

28 September 2007

LIFELONG LEARNING PROGRAMME
GUIDE FOR APPLICANTS:
ADMINISTRATIVE AND FINANCIAL RULES

Table of Content

1. GENERAL PROVISIONS

This document contains supplementary information to the Text of the Call. Applicants are also invited to consult the National Agency's or the Executive Agency's website.

The rules outlined in this document apply to all actions for which Community funding is requested under the Lifelong Learning Programme. It has to be read in close conjunction with the text of the Call for proposals, in particular with "Part II: Administrative and financial information of the general call for proposals 2008-2010", which takes precedence over this section. The document is available on the Lifelong Learning website:

http://ec.europa.eu/education/programmes/llp/call/part2_en.pdf .

The rules of precedence of documents, as explained in General Call for Proposals 2008-2010 Part II: Administrative and financial provisions apply, which means that these administrative and financial rules take precedence over information in the Application Forms and notes.

This document section aims to:

- Help applicants to fill in the application forms;
- Help Applicants to prepare an appropriate budget for their proposal;
- Clarify matters arising from the Call for proposals and its annexes;
- Provide practical information to which Applicants may refer to at the various stages of the proposal.

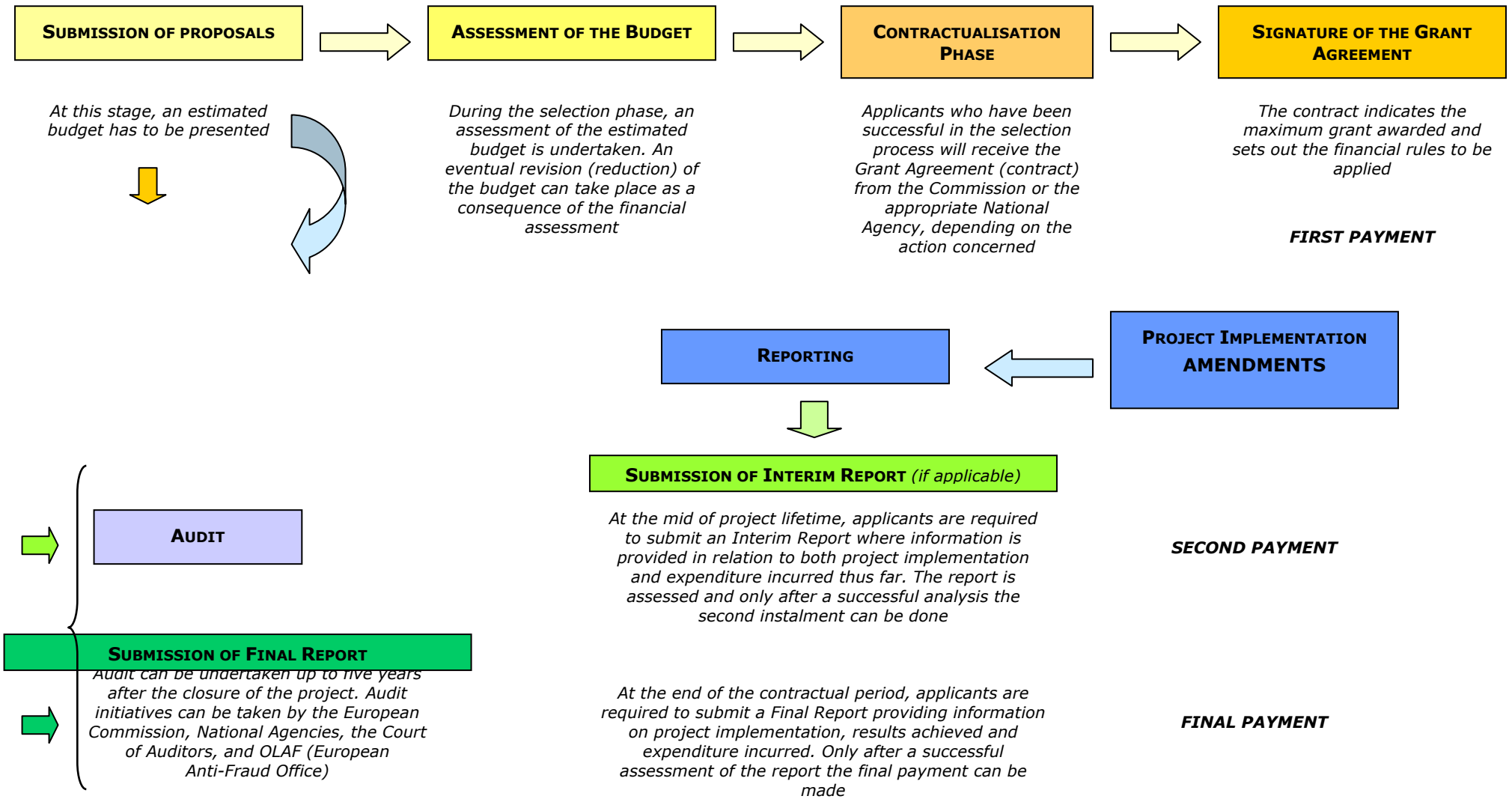
This document applies specifically to stages 1 and 2 of the financial cycle of a proposal/project as outlined below. It must be pointed out however that the other stages of this cycle are completely coherent with the proposal stages. A separate document, available at a later stage, will deal with all aspects of managing grant agreements.

