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| BUDGET AND FUNDING PLAN GUIDELINES[CULTURECIVIC] |

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# INTRODUCTION

The Goethe-Institut is responsible through the EU Commission for indirect fund management of EU funds in accordance with Article 62 in conjunction with Article 154 of the Financial Regulation FR[[1]](#footnote-1). For this reason appropriate requirements and processes are applied when awarding EU funds to ensure compliance with EU budgetary law. In this context, the Goethe-Institut observes the principles to which grants are subject. According to Article 188 of the Financial Regulation, these principles are as follows

1. equal treatment;
2. transparency;
3. co-financing;
4. non-cumulative award and no double financing;
5. non-retroactivity;
6. no-profit.

Applicants are to submit documents including a budget and funding plan within the scope of the application process. In this plan, applicants are firstly to list forecast (calculated) total costs of the project broken down into individual cost positions, and secondly to state the expected sources of funding.

These guidelines are intended to create an overview of eligible and non-eligible cost positions and show how they were calculated for the benefit of the Goethe-Institut as well as external auditors, to ensure standardised assessment of the costs detailed within the scope of the budget and funding plan.

# BUDGET AND FUNDING PLAN

The project budget arising from the budget and funding plan serves firstly as an estimate of costs for the entire project, and secondly as an upper total limit for the eligible costs pending approval by the Goethe-Institut.

## **Overview of the budget and funding plan**

The budget and funding plan consists of three worksheets:

* **Budget plan**: The applicant states the calculated project costs for the entire project over the full project term, as well as – in the event that there are several reporting periods in terms of § 6 Para. 2 of the grant contract – for the first reporting period if applicable.
* **Justification of project budget plan**: The applicant explains the cost positions and justifies the calculation of forecast costs for each position.
* **Funding plan / funding sources**: The applicant states the expected funding sources for the project. He/she is to demonstrate that the income from the expected funding sources covers the calculated project costs itemised in the budget plan.

## **Overview of the “Budget plan” worksheet**

Applicants state the calculated cost positions for the entire term of the project as well as for the first reporting period, insofar as the project term is divided up into different reporting periods in accordance with § 6 Para. 2 of the grant contract.

The budget plan is broken down by individual cost position. It should include forecast (calculated) costs for

* Staffing
* Travel
* Equipment and accessories
* Local office
* Other costs/services
* Miscellaneous

The cost positions detailed in the “Budget and funding plan” template can include sub-positions here.

The description of the individual cost positions needs to be broken down into key components showing sufficient detail so that the Goethe-Institut can perform an assessment of eligibility for each individual position.

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| **Overview of the “Justification of project budget plan” worksheet** |

The justification of the project budget plan includes two columns:

* **Explanation of cost positions**: The applicant must explain each cost position, the necessity of the costs and how they are relevant to the project. For example the staffing required for the project is to be shown as a breakdown. To provide supplementary information the applicant can extend the table by further lines as required.

* **Justification of estimated costs:** The applicant must give a reason to justify the calculation of the costs estimated. For instance the applicant can allocate a specific project activity to each of the people listed in the staffing breakdown. The justification must clearly show why the costs are necessarily incurred for the actual project.

# EXPLANATIONS OF ELIGIBLE/NON-ELIGIBLE COSTS

Only eligible costs can be covered by the grant.

## **Criteria for eligible costs**

The cost categories considered eligible for EU funding are stated in the request for submission of proposals. According to the grant contract template, all costs must currently meet the conditions of § 5 on eligible costs and purchase of goods in the grant contract:

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| **§ 5 Eligible costs and purchasing goods**1. Eligible costs of a project are costs that
2. are relevant to the grant purpose and are necessary for implementation of the project,
3. are actually incurred by the beneficiary,
4. are incurred within the awarding period,
5. are explicitly stated in the budget and funding plan,
6. meet the requirements of the applicable tax and social security provisions, and
7. are appropriate and justified, as well as in line with the principle of sound financial management, especially with regard to economy and efficiency.
8. For reasons of sound financial management and economy, as well as to encourage equal opportunities and transparency, any works, supplies and services as well as concessions are always to be awarded on a competitive proposal basis. In particular the beneficiary must request quotes from at least 3 different suppliers or put contracts out to public tender, accept the most economical bid and keep a traceable record of the award procedure. Furthermore, the procedure is subject to public procurement law valid as applicable to the beneficiary, as well as the relevant conditions imposed by the EU. Commercial discounts should be utilised and agreed, and conflicts of interest are to be avoided. Acquired goods are to be used by the end of the award period and within the scope of the grant purpose defined in this agreement.

