

## Annex II

# FINANCIAL MANAGEMENT GUIDELINES

## For the implementation of the Small Grant Facility Action

### GUIDELINES FOR FINANCIAL MANAGEMENT OF THE ACTION GRANT

These guidelines summarise the General Conditions<sup>1</sup> (hereafter “GC”) of the European Commission (EC) contract and provide a practical manual for the financial management of the action. The guidelines are drawn up in line with those articles in the General Conditions which are relevant for the management of the action<sup>2</sup>.

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<sup>1</sup> Available at [Previous versions - European Commission - DG International Cooperation and Development \(europa.eu\)](#)

<sup>2</sup> For further information, please consult the [Practical Guide to contract procedures for European Union External Actions \(PRAG\)](#) and the [Financial Management Toolkit for recipients of EU funds for external actions | International Partnerships \(europa.eu\)](#)

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## I. BUDGET

### I.1 Eligibility criteria

*Reference: article 14.1 of the GC*

- To be eligible, costs must be:
  - Incurred during the implementation of the action, except for postal and certification cost.
  - Paid before submission of the final report.
  - Necessary for the implementation of the action.
  - Identifiable, verifiable and recorded in your accounting systems.
  - Comply with requirements applicable such as tax, VAT and social legislation.
  - Reasonable, justified and in compliance with requirements for sound financial management.

### I.2 Eligible direct costs

*Reference: article 14.2 of the GC*

- Costs must be directly related to the activities in the Action.
- All costs should be identifiable showing proof of evidence.

### I.3 Human Resources

*Reference: Article 14.2.a of the GC and module 5 of the Financial Management Toolkit.*

- Eligibility criteria for staff costs are:
  - Staff is assigned to the action and named in the Budget for the action.
  - Work is performed during the implementation of the action.
  - Salary costs of staff of national administrations are considered ineligible.
- Make sure that social and tax legislation in your country are strictly obeyed.

#### **How to report Staff Costs?**

If the person is on your payroll:

- Employment contracts covering the period of implementation of the action.
- Salary statements showing the gross and net pay for individual staff and for the organisation as a whole, broken down into gross salary, social security charges, national taxes, additional benefits, insurances, sick leave, (public) holidays, holiday allowances, net salary.
- Time sheets signed proving the days allocated to the action
- Payslips

If the person is paid as external expert,

- Contract, invoice and proof of payment

## 1.4 Per diems

Reference: Article 14.2.b of the GC.

- ▶ Per Diem is a flat rate financing to cover **accommodation, meals and local transport** for staff and others working on the action in case of missions requiring an overnight stay away.
- ▶ To cover accommodation, meals and local transport you may apply by either using a system of flat rate financing or by reimbursing the costs that were actually incurred.
- ▶ The maximum rate for per diem cannot be above the EU per diem rates<sup>3</sup> for your country. SOLIDAR requests all partners to ensure that all per diem are kept at a reasonable and justifiable level, even if lower than the EC maximum.

Per diem	Reimbursement actual costs incurred
<ul style="list-style-type: none"><li>• Recipient must sign the per diem form (you can use your organisation's form or Annex VII Per Diem Template) dated and signed, indicating the reason and details of the costs accompanied by a copy of ID cards</li><li>• Total amount of per diem can never exceed the EC maximum for per diem rates per day and per country.</li></ul>	<ul style="list-style-type: none"><li>• Proof needed of all <u>original</u> invoices (hotel/restaurants), tickets and receipts.</li><li>• Budget the costs beforehand since total <u>costs</u> may never exceed the EC maximum for per diem rates per day and per country</li></ul>

## 1.5 Travel

Reference: Article 14.2.b of the GC.

- ▶ All travel costs must be accompanied by original documents such as boarding passes, train tickets, bus, etc. and invoices from travel agencies. Taxi, tram, bus and metro are part of local transport and hence reported as Per Diem so no need for invoice but use the per diem form.
- ▶ Do not allow reimbursement in case original boarding passes, original invoices or tickets/receipts are missing.
- ▶ Ensure that your organisation and your staff take measurements to meet the strict requirements to deliver all original documents, for example:
  - Download and print boarding passes and train tickets;
  - Ensure to keep original receipt of tickets in public transport and taxis.

## 1.6 Non eligible costs

Reference: Article 14.8 of the GC.

- ▶ Non eligible costs are:

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<sup>3</sup> For the EU per diem rates please check the set rate for your country:

[Documents library | International Partnerships \(europa.eu\)](#)

- Provisions of goods and materials such as computers;
- Costs already financed by another EC grant.
- Currency exchange losses.
- In kind contributions.
- Costs already financed by any other grant within your organisation.
- Invoices dated after the implementation date.
- Costs which are not duly justified by supporting documents (purchase order; invoices; proof of payments).

