
EU DEAR Projects: Frequently Asked Questions about contractual and budget issues and procedures

The following are a series of questions that DEAR Projects have asked during the DEAR Inception Seminar of 13-14 March 2018. The questions are grouped under various headings:

1. Questions about the **Contract and Project Plans** and making changes to them
2. Questions about **Budgets and Financial Procedures**
3. Questions about setting up, managing and accounting for **Sub-Grants** ('Financial Contributions to Third Parties')
4. Questions about working in and with **Partnerships**
5. Questions about **Monitoring and Evaluation**
6. Questions about relating to and contacting your **European Commission Task Manager**

The answers to most, if not all of these questions can be found in the official documentation that relates to your project, i.c.

- The PRAG: the version 2016
http://ec.europa.eu/europeaid/prag/?header_description=DEVCO+Prag+to+financial+and+contractual+procedures+applicable+to+external+actions+financed+from+the+general+budget+of+the+EU+and+from+the+11th+EDF&header_keywords=ePrag%2C+europa
- The Guidelines for the Call for Proposals to which you responded with your Concept Note and Full Project Proposal.
- Your Contract with the European Commission:
 - The Specific Conditions of the Contract (to do with: who is involved, what is it about, how much money is involved, when will work be delivered)
 - Annex I (Terms of Reference)
 - Annex II (General Conditions)
 - Annex III (the Budget)
 - Annex IV (Procurement issues)

Important: this Q&A gives general directions on most representative questions. This table does reply to specific questions that often need to be looked within its specific context. If you have a question to which you cannot find an answer in the following FAQs then contact your Task Manager. However, in addition to asking the question, it is strongly advisable to include a suggestion on how you propose to answer your question, including a reference to the relevant paragraph(s) in PRAG, the Guidelines or your Contract.

1. Questions about the Contract and Project Plans and making changes to them

Question	Answer
<i>As part of starting our project we want to make some changes to activities/timetables. Do we need to let the TM know about these changes now or should we do this as part of our first Interim Report?</i>	See rules under Art.9 of the General Conditions on "Amendment of the contract". The project should keep their respective task manager informed as soon as possible of changes to original plans, justify the change(s) and make clear the impact on the anticipated achievement of results or outcomes.
<i>Which types of the project's plans adjustments need prior authorisation from the TM?</i>	See rules under Art.9 of the General Conditions on "Amendment of the contract".
<i>We want to change descriptions and/or locations and/or outputs of some of the activities shown in our proposed plan. Do we need to have permission for this?</i>	See rules under Art.9 of the General Conditions on "Amendment of the contract". Yes these changes need to be first agreed by the task manager.
<i>We want to change part of the timeframe of the project. Does this need authorisation before we implement the new timeframe?</i>	As long as the project is within the contractual implementation period (Art.2 of the Special Conditions), it is possible to change the timeframe. The project needs to inform the TM though no formal authorisation is required.
<i>Which rules apply when a change of contract is required (e.g. when changing a partner or co-applicant)?</i>	See rules under Art.9 of the General Conditions on "Amendment of the contract". Also see Art. 6.8 of PRAG. An amendment to the contract is required for changing a partner or a co-applicant.

2. Questions about Budgets and Financial Procedures

Question	Answer
<i>As part of starting our project we want to make some changes to the budget (because we propose to change some of the activities). Do we need to let the TM know about these changes now or should we do this as part of our first Interim Report?</i>	See rules under Art.9 of the General Conditions on "Amendment of the contract", and Art.9.4 on the change of budget. Please also see PRAG 6.8 on "Modifying grant contracts".
<i>How to report on expenditures that are paid after the end of a financial reporting period? E.g. work</i>	As long as you have evidence that work was done in reporting period 1 (an invoice from a supplier for example) then include it in reporting period 1, even if the money is

