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Handbook for Sub-grants management

ENI CBC MED PROGRAMME 2014-2020

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1 SUB-GRANTS IN THE CONTEXT OF THE ENI CBCMED PROGRAMME

According to article 57 of the Implementing Regulation (EU) No 897/2014, the ENI CBC Med Sea Basin 2014-2020 Programme includes the option of sub-granting in its calls for proposals.

A **sub-grant** is an indirect financial contribution through an EU grant beneficiary to a sub-grant beneficiary (**subgrantee**) for an action intended to help achieving the objectives of the project for which the grant was awarded.

The **goal** of this document is to support project Lead beneficiaries and partners in developing their own **sub-grant schemes**, so they can be implemented in compliance with the applicable rules, as the award of sub-grants must follow the same type of procedures than a call for proposals, while respecting the principle of proportionality. Each sub-grant scheme must cover all the process of the financed actions:



The next sections of this document deal with how the key principles of the calls for proposals of the Programme may be transposed to sub-grants, while providing a set of standard templates, which can be used as a source of inspiration for project beneficiaries.

The eligible activities have to be consistent with the eligibility criteria of the call for proposals for projects. There is a need for special attention to the activities financed through the sub-grants, as depending on the priorities to which they are contributing to, we may encounter **indirect state aid** activities. If so the case, they will need to be managed in accordance with the State Aid Programme rules.

2 WHAT KIND OF SUB-GRANTS?

Projects may include a wide range of type of sub-grants and sub-grantees, depending on the project goals, going from small-scale sub-projects with sub-grantees from different countries, to financial support to NGOs, entrepreneurs, micro-enterprises or researchers, natural persons (e.g. allowance, scholarship, fellowship).

Support in kind (e.g. transfer of material for free) by the Lead beneficiary / partner to a third party is NOT considered financial support.

The financial support is NOT the same as subcontracting or purchase of goods, works or services.

Some **examples** might be:

- Financial support to an entrepreneur for the set-up of a new company
- Financial support to specific investments in targeted sectors (ecological agriculture, sustainable tourism, urban technologies, etc.)
- Financing of innovative cooperation activities between actors from different countries or between research centers and enterprises
- Training activities for entrepreneurs, researchers or professors
- Financial support to NGOs or educational centers for environmental awareness raising-campaigns



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- Financial support to internationalization of MSMEs
- Development of environmental small-scale pilot projects by local authorities

Sub-grants may cover a **wide range** of type of sub-projects and/or activities addressed to a variety of stakeholders. Please ensure that the sub-grant scheme is designed and implemented in such a way that brings significant **added-value** to your project and **strong contribution to the achievement** of its **objectives!**

3 CALLS FOR SUB-GRANTS

3.1 Key principles

The project Lead beneficiaries / partners must award the sub-grants following similar principles as the calls for proposals for projects, but taking into account the specificities of the smaller size of the financed action.

The **key principles** to follow are:

| Principle | Description |
|----------------------------|--|
| Transparency | The project Lead beneficiary / partner, acting as “contracting body”, shall publish all relevant information in order to enable the potential sub-grantees to obtain timely and accurate information on the actions being undertaken. The sub-grant scheme must be implemented by publishing calls for proposals and all sub-grants awarded will be published with due observance of the requirements of confidentiality and security. |
| Equal treatment | No preferential treatment may be given to any potential sub-grantee. This rule applies not only to the process of identifying and selecting sub-grants but also during the implementation of the action. |
| Co-financing | The costs are shared between the Programme and the project. The contribution for the co-financing (minimum 10%) may be given either by the project Lead beneficiary / partner or the sub-grantee. |
| No cumulative award | Each sub-grantee may not get more than one sub-grant per project. The sub-grant applicant must specify in the application form any applications and awarded grants or sub-grants relating to the same project. |
| No retroactivity | The sub-grant may not be used to finance actions which have already been completed. Financed activities cannot commence prior to the award of the sub-grant. |

3.2 Content of the call

The first element of the call for sub-grant is to develop simplified “**guidelines for sub-grant applicants**” with the clear identification of:

- **Contracting body:** identification of the project Lead beneficiary / partner signing the sub-grant contract



