs

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\(^1\) Financial Regulation, article 129(1)
incurred when carrying out the various activities according to their destination (that is to say either to the operating budget or to the budget for the specific action).

This is particularly true for managing indirect costs in case the beneficiary receives at the same time an operating grant and an action grant. Where an operating grant covers the entire usual activity of the beneficiary, the latter is not entitled to declare any eligible indirect costs under an action grant.

1.3. **Is it mandatory to keep time sheets for our staff?**

Beneficiaries must have daily records of all hours spent by a given person IF the given person is not allocated on a fulltime basis to the work programme.

Any time register system can be used as long as it can show compliance with Article 19 of the General Conditions, i.e. costs have been incurred during Work Programme + show the reliability of the system + sustainability of data in case of an audit (who can enter the data? who can modify it ?, print version signed available ? etc.)

The beneficiary should be in a position to justify and reconcile the results with its accounting records.

1.4. **Can cost of an external accountant be reported in the 'Staff' category or should it be rather treated as an implementation contract and reported in the 'Other costs' category?**

It depends from the exact relationship between the beneficiary and the accountant.

A/ Staff costs: personnel assigned to the action is understood to mean permanent or temporary personnel employed by the beneficiary. Usually a natural person works under an employment contract with the beneficiary or under an equivalent appointing act. In this case eligible staff costs are actual salaries plus social security contributions and other statutory costs included in the remuneration. The costs are eligible if they are assigned to the work programme and are in line with the beneficiary's usual policy on remuneration.

A natural person (individual) can be assigned to the work programme also on the bases of e.g a civil contract, a free-lance contract, an expert contract, a service contract with self-employed person (*"in house consultant) or a secondment to the beneficiary against payment.

The costs of such natural persons working under the work programme may be assimilated to the costs of personnel, if and only if all following conditions are fulfilled:

(i) the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
(ii) the result of the work belongs to the beneficiary (unless exceptionally agreed otherwise); and

(iii) the costs are not significantly different from the costs of staff performing similar tasks under an employment contract with the beneficiary.

If the accountant is in the cases described under point A, the cost can be listed within staff costs.

N.B. The notion of "natural person" encompasses single-member companies which do not have a legal personality separate from their member (the consultant). However, it does not encompass companies with their own legal personality, even if owned only by the consultant working on the action.

B/ Implementing contracts:

As a general rule, tasks performed by consultants, experts and/or other service providers (e.g. accountants, lawyers, translators etc.) are implementation contracts (procurement contracts). These tasks may not be assimilated to tasks performed by the beneficiary's employees, e.g.:

- Tasks performed under contracts between the beneficiary and a legal person (a consulting firm). Costs of consultants employed by a service provider may not be assimilated to personnel costs and may only be treated as costs of implementation contracts or subcontracts.

- In particular, if the natural person does not work under the supervision of the beneficiary, the tasks performed by that person are considered as the provision of services under a procurement contract.

In this respect, and in accordance with Art 209 RAP, there are two principles that need to be applied: to award the contract to the tender offering best value for money and to avoid any conflict of interest.

If the accountant is in the cases described under point B, the cost can be listed under “other costs” and details need to be provided.

1.5. **Do we need to keep boarding passes for all travels?**

It is a good practice to keep the boarding passes for your own accounting records and to support and justify easily travel costs in addition to the usual travel invoice. But those evidences do not constitute the only elements to support your travel costs, in particular if the information included in the boarding passes can be found in other supporting documents demonstrating the reality of the travel such as: signed and dated presence list to the events, invoices, receipts from the trip etc.). In any case, the beneficiary should be in a position to justify and reconcile the results with its accounting records. Beneficiaries are bound by the obligation to
preserve all documentation that is relevant and directly linked to the co-financed operations during a five-year period from the notification or payment date of the final payment (see Article 27.2 of the General Conditions).

2. **IMPLEMENTATION CONTRACT AND SUBCONTRACTING**

2.1. *Which is the difference between implementation contracts and subcontracting?*

Procurement contracts cover both implementation contracts and subcontracting of tasks forming part of the work programme.