<i>done in October (e.g. reporting period 1) is paid in November (in reporting period 2) – when should it be included?</i>	actually paid in reporting period 2. Your final financial report (at the end of the report) will only include funds that have actually been paid.
<i>A partner is supposed to carry out an activity, but no funds for the activity are included in the budget. How can we address this?</i>	This may lead to adding a new budget line and consequently revise the budget, please see rules under Art.9 of the General Conditions on "Amendment of the contract". Also see PRAG 2.10.2. "Preparing an addendum".
<i>Can budget lines be added to the budget?</i>	Yes if conditions are fulfilled. Same rules as above.
<i>The amount covering financial managers' salaries is budgeted under the category "1. Human Resources". Do the budgeting rules authorise moving these costs to the Services line (purchasing services)?</i>	Same rules as above in regards of change of budget. If the financial manager's services are separately contracted (i.e. not part of the lead applicant's or project partner's ongoing salary costs) then yes; otherwise no. However, the change in budget heading totals should be less than 25% for each budget heading, otherwise an amendment to the contract is required.
<i>How flexible can we be in transferring budgets between partners?</i>	This depends on how budget has established and if budget per partner is reflected or one overall budget. See Art. 9.4 of General Conditions on "Amendment of contract." Barring the 25% budget heading change rule, the project can be flexible as long as the achievement of intended project results and outcomes are assured.
<i>Can a part-time employee be paid additionally for additional work?</i>	Same rules as above. This depends on how the part-time employee is budgeted (% and months). Yes, if the overall costs under the relevant budget heading is not changed by more than 25% (and the overall EC contribution does not change at all), otherwise an amendment to the contract is required.
<i>Do we need to keep the average unit value for salaries as indicated in the original proposal throughout the project timing?</i>	No. However you will need to report the real unit cost (unit cost that is paid).
<i>How to report on additional staff – can we add new staff</i>	See rules under Art. 9 of the General Conditions. Yes, but this falls under rules for adding a new budget line. The report shall include the additional budget line.
<i>Can the normal work time of staff be exceeded e.g. to spend total budget available for staff?</i>	Yes but bear in mind that the staff's working condition shall also respect the countries respective regulations. Please see Art. 9.4 of General Conditions on "Amendment of contract." in case of budget change. Please also see Art.13 of the General Conditions on "Applicable law and dispute settlement".
<i>Multiple travel destinations: e.g. project has a</i>	This shall be seen case by case.

<i>meeting in Z. The person wants to travel from home to Z and then a trip of his/her own to town X. Is the ticket from X to home eligible or is the travel ticket only eligible when traveling straight to and from the project destination?</i>	
<i>Currency exchange for the conversion of the first tranche in case of one of our partners was very low and partner lost some money on this transaction. The budget does not include the reserve for unforeseen expenses. If there are any savings, can we still organize such a reserve?</i>	See Art. 14.9 of the General Conditions. Losses derived from conversion are not eligible cost. The question on the "reserve" needs to be analysed in its specific context.
<i>Do the rules of co-financing differ from private entity to public authorities?</i>	No.
<i>Do we report on the new budget once approved or on the one attached to the Contract Agreement?</i>	Report shall be against the latest and approved budget including variations below 25%.
<i>Currency exchanges: which rate to use when? Which rules apply when applying exchange rates, e.g. which date(s) should be used</i>	See Art. 15.9 and 15.10 of the General Conditions on "Rules for currency conversion". If needed, an amendment to the contract can be made (Art. 7.1.x. of the Special conditions) to specify the exchange rate as "costs incurred in other currencies than the one used in the beneficiary(ies) accounts shall be converted using the monthly Infoeuro on the date of the payment."
<i>Procurement rules: can we use our own organisation's rules for this as long as they do not contradict what it says in Annex IV?</i>	Yes.
<i>What does "traditional" boarding pass mean as described in the DEVCO guidelines?</i>	A paper copy either of the boarding pass itself or of a printed version downloaded from your mobile phone/electronic boarding pass.
<i>Maximum amount of simplified costs that can be included and reported as such?</i>	The fact that the project uses or not the simplified cost options is determined at the submission phase and included in the budget when contact is signed. The max. amount cannot exceed 60.000 euro.
<i>Procurement rules: what is the threshold for</i>	See Annex IV of contract. Rules of organisation apply. The PRAG rules may apply but not

