



# Financial Guidelines for EDCTP Grants

## April 2008

### Background

These financial guidelines set out EDCTP policies in regards to the accounting for and reporting on EDCTP funding for the budget and periodic financial reports as well as what constitutes eligible expenditure and the allowable forms of cofunding. Grantees are expected to adhere to these guidelines closely and discuss any areas which they are unclear about directly with their Project officer. These Financial Guidelines shall be part of the grant agreement as Annex E.

### Different types of donor cofunding to grantee

#### Cash paid through EDCTP

This is the simplest way to cofund through EDCTP and involves EDCTP applying a donor's funds to a project which they agree their funding to be used on. EDCTP finance department will complete all of the entries on the yellow and blue forms in respect of it both for the budget and periodic returns the Project Coordinator (PC) has no other duties in respect of reporting on it.

#### Cash paid directly to the grantee

Sometimes a donor will provide funding directly to one or more of the institutes involved in the project. The PC will need to ensure that the EDCTP has been provided with an authorised signed letter on headed paper from the donor organisation which verifies the amount of money they will be providing to the project and this sum needs to be filled in the blue sheet for that donor but not on the yellow sheets. No periodic update is required as EDCTP will accept the letter as prima facie evidence this sum will be provided without further questions.

#### In kind contributions to the grantee

In kind and direct cofunding (i.e. cofunding passed directly to the grantee by the donor and not via EDCTP) provided by donors (either member states or third parties) will be deemed as being certified through the letters received from the donor organisation before the contract is signed which verify the level of both types of cofunding. Payment of all or part of such cofunding will be confirmed on an annual basis through the annual certificates which are received and signed off by the members states involved as donors to the project concerned. Therefore it is not necessary to update the blue sheets on the annual financial return. The in kind donations for the budget should be filled in on a line item basis in the blue sheets but not on the yellow ones. These contributions will only be considered if they have arisen wholly, exclusively and specifically in relation to the cofunded project. They shall not be considered eligible if the cost or expenditure arising is a pre-existing cost not being used in connection with the project (i.e. a general contribution to the running costs of the organisation) or their use is at the management discretion of the donor i.e. can be used on purposes other than the cofunded project.

Third party inkind cofunding should be similarly confirmed by receipt of a signed letter from the donor, where free clinical supplies, drugs, vaccines, medicines or equipment are made available then these should be valued by the donor in the letter so that EDCTP can record their contribution to the grant.

### Financial records

All financial documents relating to the use of EDCTP funding should be held for a minimum period of 6 years from the date of the invoice or expenditure.

### Budget format

For each grant with a value in excess of €250,000 a standard EDCTP budget form should be completed and forwarded with the final grant proposal for review by the finance department. Following this review, further information substantiating costs may be required or the amounts requested reduced. EDCTP budget forms can be downloaded from the EDCTP website.

Where grants do not exceed €250,000 then the applicant may submit a budget in their own format.



Separate (yellow) budget forms should be completed for the project coordinator and each collaborator, whilst the blue sheets need to be filled in for each donor to the project. A summary on the back sheet totals all of the figures and indicates how much of the funding is provided by EDCTP versus member states and third party cofunding and also the type of cofunding.

Separate instructions on how to complete the budget and annual reporting forms are downloadable from the website. Please note that for the annual financial reports the 'actual costs' per year of the final budget form should be entered.

EDCTP shall pay for costs specified in the budget as agreed when the contract is signed. Cost items not identified in the budget may not be substituted or inserted into subsequent annual financial statement if not already specified in the agreed budget, unless this has been raised by the Project coordinator in writing with EDCTP finance department and agreed to beforehand.