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- **Scope:** type of eligible activities to be carried out by sub-grantees, which must contribute directly to the project goals
- **Maximum duration**
- **Profile of the subgrantees:** type of eligible organisations or persons (even natural persons), which may apply, including any limitation to participation (e.g. *“no more than one sub-grant shall be awarded per each applicant”*)
- **Partnership:** in case that the sub-grants require the work in partnership, either in the same country or in different countries
- **Geographical eligibility** of the sub-grantees and the activities: ideally the same than the project partnership, even though they may be extended to all the programme area. Specific activities outside the eligible area are not recommended but they may be exceptionally included, provided that this possibility is foreseen in the call for sub-grants and their added value to the projects is well justified
- **Financing:** the maximum amount of the sub-grant and specify if a co financing by the sub-grantee is foreseen
- **Budget:** the sub-grant applicant must prepare a simplified budget with an estimation of costs
- **Reporting:** frequency and content of the reporting to the Lead beneficiary / partner
- **Implementation conditions:** the sub-grants reporting shall be output-based or result-based. The type of output and/or results indicators must be clearly identified
- **Selection and award criteria and procedure,** including an estimated timetable and appeal procedure

The “**Application pack**” should also include:

- **Sub-grant contract** template
- **Reporting** template

The application pack may be written and filled-in by sub-grant applicants in the national language of the project Lead beneficiary / partner if the call is single-country. We recommend that these documents are written in the Programme language(s) when the call is multi-country.

3.3 Publication and publicity of the call

The call must be published through appropriate means, in order to ensure the principles of transparency and equal treatment. The project must prove that there was a wide dissemination amongst the target group(s) identified as potential sub-grantees.

3.4 Steps of the call for sub-grants

Here below the **steps** to follow since the submission of the applications until the signature of the sub-grant contracts:



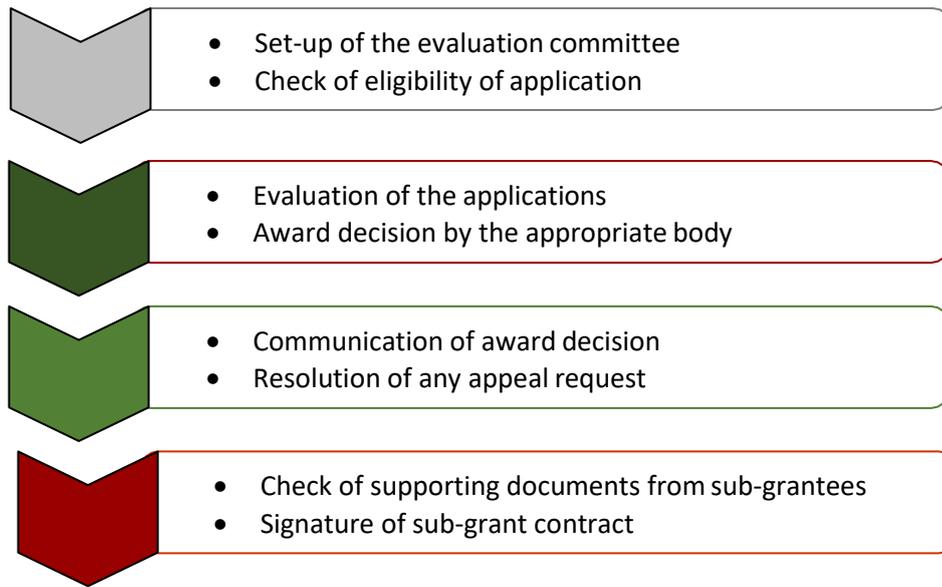
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3.5 Evaluation procedure

The selection of the sub-grants is a critical procedure. Any non-respect of the principles mentioned in the previous section of this guide or any incompliance of the self-defined criteria included in the call for sub-grants, might lead to the ineligibility of the sub-grants.

On top of the procedure itself, it is essential that the applications are assessed by an ad-hoc evaluation committee with adequate technical capacity and complete independence from the potential sub-grantees.

As in the case of the calls for proposals for projects, the sub-grants must have clear, non-discriminatory and not prejudicial to fair competition criteria to be defined by the project Lead beneficiary / partner taking into account the description of sub-grants included in the Description of the project (Annex I to the Grant Contract).

These criteria must be measured with a scoring system that must be known in advance by the potential sub-grantees and published in the documents of the call.

Example of criteria may be found below:

- Relevance and consistency of the planned activities according to the objectives of call for sub-grants
- Efficiency of the project (high impact / budget ratio)
- Quality of design
- Sustainability and cost-effectiveness.

The results should be published on the project website shortly after the evaluation process; moreover, applicants should be informed in writing of the decision concerning their application and, if rejected, the reasons for the negative decision.