These value limits can be extended under special circumstances, insofar as it seems appropriate for political or economic reasons.[[2]](#footnote-2) Detailed information relating to the procurement policy can be found on the intranet via this link ([LINK](http://intranet/org/zen/zd/recht/vva/Dokumente%20fr%20die%20Vergabe%20von%20Auftrgen/Flowchart%20-%20Beschaffungsordnung.pdf#search=BESCHAFFUNGSORDNUNG%20F%C3%9CR%20DIE%20ZENTRALE%20UND%20ALLE%20GOETHE%2DINSTITUTE%20WELTWEIT)).1. After the award period has ended, the beneficiary is obliged to assign the goods to the Goethe-Institut.

OR The beneficiary can freely dispose of the goods after the end of the award period.1. Technical devices and other equipment may only be acquired if they are to be used specifically for the project work. The technical devices / equipment are to be inventoried by the beneficiary and may not be used for other purposes or sold.
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Furthermore, only costs that meet the following conditions are eligible (cf. Art. 186 FR):

* The costs are incurred through implementation of the project in accordance with § 5 Para. 1 a) of the grant contract. In particular:
	+ The costs for work and services refers to activities carried out during the implementation phase. The costs for deliveries refers to delivery and installation of goods during the project implementation period. Signature of a contract, placement of an order or defrayal of expenses within the implementation period for services, construction works or deliveries to be provided in the *future* after the end of the implementation period do not meet this requirement.
	+ The costs incurred are to be paid before submission of the closing reports. They can be paid out retrospectively, provided they are listed in the closing report together with the forecast payment date.
	+ Costs in relation to closing reports, including spending review, audit and final project evaluation that could be incurred after the end of the project implementation phase are excluded.
	+ Award procedures for contracts may have already been initiated, and the beneficiaries can finalise these contracts before the start of the actual project implementation phase.
* the costs are shown in the forecast (calculated) total budget for the project;
* the costs are necessary for the implementation of the project being funded by the grant;
* the costs are identifiable and verifiable and are in particular recorded in the beneficiary’s accounting documents in line with the applicable accounting standards and usual cost accounting practices;
* the costs meet the requirements of the applicable tax and social security provisions;
* the costs are appropriate and justified, as well as in line with the principle of sound financial management, especially with regard to economy and efficiency.

## **Direct costs**

Direct costs are costs that can be directly traced to the project. Depending on the project they can be specifically included or excluded in the grant contract. The following direct costs can be recognised as eligible costs:

* The costs of the project staff corresponding with the actual pre-tax wages including social security contributions and other remuneration-related costs (with the exception of performance-related bonuses); the salaries and costs must not exceed the costs for which the beneficiary is normally responsible, unless this is justified by evidence that the elevated costs for implementing the project are essential;
* Travel and accommodation costs for project staff and other people involved in the project, insofar as they do not exceed the costs for which the beneficiary is normally responsible according to their own rules and regulations.
* Purchase costs for equipment and accessories (new or used), which are specifically intended for the project, as long as ownership is transferred at the end of the project (cf. § 5 Para. 3 of the grant contract).
* Depreciation, rental or lease expenses for equipment and accessories (new or used), which are specifically intended for the project;
* Lease expenses associated with the project office, as long as there are plans to set up a project office that is properly justified and fully described in the project application;
* Costs of consumables (office stationery);
* Costs of service, supply and other work orders placed by the beneficiary for project purposes; this includes the costs of quality assurance and project planning measures both at the start of and during the project;
* Costs arising directly from the requirements of the contract (dissemination of information, action-specific assessment, audits, translation, photocopying, insurance etc.), including the costs of financial services (in particular the costs of money transfer and bank guarantees if required by contract);
* Customs duties, taxes and other charges paid by the beneficiary and not reimbursed to them;
* General costs (indirect costs), in the event of an operating grant.

## **Defined benefit funding**

Payment of the grant can be fully or partially dependent on achievement of results that are measured on the basis of previously defined milestones or on the basis of performance indicators. This type of defined benefit funding is not subject to the other requirements of eligible costs as per these guidelines. The results and means of measuring achievement of these results are described in the grant contract specific to each project.

The amount payable per result achieved is also detailed in the specific grant contract. The method for working out the amount payable per result achieved must be clearly presented in the specific grant contract, taking into account the principle of sound financial management and avoiding double financing of the costs.

The beneficiary is not obliged to inform the Goethe-Institut of the costs associated with achievement of the results. However the beneficiary must provide all required evidence, including any relevant accounting documents, to prove that the results arising as a consequence of the payment had been achieved.