2. THE FINANCIAL CYCLE OF A PROPOSAL/PROJECT

The financial cycle as outlined below applies to all actions/projects under the Lifelong Learning programme, although some requirements are applicable only to particular actions.

- (1) *submission of an estimated budget* (all definitions, documents and tables helping in preparing the budget are available)
- (2) *assessment of the budget* on the basis of established and transparent criteria (criteria are identified and explained) which may imply a revision (reduction of the budget) (rules applied when revising a budget are explained)
- (3) *issuing the grant agreement* (structure of the grant agreement, relevant elements of the agreement, documents to be provided at this stage, signing procedures, etc.)
- (4) *payment procedures* (financial guarantee (if any), pre-financing arrangements, recovery procedures etc.)
- (5) *amendments to the agreement* during project implementation if applicable (rules, who has to require it, who decide to allow the changes, etc.)
- (6) *reporting requirements* (for the progress report (if applicable) and the final report (which information – including eventual documentation - has to be provided, which analysis is undertaken, etc.)
- (7) *audit requirements* (up to 5 years after project closure)

The Financial Proposal/Project Lifecycle



3. THE BUDGET OF AN ACTION (PROJECT)

Please note that in the context of Community Financing, and throughout this document, the term "Action" is understood to mean the "Project".

Community financing may take the form of flat rate funding, either in the form of a flat rate grant or scales of unit costs, or the reimbursement of a percentage of eligible costs. The budget for an action has to be drawn up accordingly, depending on the type of action.

3.1. Mobility actions

The budget for mobility actions is based on (a combination of) subsistence costs, travel costs and other costs (See Chapter 7.2 of General Call for Proposals 2008-2010 Part II: Administrative and financial provisions). Where costs are based on scales of unit costs or on real costs, the general criteria for eligibility (see below) apply.

Where travel cost is based on real cost, the rules under Chapter 5.2.1 points (3) to (6) of this document apply.

3.2. Partnerships

The budget for partnerships (for Comenius, Grundtvig, and Leonardo da Vinci) is based on flat-rate grants (see Chapter 7.3 of the General Call for Proposals 2008-2010 Part II: Administrative and financial provisions). There are no specific criteria for eligible costs.

3.3. Multilateral projects, Networks, Accompanying measures, Studies and Comparative Research (Comenius, Erasmus, Leonardo da Vinci, Grundtvig, and Transversal Programme) and Jean Monnet projects

The budget for Multilateral projects, Networks, Accompanying measures, Studies and Comparative Research and Jean Monnet projects is based on real costs, taking into account maximum rates for staff costs and subsistence costs (see Chapter 7.4 of the General Call for Proposals 2008-210 Part II: Administrative and financial provisions). The general criteria for eligibility (see below) apply.