- **Implementation contracts**

These contracts refer to the procurement of ordinary services, goods or equipment needed to carry out the work programme (e.g. costs of experts, audits, translations, purchase of consumable and supplies, etc...). These contracts do not, however, imply any externalisation of tasks included in the work programme described in the proposal.

- **Subcontracting**

Subcontracting refers to the implementation of specific tasks being part of a work programme by a third party, to which a procurement contract has been awarded by the beneficiary. The description of the subcontracted tasks should clearly be identified in the Annex I of any Specific Decision and should be indicated in the estimated budget (e.g. organisation of conference, establishment of a dissemination plan, creation of a website, design of dissemination products).

In this case, the Framework Decision set out a series of General Conditions as regards the eligibility of the implementation contracts/subcontracting costs:

1/ costs entailed by procurement contracts awarded by the beneficiary (implementation contracts and subcontracting) are eligible if the beneficiary awarded the contract to the tender offering the best value for money, or as appropriate, to the tender offering the lowest price while avoiding any conflict of interests.

2/ the beneficiary has ensured that the Agency, the Commission, the European Court of Auditors and the European Anti-Fraud Office (OLAF) can exercise their rights to carry out checks, audits and investigations towards the beneficiary’s contractors.

Furthermore, subcontracting need to respect additional rules:

The beneficiary may subcontract tasks forming part of a work programme, provided that, in addition to the conditions specified in General Condition n° 9 and the Framework decision, the following conditions are complied with:
(a) subcontracting only covers the implementation of a limited part of the work programme;

(b) recourse to subcontracting is justified having regard to the nature of the tasks covered by the work programme and what is necessary for its implementation;

(c) the estimated costs of the subcontracting are clearly identifiable in the estimated budget set out in Annex II of the Specific decision;

(d) any recourse to subcontracting, if not provided for in Annex I of the Specific decision, is communicated by the beneficiary and approved by the Agency without prejudice to General Condition n° 12.2;

(e) the beneficiary ensures that the conditions applicable to it under General Condition n° 7 are also applicable to the subcontractor.

3. **NO-PROFIT RULE**

3.1. *What is the definition of profit and how it is verified?*

Grants may not have the purpose or effect of producing a profit within the framework of the work programme of the beneficiary (Article 25.3.1 of the General Conditions Framework Partnership Decision).

Profit is defined as a surplus of the receipts over the eligible costs incurred by the beneficiary, when the request is made for payment of the balance.

Accounting profit and profit within the meaning of the Financial Regulation are two different concepts. It is possible that the execution of the work programme may lead to a profit within the meaning of the FR but the beneficiary shall register an accounting loss and vice versa.

A summary statement of all the beneficiary’s eligible costs and the revenues relating to the work programme is necessary to check compliance with the no-profit rule when determining the final amount of the grant.

The revenues to be taken into account in the context of no-profit rule verification are the following:

- Income generated by the work programme
- Financial contributions specifically earmarked by donors for funding the eligible costs of the work programme.

Please note that the beneficiary's resources and revenues allocated to a work programme without being specifically designed to cover certain eligible costs are not taken into account in checking the no-profit rule.
3.2. **What about the possibility of building up the reserves?**

Financial reserves are an organisation’s savings. General reserves have to be built up from unrestricted income and needs to respect specific national legislation rules.

The amounts dedicated to the building up of reserves shall not be taken into account when checking for profit-when request is made for payment of the balance (Art 25.3.3 General Conditions Framework Partnership Decision). Such amounts cannot be considered as receipts designated for the eligible costs of a Work Programme, since provisions and reserves do not ever constitute eligible costs.

If the revenue exceeds the eligible expenses it should be clearly reported in the final financial statement.

If a reserve is built, specific information has to be provided in the description of the Final Report.

4. **Audit**

4.1. **Is cost of a general audit of the beneficiary organisation eligible under the operating grant?**

If the provisions on eligible costs rules indicated in the article II.19.1 of the General Conditions Framework Partnership Decision are respected, general audit costs of the beneficiary organisation may be reported as direct costs in the final financial statement. The costs will be co-financed at the percentage of eligible costs as foreseen in the article 3 of the Specific Grant Agreement.