The Lead beneficiary / partner have to keep internal records on the evaluation as audit trail in case of e.g. complaints by proposers, audits, or checks by the Programme bodies. These records comprise as a minimum:



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- An evaluation report summarising the selection procedure and its results, including dates of call, how it was published, dates of evaluation, number of proposals received, number of proposals funded, as well as a list of all selected proposers and their funding amounts
- A listing of proposals received, identifying the proposing organisations involved (name and address)
- All received proposals
- All communications with applicants before call closure and during evaluation
- The names and affiliations of the experts involved in the evaluation
- For each proposal a copy of the filled forms used in the evaluation
- A record of all incidents which occurred during the evaluation (e.g. how conflict of interest were handled if they were detected during the evaluation process) and any deviation from standard procedure (e.g. if a proposer selected was not the highest scoring one, you must document the objective reasons why the highest scoring one was passed over)

4 IMPLEMENTATION

4.1 Financial regime

The sub-grant may be awarded with the form of reimbursement of a specified proportion of the eligible costs actually incurred by the sub-grantee. The sub-grantee must:

- Ensure that the **costs are compliant with the eligibility requirements** of the programme and included in the categories accepted in the call for sub-grants
- Follow the **programme rules** in what concerns the eventual **revenue** deriving from the sub-grant activities
- Keep sub-grant accounting showing a reliable and easy to follow **audit trail**¹ of the expenditure and revenue
- **Keep the original accounting supporting documents** until the end of the open-to-control period (see section 4.4.)
- Have the declared **expenditure verified** by the project auditors or competent public officer, following the requirements of the programme and the national requirements of the project Lead beneficiary / partner issuing the call

Subgrants costs must be added to the financial report of the Lead beneficiary / partner, once verified by an auditor or competent public officer, and reported to the Managing Authority together with the costs directly incurred by the Lead beneficiary / partner.

A co-financing by the sub-grantee may be foreseen in the call for sub grants (usually following the same proportion than the project).

¹The audit trail gives a step by step documented history of a transaction. It enables an examiner to trace the financial data from accounting to the source documents (invoice, receipt, voucher, etc.).



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4.2 Payment schedule

The payment schedule may be decided by the project when developing the guidelines for sub-grants. Depending on the duration of the sub-grant activities it may include an initial pre-financing, intermediate payment and a balance payment at completion. The intermediate payment may be linked only to activity reports, but also to expenditure verification in case of sub-grants with a duration longer than 12 months.

Take into consideration the following factors when deciding on the payment schedule:

- Risk of non-performance of activities (in time or in full)
- Risk of error in the eligibility of expenditure
- Financial capacity of the sub-grantees. A reduced pre-financing may hamper the possibilities of success in small NGOs or civil society organisations
- The harmonization of payments and reporting of the sub-grants with the project reporting, depending on the moment of signature of the sub-grant contracts.

4.3 Monitoring of activities

The project Lead beneficiary / partner acting as contracting body must ensure an adequate monitoring of the sub-grant activities and delivery of the committed outputs. This may include monitoring visits and/or the participation of its representatives in the key events of the sub grant.

Subgrant applicants must take all necessary steps to publicise the fact that the ENI CBC MED Programme has financed or co-financed the action. As far as possible, actions that are wholly or partially funded by the European Union must incorporate information and communication activities designed to raise the awareness of specific or general audiences of the reasons for the action and the EU support for the action in the country or region concerned, as well as the results and the impact of this support.

Subgrant applicants must comply with the objectives and priorities and guarantee the visibility of the EU financing (see the Communication and Visibility Requirements for EU External Actions).

The sub-grantees must also respect the same visibility rules than the project beneficiaries, as specified in the Grant contract and Programme rules. This aspect must also be checked by the project Lead beneficiary / partner.

4.4 Compatibility of subgrants with state aid rules

Sub-grants funded under the ENI CBC MED Programme 2014-2020 shall be compliant with the State Aid provisions by applying the *de minimis* rule set by the regulation (EC) 1407/2013.

As the probability of the so-called **indirect state aid** in sub-grants activities is high, it will need to calculate the value of the aid provided to ensure that the terms of the *de minimis* Regulation are met by the end users served. The measure to be adopted could include monitoring and administrative arrangements as well (e.g., collection of *de minimis* self-declarations, informing the third party in writing of the prospective amount of *de minimis* aid, informing national central registers, if existing, maintaining records regarding individual *de minimis aid*, etc.).

In case of *de minimis* provided to the end users the project Lead beneficiaries and partners are responsible for securing the same conditions as for the direct aid, that is:

- verifying the total threshold via information provided by the end-users,



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- calculating the amount granted
- ensuring the statements on *de-minimis* from end-users.

If the end user declares that the *de minimis* threshold is exceeded, no such type of aid can be provided to the particular organisation.

