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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 CBC MED 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.)



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- 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
- 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.



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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
- **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
- **Financial regime:** type of eligible costs and their reporting during implementation, either via direct costs or simplified costs option¹
- **Budget:** regardless of the financial regime, 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.

¹ See specific sections on this aspect further on in this document



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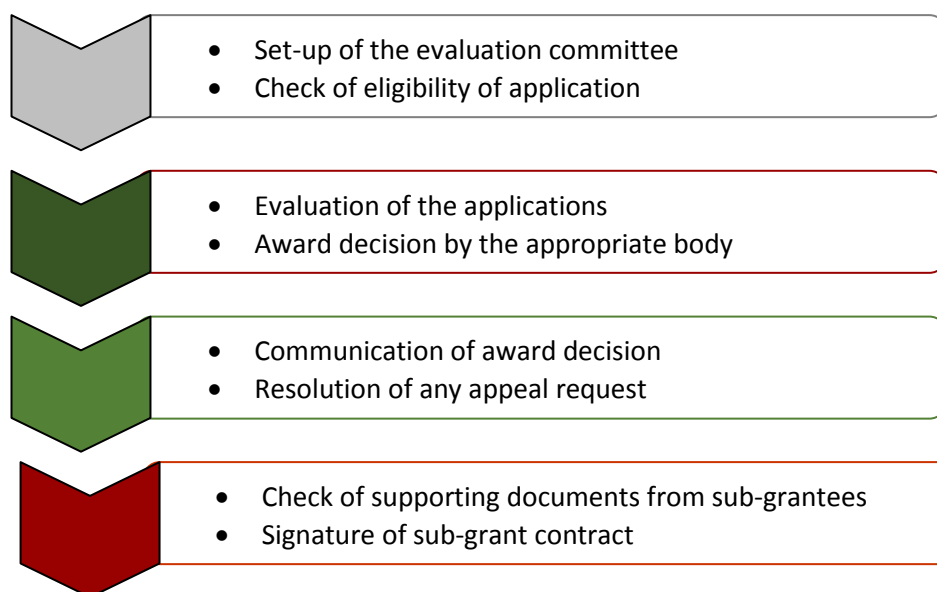
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3.3 Publication and publicity of the call

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:



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 incoherence 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)



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- 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.

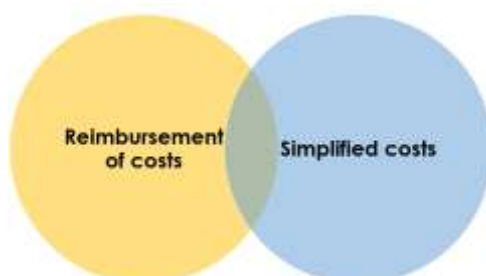
The Lead beneficiary / partner have to keep internal records on the evaluation as audit trail in case of e.g. complaints by proposers, audits, or checks by the Programme bodies. These records comprise as a minimum:

- 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 take one of the two following forms, to be decided by the project Lead beneficiary / partner and specified in the call for sub grants along with the list of categories of eligible costs



4.1.1 Reimbursement of costs

The sub-grant may be defined as the reimbursement of a specified proportion of the eligible costs actually incurred by the sub-grantee. If this is the case, the sub-grantee must:



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- 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**² 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

In the case of reimbursement of eligible costs, these 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).

4.1.2 Simplified costs

The sub-grant may also take the form of a **lump sum**³ (e.g. a fix amount of money to support the set-up of a new company or to pay specific equipment) or standard scales of **unit costs**⁴ (e.g. an amount of money for each person participating in environmental awareness raising events or for the number of days of a research stage).

However, in order to use the simplified costs, the following conditions shall be clearly defined by the Lead beneficiary / partner in the call for sub-grants and their fulfilment shall be verified by the project external auditor:

- justification concerning the appropriateness of such forms of financing with regard to the nature of the projects as well as to the risks of irregularities and fraud and costs of control;*
- identification of the costs or categories of costs covered by lump sums, unit costs or flat-rate financing, which shall exclude ineligible costs;*
- description of the methods for determining lump sums, unit costs or flat-rate financing, and of the conditions for reasonably ensuring that the no-profit rule and co-financing principles (if any) are complied with and that double financing is avoided.*

Under this financial regime, there is **no obligation to keep any accounting and financial supporting documents**. However, the evidence of the implementation of the activities become the key eligibility condition. That's why the simplified cost option is also called **output-based** or result-based.

² The 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.).

³ In the case of lump sums, all eligible costs or part of eligible costs of an operation are calculated on the basis of a preestablished lump sum (the setting up of the lump sum should be justified by the Lead beneficiary / partner), in accordance with predefined terms of agreement on activities and/or outputs.

⁴ In the case of standard scales of unit costs, all or part of the eligible costs of an operation will be calculated on the basis of quantified activities, input, outputs or results multiplied by standard scales of unit costs established in advance.



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To this end, outputs and deliverables shall be provided by the Lead beneficiary / partner and will be checked during the assessment of the Interim / Final report.

Another characteristic of this method is the removal of the obligation of financial reporting and expenditure verification at sub-grant level.

In the case of simplified costs, only payment of the project Lead beneficiary / partner to the sub-grantee is considered as the eligible cost and the contribution of the co-financing must be done by the former, that is, there is no co-financing by the sub-grantee.

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 reimbursement of costs and 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 simplified cost options 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.



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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,
- 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.



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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 Rules⁵ that is 5 years until the end of the payment of the balance of the programme (not the project)⁶. This obligation includes the accounting records for the sub-grants under the reimbursement of costs regime.

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

5.1 Reporting to the project Lead beneficiary / partner acting as contracting body

The frequency of the reporting will depend on the duration of the implementation period:

- For one-off activities, only one report is needed at completion.
- For less than 6 months, one brief progress report after 3 months a final report after completion is recommended.
- Until 12 months, two 4-monthly reports and the final one are recommended.
- For more than 12 months, 6-monthly reports and the final one are recommended.

5.2 Financial reporting

Only the sub-grants with reimbursement of costs must submit financial reports to the contracting bodies. Considering the limited number of transactions usually performed in low-value grants, simplified reporting in Excel 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 over-burden the sub-grantees with complex reporting templates.

No financial reporting is requested in the case of simplified costs.

5.3 Activity reporting

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:

⁵ Regulation EC 897/2014.

⁶ The balance payment of the programme is foreseen in 2024. Original supporting documents shall be kept until at least, 2029.



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- 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

5.4 Reporting to Managing Authority

The sub-grants must be embedded in the project reporting to the Joint Technical Secretariat and the Managing Authority. The contracting body is responsible for including adequate information on the performance of the sub-grant schemes in this reporting, following programme requirements.

Beyond the description of the sub-grant activities, it is essential that the project Lead beneficiary / partner includes its **own assessment on their success** and, specially, in how they contributed to the achievement project goals, both individually and the global scheme.

6 ANNEXES WITH TEMPLATES

Annex 1 Guidelines for sub-grant applicants

Annex 2 Sub-grant application form (SOON AVAILABLE)

Annex 3 Standard sub-grant contract (SOON AVAILABLE)

Annex 4 Activity report (SOON AVAILABLE)

Annex 5 De minimis declaration

Annex 6 De minimis template for small events