## **Simplified cost options as a calculation method**

According to the detailed provisions in the [EU Guidelines for simplified cost options](https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/simpl_cost_de.pdf)

the eligible costs can also consist of one or a combination of the following cost options:

* + - Standard unit costs;
		- Flat-rate payments;
		- Flat-rate funding;

The methods used by the beneficiary to define the standard unit costs, flat-rate payments and flat-rate funding are clearly described and justified in the specific grant contract, and guarantee compliance with the principle of co-financing and the ban on double financing. The information used as a basis here can be derived from historical and/or actual accounting and cost calculation data of the beneficiary, external information if available and appropriate, statistical data or expert reports (provided by or obtained from experts available internally) or other objective information.

If possible and appropriate, standard unit costs, flat-rate payments and flat-rate funding are defined in such a way that they can be paid upon achievement of specific work performance and/or results. If a result involves several work performances or partial results, it should be broken down into partial budget lines, and every work performance or partial result should be allocated to a portion of the amount specified for the result to allow partial payments if the result is not achieved.

The costs specified within the scope of the simplified cost options must meet the criteria defined under Figure 2.1 and 2.2 of this guideline. It is not necessary to provide accounting evidence or receipts for these.

These costs may not contain non-eligible costs as per Figure 2.9 or costs that are already shown under a different cost position or heading of the budget plan.

The amounts listed in the specific grant contract or clauses for standard unit costs, flat-rate payments and flat-rate funding may not be altered unilaterally.

## **Contingent reserve arrangement**

A reserve for contingencies and/or possible fluctuations in exchange rate, which does not exceed 5% of the direct eligible costs, can be included in the budget plan for the project to facilitate adjustments that are necessary because of unforeseeable changes in local circumstances. The reserve may only be used with prior written permission from the Goethe-Institut and upon duly justified request.

## **Indirect costs**

The indirect costs for the project are the eligible costs that cannot be established as specific costs in direct association with the implementation of the project, and may not be directly allocated to it. However for the beneficiary they are incurred in association with the eligible direct costs of the project. The indirect costs may not include any eligible costs that are already shown under a different cost position in the budget plan.

To cover the indirect costs, a fixed percentage of the total amount of the directly eligible costs of the project can be claimed. The flat-rate funding of the indirect costs does not have to be supported by accounting documents. This amount does not count as a “simplified cost option”.

Indirect costs do not come into consideration for a grant that is awarded to a beneficiary already in receipt of an operating grant financed from the European Union budget.

## **Benefit in kind**

Benefits in kind that are taken into consideration in the project-specific annex of the grant contract as separately itemised positions do not represent actual expenses and are not eligible costs. Unless regulated otherwise, benefits in kind cannot be treated as co-financing by the beneficiary.

If benefits in kind are accepted as co-financing, the beneficiaries are to ensure that they comply with national tax and social security regulations.

However notwithstanding the above, benefits in kind are to be provided if this is envisaged in the project description.

## **Voluntary work**

The value of voluntary work can be recognised as an eligible cost position of the project and treated as co-financing by the beneficiary. If the calculated eligible costs also include the costs for work carried out by the volunteer, then the grant may not exceed the calculated eligible costs – excluding the costs for the work carried out by the volunteer.

The beneficiary declares the staffing costs for the works carried out by the volunteer on the basis of the approved standard unit costs in terms of Figure 2.4. The value of these standard unit costs is set by the Goethe-Institut.

These costs must be shown separately from other eligible costs in the calculated budget. The value of the voluntary work must always be excluded when calculating indirect costs.

The work carried out by the volunteer can comprise up to 50 % of the co-financing, in which the latter is equivalent to the part funded by the Goethe-Institut and not included in the grant contract.

## **Non-eligible costs**

The following costs are not eligible:

* + - Debts and debt service charges (interest);
		- Provisions for losses, debts or potential future liabilities;
		- Costs specified by the beneficiary which are financed through another project or fund that already includes a European Union grant;
		- Purchases of land or property, unless they are necessary for direct implementation of the measure and comply with the conditions defined in the grant contract for this situation (for instance restitution to the Goethe-Institut);
		- Foreign exchange losses;
		- Credit to third parties, unless otherwise specified, for example in the grant contract;
		- Benefits in kind (with the exception of voluntary work);
		- Performance-related bonuses that are included in staffing expenses.

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1. Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012. [↑](#footnote-ref-1)
2. [↑](#footnote-ref-2)