### **Criteria for eligible costs**

Only eligible costs may be entered on the budget and in the annual financial statement, these eligible costs must satisfy the following general criteria:

- They must be incurred by the Grantee.
- They must be directly concerned with the Grant (see below).
- They must be necessary for performance of the Grant covered by the contract.
- They must be reasonable and justified and accord with the principles of sound financial management, in particular in terms of value for money and cost effectiveness.
- They must be generated during the lifetime of the Grant only. Any costs incurred in advance to the signing of the contract or after the expiry date will not be eligible.
- They must be actually incurred by the Grantee and recorded in their accounts and tax documents so as to be readily identifiable and verifiable.

### **Direct costs**

Direct costs are the costs of a project that can be clearly identified and specifically related to a particular grant.

In particular the following direct costs are eligible:

- Costs of staff assigned to the Grant comprising actual salaries plus social security charges and other statutory costs included in the remuneration provided that this does not exceed the average rates corresponding to the Grantee's usual policy on basic remuneration. Please note that EDCTP can pay salary supplements to locally employed staff at African institutions but the budget form requires the amount requested to be clearly shown along with other supplements if any already being received by the staff member concerned and their basic gross salary. Please also note that under no circumstances are EDCTP funds to be used for loans or salary advances to staff.
- Travel and subsistence allowances for the staff taking part in the Grant provided that they are in line with the Grantee's normal policy on such costs for staff traveling excluding any business class tickets,
- The purchase costs of equipment (new or second-hand) purchased by the Grantee, provided the equipment remains on the premises of the Grantee for the duration and after the completion of the Grant.
- Costs of consumables and supplies, provided that they are identifiable and assigned to the Grant.
- Costs entailed by subcontracts awarded by the Grantee for the purposes of carrying out the Grant, provided it has been awarded to the bid offering best-value for money following a transparent and equal treatment of potential subcontractors taking care in avoiding any conflict of interest.
- Costs of obtaining an audit certificate at the end of the grant for any grant site which exceeds 250,000 Euro, (an audit certificate being required for each separate site which receives over this amount).
- Clinical trial indemnity and clinical trials regulatory costs.

### **Period of first and last financial report**



The first financial report is due on the anniversary of the date of the signing of the protocol, in the case of a clinical trial which means that the first financial report may cover a period longer than 12 months i.e. from the signing date of the contract "the effective date" until the anniversary of the signing of the Protocol and thereafter on the anniversaries of the signing of the protocol. The last period will normally be less than 12 months as it runs from the last anniversary until the end date of the grant.

## Tendering

All goods or services including (sub) contracts with a separate value exceeding €10,000 shall be required to be put out to tender in the case of a contract, and in the case of an item of equipment then 3 separate quotes are required. In the case where the cheapest bid is not the accepted bid then the reasons why this has not been accepted need to be clearly minuted and signed by the PC or collaborator and the Head of Finance at the site and made available at the time of any audit.

## Overhead costs

All grantees are required to observe the EDCTP rates on overheads for grants (10% on all costs) and in no circumstances to apply the overhead rates of their own organisation. The overheads are intended to cover administrative and support costs bench fees, and all other internal recharges.

Where a grantee requests less overhead to accommodate more direct costs this can be accommodated in the contract budget at their request down to zero % if required.

## Ineligible costs

The following costs shall be considered as ineligible:

- Debt and debt service charges
- Costs incurred by the Grantee before the effective date (signing date) i.e. any backdated costs
- Provisions for losses or potential future liabilities
- Other interest owed
- Doubtful debts
- Exchange losses
- Fiscal deductions from funding sent by EDCTP to the Grantee whether by the government of the country of the Grantee or any other body
- Costs declared by the Grantee within another grant or work programme receiving an EDCTP Grant
- Legal or financial compensation arising from accident or loss in respect of any travel paid for in an EDCTP grant
- Excessive or reckless expenditure
- Business or first-class travel expenses
- Loans
- Expenditures not included in the final approved budget
- Salary top-ups for staff at European institutions, but not those working at African ones, where this is the normal policy of the institution and where it is reasonable when combined with all other sources of income for the staff member concerned

Contributions in kind shall count as actual expenditure by the Grantee where verified by a supporting letter at the start of the project signed by the cofounder making the in kind costs