4. ELIGIBILITY OF COSTS

4.1. Definitions

- **Eligible costs:** the type of expenditure that is considered to be eligible within a budget for an action that is co-financed with community funding. The rules presented in the Call and in this document are used as the basis to review the estimated expenditure presented in an application. In the event that expenditure fails to comply with these rules, all or part will be deemed "ineligible" (i.e. not the subject of community co-financing). At the end of the analysis the approved project budget will include only the eligible items.
- **Flat rate funding:** fixed amounts (flat rate grants) or fixed scales of unit contributions have been decided as a contribution to a specific type of eligible action. Co-financing by the applicant has been taken into account when defining the amounts (for flat rate grants) or rates (for scales of unit contributions). Flat-rate funding may cover:
 - either all costs associated with the implementation of an operation; this is also referred to as "lump sum" financing;
 - or one or several specific categories of eligible costs included in the budget of an operation.
- **Flat rate grants:** the overall cost of the action (for example Comenius and Grundtvig Partnerships) or a specific category (or categories) of action costs is (are) financed by a flat-rate amount. Eligibility refers to the type of action: if the action is planned then the relevant flat rate amount may be budgeted. The costs are eligible if the activities concerned are carried out. The contribution will be reduced at final reporting stage if the activity is not completed or is only partially completed. An action may be considered as partially fulfilled if it does not fully

respect the conditions under which the grant was awarded (e.g. with respect to duration of period, proposed results, etc.).

- **Scales of unit contributions:** a category (or categories) of action costs is (are) financed according to a formula, multiplying the "number of units" by a "unit cost/rate". Example: "Maximum rates per host country and category of beneficiaries" for Individual mobility (see table 5a in General Call for Proposals 2007 Part II: Administrative and financial information). Eligibility refers to both the type of action and the number of units: if the action is planned then the relevant formula is applied; "the number of units" will be evaluated on the basis of eligibility criteria (see below). The contribution will be reduced accordingly if, at final reporting stage, the action is not fulfilled or is only partially fulfilled, or the "number of units" is less than budgeted.
- **Reimbursement of a percentage of eligible costs:** the applicant will define his expenditure in terms of real costs (where maximum eligible rates may apply (Example: Maximum eligible daily rates for Staff costs (see table 5e in General Call for Proposals 2007 Part II: Administrative and financial information). Community financing will be calculated by applying a percentage on real eligible incurred expenditure. The contribution will be reduced pro rata if, at final reporting stage, the action is not fulfilled or is only partially fulfilled. Where the reported costs are less than foreseen, the contribution will be reduced accordingly. Details will be included in the documentation provided for managing grant agreements.

4.2. General criteria

4.2.1. Eligible Costs

The general context, nature and amount of expenditure will be considered when assessing eligibility.

The following criteria apply to the cost category for which the cost is estimated and either the associated **number of units** (which will lead to the estimated cost applying the appropriate formula) or the estimated **cost as such**. **These criteria do not apply to flat-rate grants.**

To be considered as eligible costs of the action, costs must satisfy the following general criteria:

- They must relate to activities involving the **eligible countries** in the Programme (See Chapter 3.1 of General Call for Proposals 2008-2010 Part II: Administrative and financial provisions). Any costs relating to activities undertaken outside these countries or by organisations that are not registered in an eligible country are not eligible unless they are necessary for the completion of the action and duly justified in the application form and in the report;
- They must be incurred by **legal bodies/institutions or by natural persons** depending on the action concerned (See Chapter 3.2 of General Call for Proposals 2008-2010 Part II: Administrative and financial provisions) (and in the case of consortia¹, by the official partners of the consortium);
- They must be **connected** with the action (i.e. relevant for the action and be directly connected with execution of the project in accordance with the work plan);
- They must be **necessary** for performance of the action;
- They must be **reasonable and justified** and they must accord with the principles of **sound financial management**², in particular in terms of value for money and cost-effectiveness;

¹ The Decision establishing the Lifelong Learning programme defines for projects with a "project coordinator" and "project partners" the term "multilateral grouping", which is the equivalent for "consortium".