<i>compulsory action?</i>	obligatory.
<i>Expenditure verification per partner of for all project?</i>	See Art.1.6 f) and 15.7 of the General Conditions. Also see Annex VII of contract. To be delivered by coordinator covering the whole actions. The auditor looks at project as a whole and will sample supporting documents to be delivered by partner/co-applicant in charge.
<i>Can Per diem be used/issued to other than staff of the project (eg. Teachers traveling for training?)</i>	Yes if they are included in heading 5 or 6 of the budget and if related to the action (Annex I Description of Action).
<i>One partner may reclaim a small portion of VAT (3-5 %), because it also has commercial activities. The %age can only be calculated after end of the fiscal year. How to deal with this in terms of reporting?</i>	See Art.14.2.6 of the General Conditions. The project may report the VAT amount that is not recoverable.
<i>How to manage and report flat rate costs (supporting documents, procurements, etc.)</i>	See Art. 14.4 of General Conditions. Cost shall be clearly described and substantiated in the budget. Once the flat rate cost/simplified cost options are accepted and included in the budget, no more supporting document is requested. The auditor will check in the expenditure verification.
<i>Services and products of a value of less than 60000€: can non-EU based companies be considered?</i>	See Art. 2.3.1. and 2.4.1 of PRAG for procurement rules. All basic principles must be complied with (including eligibility, exclusion and selection criteria) regardless of which procedure is used. Eligibility rules depend on the funding base. The question needs to be seen in its specific context.
<i>Can we contract external experts under the budget line initially planned for permanent project staff (Human Resources)</i>	No, human resources normally refer to staff hire/recruited for the activity by the organisation. Such external experts for subcontracting (service contracts Technical Assistance for example) would fall under heading 5 of the budget "Other costs, services").
<i>Eligibility of costs after closure – are these eligible cost, the expenses with: internal evaluation; meeting with partners to discuss the final report and evaluation; costs of financial manager to help the auditors?</i>	See Art. 14.1.(iii) of the General Conditions After the contractual implementation period, only costs linked to final reports, including expenditure verification, audit and final evaluation are eligible.

<i>Are the financial costs of bank transfer eligible? If yes where in the budget?</i>	See Art. 14.2.g) of the General Conditions. Bank costs can be included in the budget. If done, they are considered eligible.
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3. Questions about setting, managing and accounting for Sub-Grants (‘Financial Contributions to Third Parties’)

Question	Answer
<i>Where basic rules for sub-granting can be found?</i>	See Art.10.4-10.8 of the General Conditions on "Financial support to third parties" For lot 3 projects, please also see Annex X of the Guidelines.
<i>What is the maximum amount that a DEAR project can give to third parties through sub-granting?</i>	60.000 euro except lot 3 projects in which the sub-granting is main activity and the max. amount is mentioned in the Special Conditions.
<i>Max. amount that can be given to each individual sub-grantee?</i>	
<i>Which supporting documents are needed to report from subgrants?</i>	See Art. 16.7-16.10 of the General Conditions on "Record keeping".
<i>Can small sub-grants (less than €1000) be given to informal groups of citizens, with no legal entity, that we try to reach as part of the 'non-engaged' target group?</i>	See Art 10.6 and 10.8 of the General Conditions. It can be considered but the final financial responsibility remains with the coordinator.
<i>Can a project decide to implement sub-granting if it considers this appropriate, even if this was not initially foreseen?</i>	No. Sub-granting has to be part of the project proposal and included in the Special Conditions of the contract (Art.7).
<i>Can sub-grantees claim the 7% indirect costs?</i>	To be determined between the coordinator and the sub-grantee. 7% can be claimed from the total eligible cost that includes the sub-granted amount.
<i>Can sub-grantees modify their budget/activities – and do the same rules as DEAR project apply?</i>	Such modifications shall follow the agreement between the coordinator and the sub-grantee.

<i>Can co-funding be requested to beneficiaries of sub-grants? If yes, how should we report the co-funding due by the sub-grant beneficiaries?</i>	See Art 10.6 and 10.8 of the General Conditions. Co-funding can be required. The report shall be done through the reporting documents (for example, narrative report, financial report, sheet 3 "Expected source of funding" of Annex III, etc.).
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4. Questions about working in and with Partnerships

Question	Answer
<i>Which rules apply when a change of partner or co-applicant is wanted by the project?</i>	See rules under Art.9 of the General Conditions on "Amendment of the contract". Also see Art. 6.8 of PRAG. Change of co-applicant needs to be done through a formal request for amendment to the contract.

5. Questions about Monitoring and Evaluation

Question	Answer
<i>How to monitor citizens real engagement?</i>	Monitoring and evaluation rules shall be established by the organisation and indicators to be included in the Logframe.
<i>Are there any rules about when should we engage an external evaluator?</i>	This depends on when the evaluation is foreseen in the Description of Action (Annex I). It can be mid-term or final. If final, it is at the end of the implementation phase.
<i>Are there any guidelines about what to M&E?</i>	No formal rules from the EU template regulation exist.
<i>What kind of monitoring & evaluation is requested from sub-grantees – and type of monitoring the lead/partner organisation should perform?</i>	Rules to be agreed with coordinators. Organisation rules may apply.

6. Questions about relating to your European Commission Task Manager

Question	Answer
<i>When should the TM be informed of proposed budget changes and a reallocation request between different budget lines or headings?</i>	See Art. 9.4 of the General Conditions. Preferably as soon as possible and at the latest in the next report. If a budget change exceeds the ceiling of 25%, an amendment to the contract is required.