De minimis declaration

One of the tools to manage *de minimis* is to ask the recipients of indirect aid to sign *de minimis* self-declarations (**Annex 5**). Such declaration allows the Lead beneficiary / partner to assess whether the *de minimis* amounts granted to respective end user in the current fiscal year and the previous two fiscal years does not exceed the *de minimis* threshold and thus aid can be granted to the end-user.

The recipients of indirect aid should be asked to prepare the self-declarations before the start of the activity, so that it is possible to verify whether the thresholds will not be exceeded.

The Lead beneficiary / partner should calculate the value of *de minimis* to be granted by the project and to assess whether this amount combined with *de minimis* already received by the third part, does not exceed the threshold.

It is the responsibility of the Lead beneficiary / partner to ensure that the declarations are signed and auditors/public officers carrying out the expenditure verification can be asked to verify that the conditions have been met.

De minimis registration list for events

In case the sub-grant finances the participation in small events organisation (such as trainings), instead of the *de minimis* declaration the Lead beneficiary / partner can use the participants' confirmation to obtain the necessary information (see **Annex 6** as an example). On this sheet, when attending the event, the participants confirm with the signature that they are not an undertaking in difficulties, and that they have sufficient leftover of the *de minimis*.

Depending on the national requirements (if the *de minimis* register is not available), the participants of the events can be asked to provide the *de minimis* declarations to assess whether *de minimis already* received is under the respective threshold.

4.5 Sub-grant completion

Upon completion of the activities, the sub-grantee must prepare the final report for the contracting body, showing that the outputs and results have been achieved.

Both sub-grantees and contracting bodies must keep all the supporting documents during the period indicated in article 70 of the ENI CBC Implementing Rules² that is 5 years until the end of the payment of the balance of the programme (not the project)³. This obligation includes the accounting records for the sub-grants.

² Regulation EC 897/2014.

³ The balance payment of the programme is foreseen in 2024. Original supporting documents shall be kept until at least, 2029.



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The originals must be kept by the sub-grantee, but we strongly recommend that the project Lead beneficiary / partner acting as contracting body keeps a copy of all of them, at least in scanned format.

During the period of compulsory record and document keeping, the sub-grant may receive checks from the Managing Authority and the Audit Authority of the programme, as well as the European Commission, the European Court of Auditors and any other competent body.

5 REPORTING

Project Lead Beneficiaries/Partners (LB/PPs) shall award sub-grants following the same rules on eligibility of the calls for proposals for projects, as specified in chapter 7 of the PIM, but taking into account the specificities of the smaller size of the financed action and the limited time available for its implementation. The monitoring and reporting principles to be followed for the management of the sub-grants are similar to those applicable at project level.

The following principles apply:

- sub-grants costs must be compliant with the eligibility requirements of the Programme and included in the cost categories foreseen in the call for sub-grants (according to the budget submitted by the sub-grantees);
- the Programme rules concerning any revenue deriving from the sub-grant activities must be followed;
- proper sub-grant accounting, showing a reliable and easy to follow audit trail of expenditure and revenue, must be kept;
- the original supporting documents must be kept by the subgrantees until the end of the open-to-control period, as per article 16.6 of the Grant Contract;
- the declared expenditure verified by the project auditors, must follow the requirements of the Programme and the national requirements of the project LB/PP issuing the call for sub-grants.

5.1 How to report sub-grants costs

Sub-grants costs must be included in the financial report of the LB/PP, verified by the LB/PP's auditor/s (or competent public officer), and reported to the Managing Authority under the cost category "Other".

In case of sub-grants awarded, through a single call, to sub-grantees of different nationalities and legal frameworks, the verification on the reported expenditure could be assigned to the auditors of the partners having the same nationality of the sub-grantees or, as an alternative, it could be decided to contract dedicated auditors. In case of specific doubts, advice might be requested to the JTS or the relevant Control Contact Points.

The payment schedule should be decided by the project when developing the guidelines for sub-grants. Depending on the duration of the sub-grant activities it may include an initial pre-financing, an intermediate payment and a balance payment at completion. Below a suggested schedule of Progress reports (PR) and Final reports (FR), according to the duration of the sub-grant contract.



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| Duration of the sub-grant | Recommended Reports |
|---------------------------|--------------------------|
| One-off Activity | One report at completion |
| < 6 months | 1 PR+1FR |
| Up to 12 months | 2 PR (M4, M8) +1 FR |
| >12 months | 2 PR (M6, M12) +1FR |

Considering the limited number of transactions usually performed in low-value grants, simplified reporting in Excel format (registering incoming/transfers and related expenses), is recommended, accompanied by all the necessary supporting documents.