² Costs shall be defined in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness. The principle of economy requires that costs shall be defined in due time, in appropriate quantity and quality and at the best price. The principle of efficiency is concerned with the best relationship between resources employed and results achieved. The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

- They must be **generated** during the lifetime of the action³ (See Chapter 1 of General Call for Proposals 2007 Part II: Administrative and financial provisions);
- They must be **actually incurred** by the beneficiary and be recorded in his accounts in accordance with the applicable accounting principles, and be declared in accordance with the requirements of the applicable tax and social legislation;
- They must be **identifiable and verifiable**.

The applicant's internal accounting and auditing procedures must permit direct reconciliation of the costs and revenue declared in respect of the action with the corresponding accounting statements and supporting documents. For scales of unit costs, this implies that the "number of units" must be recorded in appropriate documents (i.e. time sheets, presence lists, etc.).

Where national taxation and accounting rules do not require an invoice, an accounting document of equivalent value means any document produced in order to prove that the accounting entry is accurate and which complies with the applicable accounting law.

4.2.2. Value Added Tax

VAT is eligible **only if** the applicant can show that he is unable to recover it.

4.2.3. Non-eligible Costs

Under no circumstance can the following types of costs be considered as eligible:

- return on capital;
- debt and debt service charges;
- provisions for losses or potential future liabilities (provisions for contractual and moral obligations, fines, financial penalties and legal costs);
- interest owed;
- doubtful debts;
- exchange losses;
- VAT, **unless** the applicant can show that he is unable to recover it;
- costs declared by the applicant and covered by another action or work programme receiving a Community grant;
- excessive or reckless expenditure;
- purchase of capital assets;
- in the case of rental or leasing of equipment, the cost of any buy-out option at the end of the lease or rental period;
- costs associated with the preparation of the application for the Lifelong Learning Programme;
- costs of opening and operating bank accounts;
- costs incurred in relation to any document required to be submitted with the application (audit reports, etc.).

4.2.4. Silent partners

Organisations may participate in projects as Silent Partners, in which case their activities are considered to be ineligible in terms of the estimated budget and project expenditure. These organisations therefore have to bear all costs incurred by and relating to the project. They are not eligible to receive any Community Funding. Organisations from countries other than the eligible countries defined for the Programme (see Chapter 3.1 of General Call for Proposals 2008-2010 Part II: Administrative and financial provisions) participating in a project will always be considered to be Silent Partners. In the context of certain sub-programmes, they may also be referred to as Ineligible Partners.

³ I.e. generated by an activity that takes place during the lifetime (duration) of the project / action. Activities taking place before or after the period specified in a grant agreement are not eligible for funding.

4.3. Additional criteria for Multilateral Projects, Networks, Accompanying Measures, Studies and Comparative Research, and Jean Monnet projects

4.3.1. Eligible direct costs

The eligible direct costs for the action are those costs which, with due regard for the conditions of eligibility set out above, are identifiable as specific costs directly linked to performance of the action and which can therefore be booked to it directly. Chapter 5 of this document contains the definitions of a number of cost categories which are eligible, provided that they satisfy the general eligibility criteria set out above.

4.3.2. Eligible indirect costs

The eligible indirect costs for the action are those costs which, with due regard for the conditions of eligibility described above, are not identifiable as specific costs directly linked to performance of the action which can be booked to it direct, but which have nevertheless been incurred in connection with the eligible direct costs for the action. They may not include any eligible direct costs.