## Determination of Final Grant

1. The total amount to the Grantee by EDCTP may not in any circumstances exceed the maximum amount of the Grant laid out in the budget to the contract.
2. The Grant may not in any circumstances produce a profit for the Grantee. Profit shall mean any surplus in actual receipts over the eligible costs when the request for the final payment is made. Where eligible costs over the life of the Grant are less than the amount awarded in the contract, then the excess will be deducted from the final payment or if necessary by requesting the Grantee to repay the amounts overpaid if the total amount already paid by EDCTP exceeds the final amount which is actually due.
3. Non-eligible costs shall always be covered by non- EDCTP resources any ineligible costs discovered shall result in a corresponding reduction by EDCTP of the grant, and may therefore result in (partly) recovery



of already transferred amounts

4. Interest earned on the funds received from EDCTP must always be declared on the annual financial reports and used exclusively on the project where this exceeds 1% cumulatively of the gross value of the grant then this will be deducted from the subsequent payments which EDCTP makes to the grantee. The purpose of this is to discourage slow disbursement by the Project coordinators and not to produce a profit on the grant which is strictly prohibited.

### **Authorised expenditure and cheque signatories**

The grantee should ensure that all expenditures are authorised and approved in line with the normal institutions regulations. In particular cheque signatories to EDCTP funds should only be those people normally authorised to sign cheques under the coordinator or collaborator institutions' internal regulations.

### **Viring of funds**

Grantees may vire amounts between expenditure lines for recurrent (consumables) and capital expenditure items but not between wages costs and either capital or consumables lines without the prior written permission of EDCTP finance department.

### **Carrying forward of unused balances**

Under-spent funds may be carried forward from one year to another over the course of the grant but not after the end date of the grant unless a no cost extension has been agreed.

### **Foreign exchange fluctuations**

Where possible, grantees are strongly advised to open a Euro bank account. This is to guard against a foreign exchange risk of a devaluation of the local currency against the Euro. It is the responsibility of the Grantee to insure against any exchange rate movements between the Euro and the currency of the recipient bank account, however in cases where there is a severe appreciation of the local currency in which payments are made against the Euro then the EDCTP may renegotiate the size of the budget with the Grantee if the Grantee would not be able to carry out the work as originally envisaged in the project without suffering financial losses. In practice this means an appreciation of over 15% in the local currency against the Euro versus the rate at the signing date of the contract.

### **Investment of Grant Funds**

All unspent or uncommitted grant funds must be deposited in an interest-bearing bank account with the primary objective of preservation of principal so that they remain available for the funding of the Project. Any interest or other income generated by the grant funds, including currency conversion gains, must be applied to the charitable purposes of the Project.

Investing EDCTP funding in any non callable deposit accounts or in any type of options, futures, swap, stocks or fund or other investment vehicle is strictly prohibited.

### **Exchange controls & Disbursement of funds from EDCTP**

EDCTP will pay grant funds in Euro (which can be converted into local currency if necessary by the receiving bank) to the Project Coordinator (PC) who is then responsible for making all further disbursements to the collaborators, also in Euro and without any deductions from the original budget. However, EDCTP can be flexible in how the grant disbursements are made where exchange controls or government deductions would lead to difficulties in making disbursements to the collaborators on a project. In this case the Project coordinator will have the option of requesting that EDCTP pays directly to the collaborators. The responsibilities for reporting will always stay with the Project coordinator irrespective of which party to the grant is making the payments.

### **Separate or sub bank account**

Grant recipients are advised as best practice, to open a separate or sub bank accounts for EDCTP grant funds so that auditors can easily trace the movement of funds through the accounts and back to the accounting statements, this also helps the grantee to reconcile the EDCTP funds at each month end and produce the annual financial report. The name of the account should always include the title of the institution and the name of EDCTP. The details of the account are to be clearly stated in the contract.