The reporting requirements must be proportionate to the size of the grant: **it is important not to overburden the sub-grantees with complex reporting templates.**

The activity reporting must be adapted to the nature of the financed activities. The type of report may not be the same when the sub-grant finances stages of researchers, the acquisition of one piece of equipment or the set-up of a university spin-off or an environmental start-up.

Nevertheless, the report must include at least:

- A description of the activities, compared with the initial work plan
- The delivery of outputs
- The assessment on the achievement of the results
- The compliance with the visibility requirements

5.2 Eligible costs

The rules for eligibility of costs are the same applicable at project level, described in Ch7 of the PIM and into the “Note on eligible costs” published among the documents of the call for proposal.

Human Resources: particular attention must be paid to sub-grants costs reported under the cost category HR, as the rules specified in par. 7.1.2 of the PIM apply. In case a sub-grant is awarded to an unemployed natural person, the related costs can be reported under the cost category HR only upon signature of an employment contract between the sub-grantee and the LB/PP, ensuring the compliance with the national regulation in force.

Travel & Subsistence Costs: travel costs must be reported considering actual travel expenses incurred, while subsistence costs can be reported either as actual costs or, where possible, using the simplified “per diem” or “daily allowances” scheme, using the EC rates available at: per-diem-rates-20200201_en.pdf (europa.eu), applicable at the moment of the travel.

Infrastructures, Equipment & Supplies, External services: particular attention must be paid to the relevant procurement procedures to be held in accordance with the Programme, National and internal rules and compliant with the legal status of the sub-grantee.



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Indirect Costs: costs eligible to cover overheads such as electricity, water, office rents. These are eligible for a flat-rate funding up to 7 % of the estimated total eligible direct costs, provided that they do not include costs assigned to another budget heading in the sub-grant budget and that the sub-grantee has not received any other operational grant covering the same costs.

5.3 Reporting phases

Sub-grants costs must be reported as real costs and reimbursed according to the specified proportion of the eligible costs actually incurred by the sub-grantee and verified by the concerned Auditor/s.

The process of sub-grants reporting includes two phases:

1. Reporting of the subgrantee to the LB or Partner

The subgrantee reports to the LB/PP acting as contracting body, according to the requirements set in the sub-grant contract. Templates of the Activity and Financial Reports are provided in attachment to this Handbook (Annexes 4a, 4b). The use of these format is not mandatory, as more specific templates can be drafted by the LB/PPs and adapted according to different typologies of sub-grants, provided that the minimum requirements of needed information are met.

The subgrantees' reports and related supporting documentation (see ch 7 of the PIM), must be provided to the Auditor/s in charge of verifying the sub-grants expenditures. The LB/PP acting as contracting body shall keep a copy of the above-mentioned documents, at least in scanned format. The same documents must be provided to the MA/JTS upon request.

2. Reporting of the LB/PP to the MA

The LB/PP reports subgrants to the JTS/MA as part of the Progress/Interim/Final Report, including adequate information on the performance of the sub-grant schemes in the concerned reporting period (in its Narrative Report), following the Programme requirements. Beyond the description of the sub-grant activities, it is essential that the LB/PP includes its own assessment on their success and, in particular, contribution to the achievement of the project goals.

The following documents are requested¹: the sub-grant notices and advertising, the minutes of the sub-grant selection commission, the *de-minimis* statements by sub-grantees (as the case may be). These documents are uploaded by the LB/PP managing sub-grants in the section "expenses/supporting documents" of the MIS.

Concerning the financial report, subgrants are reported under the Cost Category "Other" and according to the approved budget. **Only the verified expenditures incurred and paid by the sub-grantee within the valid reporting period** (the same period set at project level) **can be included into the interim/final reports**. In case an initial prefinancing is transferred, the related amount cannot be included in the interim report.

Subgrants entries in the MIS can be summarized per subgrant contract/subgrantee. It is not necessary to insert as many entries as the number of the subgrantees' expenditures. However, proper records shall be kept by the LB/PP and provided upon request, as per the previous paragraph.

¹ See ch.4 of the PIM.



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6 ANNEXES

The following templates and tools are published as an example; more specific templates could be drafted by Lead Beneficiaries and partners and adapted according to different typologies of subgrants.

Annex 1 Guidelines for sub-grant applicants

Annex 2a Sub-grant application form

Annex 2b Budget

Annex 3 Standard sub-grant contract

Annex 4a Activity report

Annex 4b Financial report

Annex 5 De minimis declaration

Annex 6 De minimis template for small events