The indirect costs of the action eligible for Community funding is a flat-rate amount set at a maximum of 7% of the total amount of eligible direct costs. The corresponding costs need not be justified by accounting documents.

Indirect costs shall **not** be eligible under a project grant awarded to a beneficiary who already receives an operating grant from the Commission during the period in question.

Examples of indirect costs are:

- All costs for equipment related to the administration of the project (i.e. PC's, portables, etc.)
- Communication costs (postage, fax, telephone, mailing, etc.)
- Infrastructure costs (rent, electricity, etc.) of the premises where the project is being carried out
- Office supplies
- Photocopies

5. COST CATEGORIES FOR MULTILATERAL PROJECTS, NETWORKS, ACCOMPANYING MEASURES, STUDIES AND COMPARATIVE RESEARCH AND JEAN MONNET PROJECTS

The following applies to all partners of a consortium, e.g. the rules on staff costs apply to all partners (including the applicant) of the consortium.

5.1. Staff Costs

- 1) Costs relating to the following categories of staff are considered:
 - Statutory staff, having either a permanent or a temporary employment contract with the partner;
 - Temporary staff, recruited through a specialised external agency;

Costs related to staff working through subcontracting shall be included under the appropriate category (see Chapter 5.4.).

Staff members of Project partners are not allowed to operate in a subcontracting capacity for the project.

- 2) Applicants should base the project budget on real daily staff cost rates, which cannot exceed the maximum rate indicated in Chapters 5.1.1 and 5.1.2 below in this document. Any surplus will be considered as ineligible. The veracity of these costs may be the subject of an audit.
- 3) The rate of the country in which the partner organisation is registered will be applied, independent of where the tasks will be executed (i.e. a staff member of an organisation of

Country A working (partly) in Country B will be budgeted on the basis of the rates of Country A).

- 4) Real daily staff cost rates are based on average rates corresponding to the applicant's usual policy on remuneration, comprising actual salaries plus social security charges and other statutory costs included in the remuneration. Non statutory costs like bonuses, lease car, expense account schemes, incentive payments or profit-sharing schemes are excluded.
- 5) The Applicant will define the category of staff and the number of days, to be worked on the project, in relation to the action and the work plan.
- 6) The estimated staff costs results from multiplying the number of days with the real daily staff cost rate.

5.1.1. Additional criteria for Staff Cost for Multilateral projects, Networks, Accompanying measures, Studies and Comparative Research

Applicants should base the project budget on real daily staff cost rates, which cannot exceed the maximum rate indicated in Table 5e of General Call for Proposals 2008-2010 Part II: Administrative and financial provisions.

5.1.2. Additional criteria for Staff Cost for Jean Monnet projects

Applicants should base the project budget on real daily staff cost rates which are indicated in the Jean Monnet pages of the web site of the Executive Agency.

Staff costs may not exceed the normal costs for each staff category in the country concerned. Staff costs must be broken down into categories 1 to 4 of the International Standard Classification of Occupations (ISCO). In any case, the following maximum amounts apply:

- Staff category 1 (maximum amount 450 euros/day)
- Staff category 2 (maximum amount 300 euros/day) – University Professors
- Staff category 3 (maximum amount 250 euros/day)
- Staff category 4 (maximum amount 125 euros/day)

5.1.3. Teaching Cost for Jean Monnet projects

Normally this cost category only applies to Jean Monnet Chairs, *Ad personam* Jean Monnet Chair and Modules. In duly and justified cases, however, also Centres of Excellence applications could include these costs.

The number of teaching hours varies according to the type of action. For Jean Monnet Chairs the required minimum number of teaching hours is 120 per academic year. For Modules the required minimum number of teaching hours is 30 per academic year.

The hourly teaching cost is fixed at a maximum of 200 euros.

If the teaching costs exceed the maximum rates indicated, the surplus will be considered as ineligible. The veracity of these costs may be the subject of an audit.