## Financial report

- For each grant there is one Project coordinator (PC) who is responsible for filing the annual and final financial report which includes sheets for all collaborators on the project.
- The annual financial statements are incorporated into the budget sheets in the EDCTP standard report format except for grants below €250,000 where the report can follow the layout of the budget submitted.
- The annual financial statement submitted should be completed on cash accounting basis and not an accruals basis.
- All figures quoted on the financial statement should be in Euros. Any conversion of actual costs into Euro shall be made at the daily rate published in the Official Journal of the European Union or, failing that, at the monthly accounting rate established by the European Commission and published on its website applicable on the first working day of the month following the period covered by the financial statement concerned.
- The financial report must be signed by the PC or collaborator and the Head of Finance of their respective institute. This should be mailed to the EDCTP office for the attention of the Director of Finance and Administration at EDCTP, Laan van Nieuw Oost Indie, 2593 CE Den Haag, The Netherlands.
- Alternatively a scanned signed copy may be sent by email to [coloma@edctp.org](mailto:coloma@edctp.org).

## VAT

All expenditure should include irrecoverable VAT (sales tax) only; where the institution can recover VAT on expenditure this should not be included in the annual financial report.

## Financial audit certificates at the end of a grant

For grants over the value of €250,000, an audit certificate for each institution that is involved as Project coordinator or collaborator is required at the end of the grant only to support the final financial return (covering the whole period of the grant) and to receive the final payment. Grantees should expect interim audit visits from EDCTP and/or the European Commission.

In the event of unsatisfactory results of financial audit EDCTP retains the right to suspend any further payments under the grant.

## Charging of staff hours

The EDCTP budget form includes a column for indicating what percentage of an individual staff member time is being spent on the project. As such, a reliable means of recording staff time per project should be kept available for inspection by auditors, which substantiate the amount of time each person is working on the project.

It is essential that no person included in the budget form is being charged out at more than 100% of their available time across all projects they are working on, personnel costs should only be charged from when the staff member is in post which is not necessarily the same date as the start of the project.

## Other financial resources

EDCTP welcomes and encourages cofunding from other organisations on research projects which it funds and the PC must inform EDCTP when such cofunding has been secured.

It is very important that EDCTP expenditure items are correctly and separately identifiable (ringfenced) from the costs incurred and funded out of the other donor funding. This is to ensure that there is no risk that any of the budgeted expenditure items from the EDCTP application are being reported and paid for twice by the EDCTP and other donor(s). Where such multiple funding exists on a project it should be discussed with the EDCTP Director of Finance and Administration on how best to manage the situation across the project so as to minimize this risk. Typically this can be by allocating EDCTP funding to separate sites involved in the project and then funding the other site(s) from other donor funds.



## **Ownership of assets**

All capital equipment bought with EDCTP funding remains prima facie the property of EDCTP at the end of the grant, excepting where it has exhausted its useful economic life (see below). The EDCTP Executive Director (ED) in consultation with the Director of Finance and Administration may give permission at the end of the project to the grantee to use it on another project which is not funded by EDCTP or to transfer it to a separate EDCTP project at the same research site. Grantees are expected to maintain and take care of all EDCTP capital items in the same way that they do for items bought from their own core funding. In addition, all assets with an individual value of over €5,000 (plus all laptops and pc's) should be clearly labeled or stenciled as having been provided by the EDCTP, insured and listed separately in a register which can be audited.

EDCTP finance department has stickers which will be sent to the PC after signing the contract, to be disbursed amongst the sites carrying out the study and which should be attached to the equipment so that it is clearly identifiable.

Please note that after 6 years for vehicles, 4 years for motorcycles and computers, the equipment is deemed to have exhausted its useful economic life and therefore will automatically become the property of the grantee and not transferable to a new project if it is this age before the new project begins

## **No-cost extensions**

Where a PC wishes to apply for extra time to complete the study then with the approval of the EDCTP ED this can be granted on the conditions that no additional funding will be made available by EDCTP and that the request for the no-cost extension is made at least four months prior to the scheduled end date for the project.