NOTE: Supporting documents need to be made available in their original form. If the originals cannot leave the country for legal purposes, certified copies by an external authority have to be sent (these costs will have to be included in the Action's budget) as well as a letter to SOLIDAR stating where the original documents are located (model letter available).

## I.7 Budget Amendment

No change to the action's budget is allowed without previous written authorisation from SOLIDAR.

# II. MANAGEMENT

## II.1 Visibility and communication rules

*Reference: Article 6 of the GC and manual mentioned below.*

Take all necessary steps to publicise the fact that the EC has financed the action.

- Your organisation should use its normal stationery in letterheads or fax headers sheets, but should add the phrase *"This action/programme is funded by the European Union"* as well as the EU flag when communicating on matters related to the action.
- Press releases, leaflets, brochures, newsletters, display panels, banners, promotional items should include the basic elements of the EU visual identity, i.e. the EU flag and the disclaimer.
- The EU flag must be prominently displayed on all materials produced by the action partners.
- Use the following disclaimer: *"This [publication/document/video/booklet] has been produced with the financial assistance of the European Union. The contents of this publication are the sole responsibility of [name of the author/contractor/implementing partner/international organisation] and can under no circumstances be taken as reflecting the position of the European Union."*
- **Important:** For correct implementation of the extensive rules refer to Annex VI "Communication and Visibility Guidelines"<sup>4</sup>.

## II.2 Rules for procurement

*Reference: Annex IV to the EC contract and module 3 of the Financial Management Toolkit.*

<sup>4</sup> Available at [Communication and Visibility Requirements for EU External Actions | International Partnerships \(europa.eu\)](https://ec.europa.eu/europeaid/communication-visibility-requirements-for-eu-external-actions-international-partnerships_en).

- Procurement rules are applicable for purchase of goods and services such as studies/research, interpreters/translators, facilitators, designers, consultants and catering.
- Contracts must be awarded to the tender offering the best value for money (best price-quality ratio) or – as appropriate – to the tender offering the lowest price as long as it is in line with your organisations’ values and principles.
- Keep sufficient and appropriate documentation with regard to:
  - criteria applied;
  - procedures applied;
  - bids received in correspondence with your procurement rules;
  - duly justified decisions taken.

Procurement rules	
Up to € 2.000 (VAT included) per item	Direct payment against invoice without contract
Over € 2000 (VAT included)	Publish the ‘vacancy’ on your website and/or consult at least 3 providers and save the offers received to prove that you have consulted at least 3 providers

You can use your internal procedure provided that they are stricter than the EU rules above.

### II.3 VAT rules and rates

Reference: Article 14.2.h of the GC

- For the action, national rules on VAT for purchase of goods and services in your country must be applied.
- You must normally pay VAT on all goods and services, up to and including the sale to the final consumer.

Your organisation has a VAT number	Your organisation does not have a VAT number
<ul style="list-style-type: none"> <li>• A foreign supplier of goods and services may charge zero VAT and adds the following sentence in its invoice: <i>VAT reverse charge</i>.</li> <li>• VAT must be accounted for and paid directly by your organisation in your country.</li> <li>• Your organisation can recover VAT charged in your country based on your national VAT rules.</li> <li>• VAT is not eligible in case it can be recovered: Your organisation reports expenditure for goods and services <u>without</u> VAT.</li> <li>• You must show proof of your VAT status when reporting to the EC. Please request a justifying document from your national VAT office.</li> </ul>	<ul style="list-style-type: none"> <li>• A foreign supplier of goods and services charges VAT on its invoices according to their national rules.</li> <li>• Your organisation pays the invoice including VAT charges to the foreign supplier.</li> <li>• Your organisation cannot recover VAT, not in your country, nor in the country of the supplier.</li> <li>• VAT is eligible in case it cannot be recovered: Your organisation reports expenditure for goods and services <u>including</u> VAT.</li> <li>• You must show proof of your VAT status when reporting to the EC. Please request a justifying document from your national VAT office.</li> </ul>

### II.4 Payment procedures

*Reference: Article 15.3 and 15.4 of the GC.*

- ▶ SOLIDAR will transfer the grant upon signature of the MoU by both parties to the bank account indicated following the criteria below:
- ▶ An initial payment of 80% of the grant will be transferred upon signature of the MoU by both parties.
- ▶ A final payment with the remaining of the total expenses incurred in the action will be transferred upon submission and approval by SOLIDAR of:
  - ▶ A payment request in Euro drafted using the template in Annex X “2<sup>nd</sup> Payment request” of the MoU and duly signed by the organisation’s legal representative.
  - ▶ Narrative and financial reports Annex IV and Annex V (Financing and Narrative Report templates)
- ▶ If the eligible costs at the end date of the action are less than the estimated eligible costs, the grant will be limited to the eligible costs that have actually been incurred and the contracted organisation shall reimburse the difference to SOLIDAR.
- ▶ The contracted organisation engages itself to cover the remaining amount needed for the implementation of the Action to ensure that all activities are implemented during the execution period.
- ▶ The amount covered by the grant cannot, in any case, co-fund other initiatives funded by the EU.