5.2. Travel and subsistence costs

The following applies ONLY to Comenius Multilateral projects involving mobility activities during Initial Teacher Training: Travel costs (based on real costs) and subsistence costs (based on the rates contained in Table 5f (See Annex V Chapter 5.2 of General Call for Proposals 2008-2010 Part II: Administrative and financial provisions) will be recorded separately under Other Cost. The rules for travel and subsistence cost, as mentioned below, apply.

5.2.1. Travel costs

- (1) Travel costs for staff (see Chapter 5.1 point (1) of this document) taking part in the action are considered, provided that they are in line with the partner's usual practices on travel costs.

- (2) Costs may be claimed only for journeys directly connected to **specific** and clearly **identifiable** project-related activities. For information on charging Travel Costs for non staff members please refer to Section "Other Costs" and "Subcontracting Costs".
- (3) Reimbursement is based on real costs, independent of the means of travel chosen (rail, bus, taxi, plane, hire car). Partners are required to use the cheapest means of travel (e.g. use Apex tickets for air travel and take advantage of reduced fares, where this is not the case then a full explanation should be provided).
- (4) The travel cost for a journey should include all costs and all means for travel from the point of origin to the point of destination (and vice versa) and may include visa fees, travel insurance and cancellation costs.
- (5) Expenses for private car travel (personal or company cars), where substantiated and where the price is not excessive, will be refunded as follows (whichever is the cheapest):
 - Either a rate per km in accordance with the internal rules of the organisation concerned up to a max of €0.22.
 - Or the price of a rail, bus or plane ticket (see point (3) above). Only one ticket shall be reimbursed, independently of the number of people travelling in the same vehicle.
- (6) For hire cars (maximum category B or equivalent) or taxis: the actual cost where this is not excessive compared with other means of travel (also taking account of any influencing factors i.e. time, excessive luggage). Reimbursement takes place independently of the number of people travelling in the same vehicle.

5.2.2. Subsistence costs

- (1) Subsistence costs for staff (see Chapter 5.1 point (1) of this document) taking part in the action are eligible. The budget should be based on the maximum rate in Chapters 5.2.3 and 5.2.4 below. Any surplus will be considered as ineligible. The rate to be applied is the one from the destination country, i.e. where accommodation costs are incurred.
- (2) Costs may be claimed only for journeys directly connected to **specific** and clearly **identifiable** project-related activities. For information on charging Subsistence Costs for non-staff members please refer to Section 'Other Costs' and 'Subcontracting Costs'.
- (3) Reimbursement is based on the existing internal rules of the Partner organisations, which may be on an actual cost (reimbursement of receipts) or daily allowance basis. In either case, proof of attendance and overnight accommodation will be required so substantiate declared costs at reporting stage. A pro rata reduction must be applied if accommodation, meals and local travel costs are provided for by a third party.
- (4) Subsistence rates cover accommodation, meals and all local travel costs (but not local travel costs incurred to travel from point of origin to point of destination, see point 5.2 point (4) below). In calculating the number of days for which to apply the Daily Subsistence Rate it should be noted that a FULL day normally includes an overnight stay. In duly substantiated cases, a full day's allowance without an overnight stay may be allowed with a pro rata reduction for accommodation.
- (5) A pro rata reduction must be applied if accommodation, meals and local travel costs are provided for by a third party.

5.2.3. Additional criteria for Subsistence Cost for Multilateral projects, Networks, Accompanying measures, Studies and Comparative Research

The budget should be based on the maximum rate indicated in Table 5f of General Call for Proposals 2008-2010 Part II: Administrative and financial provisions.

5.2.4. Additional criteria for Subsistence Cost for Jean Monnet Projects

The budget should be based on the maximum rate indicated on the Jean Monnet pages of the web site of the Executive Agency.

5.3. Equipment costs

- (1) Purchase, rent or lease of equipment (new or second-hand), including the installation, maintenance and insurance costs, is considered
 - only when specific and necessary for achieving the goals of the project/action. Proposed equipment costs must always be duly justified. The rules for procurement under Chapter 5.4 apply.
 - provided that it is written off in accordance with the tax and accounting rules applicable to the beneficiary and generally accepted for items of the same kind. Only the portion of the equipment's depreciation corresponding to the duration of the action and the rate of actual use for the purposes of the action may be taken into account. The applicant shall explain the rules applied. If the nature and/or the context of its use justify different treatment, this should be duly justified.
- (2) All equipment related to the administration of the project (i.e. PC's, portables, etc.) and all equipment purchased before the start of a project is covered by indirect costs of the project (See Chapter 4.3.2 of this document).
- (3) The total cost for equipment may not be more than 10% of the total direct costs of the project.

5.4. Subcontracting costs

- (1) Costs entailed by procurement contracts for the purposes of carrying out a part of the action are considered when awarded by a partner to an external body, organisation or individual⁴⁵ (only if not employed by any of the Partner organisations of the consortium).
- (2) In order to maintain the concept of the project partnership, the management and the general administration of the project may not be subcontracted.
- (3) Costs are based on a verifiable estimate or, if the subcontractor is identified, on the basis of an offer. The estimate/offer will cover all costs (i.e. staff costs plus travel costs, etc.).
- (4) The applicant shall award the contract to the tender offering best value for money, that is to say, to the tender offering the best price-quality ratio, in compliance with the principles of transparency and equal treatment for potential contractors, care being taken to avoid any conflict of interests.
- (5) The following specific Community rules with regard to procurement apply:
 - Contracts with a value below € 500 can be paid simply on presentation of an invoice;
 - Contracts with a value between €500 and €5000 are subject to a restricted procedure involving one tenderer (i.e. it is sufficient to have requested one offer);
 - Contracts with a value between €5000 and €25.000 are subject to a procedure involving at least three tenderers;
 - Contracts between €25.000 and €60.000 are subject to a procedure involving at least five tenderers;
 - For contracts of a value over €60.000, national rules with regard to procurement apply.
- (6) The total cost for subcontracting may not be more than 30% of the total direct costs of the project.

⁴ This refers to individuals who may be self-employed i.e. who are responsible for their own social security or social contributions, pensions and taxes. National legislation on the definition of these individuals can vary and should always be considered.

⁵ Covers also consultants, who provide one off services for which a fee is received.

5.5. Other Costs

- (1) Costs arising directly:
 - from requirements imposed by the grant agreement are eligible (dissemination of information, specific evaluation of the action, audits, translations, reproduction, etc.), including the costs of any financial services (especially the cost of financial guarantees).
 - from the realisation of specific actions or of products/results of the action/project are eligible (i.e. the organisation of seminars (where the seminar is a foreseen as a product/result and where task-related costs are easily identifiable), the production of proceedings of a seminar, the production of a video, the purchase of product-related consumables (reams of paper for printing of publications, blank DVD), etc.
- (2) Only activities which are specific and necessary for achieving the goals of the project/action are considered. Proposed costs must always be duly justified.
- (3) When travel and/or subsistence costs are reimbursed to third parties, the rules applicable to staff of Partners will be applied (see Chapter 5.2.1 and 5.2.2 of this document).
- (4) All costs that are realised through subcontracting shall be mentioned under Chapter 5.4 of this document. Only costs incurred by the partners themselves are eligible under this cost category.
- (5) Are also considered any costs which are not covered by the other cost categories. Some examples are: one-off costs for press releases and publicity, purchase of copyrights and other Intellectual Property Rights, purchase of information materials (books, studies and electronic data), conference fees; meeting registration costs; rental of exhibition space, etc. Also Travel costs and subsistence costs for Comenius Multilateral projects involving mobility activities during Initial Teacher Training (see Chapter 5.2 of this document) are covered under this heading.
- (6) All costs related to the administration of the project (i.e. consumables, supplies, photocopying costs, telephone costs, paper, etc.) are covered by indirect costs of the project (See Chapter 4.3.2 of this document).