## II.5 Invoices

- ▶ For eligibility reasons invoices must comprise:
  - The date of issuing which must fall within the implementation period;
  - Name and full address of your organisation;
  - Name and full address of the provider of the goods or services;
  - VAT number of both provider and addressee if applicable or mention “VAT not applicable”;
  - Amounts in local currency.

## II.6 Currency conversion

*Reference Article 15.9 and 15.10 of the GC.*

- ▶ SOLIDAR will make payments by bank transfer in Euro to the contracted organisation.
- ▶ Reports must be drawn up in local currency with conversion into EURO.
- ▶ Costs incurred in other currencies than EURO shall be converted using the monthly Inforeuro rate on the date of payment<sup>5</sup>.

## II.7 Accounts

*Reference Article 16 of the GC.*

- ▶ Keep accurate and regular accounts using an appropriate accounting system.
- ▶ Expenditure should be easily traced, identified and verified.
- ▶ The contracted organisation must allow verification to be carried out by SOLIDAR.

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<sup>5</sup> Available at : <http://ec.europa.eu/budget/graphs/inforeuro.html>

## II.8 No profit

*Reference Article 17.3 of the GC.*

- ▶ The EC grant may not produce a profit for the partners. A profit is defined as a surplus of the receipts (income) over the eligible costs approved by the EC when the request for payment of the balance is made.

## II.9 Supporting Documents

*Reference: Article 16.7 to 16.9 of the GC.*

- ▶ All records, accounting and original supporting documents must be sent to SOLIDAR by certified and secure post. The delivery costs will be covered by the Action.
- ▶ All document in other language than French, English or Spanish should be translated to one of these languages.
- ▶ Documents must be kept in the original form, including in electronic form.
  - Accounting records
  - Proof of labour contracts, timesheets, salary statements
  - Proof of procurement procedures (criteria, procedure, bids, decisions, evaluation reports)
  - Proof of commitments with suppliers (contracts, order forms)
  - Proof of receipt of goods (delivery slips)
  - Proof of delivery of services by third parties and completion of works (contracts, approved reports, acceptance reports, timesheets)
  - Proof of purchase (invoices, receipts) with name and address of your organisation.
  - Restaurants and hotels: invoices with name and address of your organisation (no cash receipts)
  - Proof that taxes and/or VAT cannot actually be reclaimed.
  - Travel: boarding passes, train and public transport tickets etc.
  - Proof of payment (bank statements)
  - Proof VAT status
  - Accounting records
  - For meetings: invitation, attendance list, report, bio speakers etc.

## III. REPORTING

### III.1 Timeline for reporting

Content of the reports	Documents (Originals / Certified copies of originals)	Date
<p><b>Final financial and narrative report</b> For submission to SOLIDAR</p> <p>Expenditures and activities covering the whole implementation period</p>	<ul style="list-style-type: none"> <li>• Original signed MOU.</li> <li>• Original signed Financial Report (Annex IV - All Tabs).</li> <li>• Original signed Narrative Report (Annex V).</li> <li>• Original signed 2<sup>nd</sup> Payment Request.</li> <li>• All justifications documents including Bank Statements.</li> <li>• Original signed letter for the location &amp; the availability of the originals, in case of certified copies.</li> </ul>	<p>By Monday, 15<sup>th</sup> November 2021</p> <p>* via email to <a href="mailto:salomi.tsolaki@solidar.org">salomi.tsolaki@solidar.org</a></p> <p>Copy to: <a href="mailto:alba.gonzalez@solidar.org">alba.gonzalez@solidar.org</a> <a href="mailto:Barbara.caracciolo@solidar.org">Barbara.caracciolo@solidar.org</a></p> <p>* via registered mail to SOLIDAR (see address in MOU)</p>

### III.2 Financial and narrative reports

*Reference Article 2 of the GC*

- **Important:** Ensure coherence between the narrative and the financial reports. Each activity should be reflected in expenditure and expenditure should be reflected in an activity.
- You are responsible for the proper and timely submission to SOLIDAR of all narrative and financial reports and other deliverables according to the timelines mentioned above.