



European Defence Industrial Development Programme

Guide for applicants

Version 2.0
18 May 2020



IMPORTANT NOTICE

This ***Guide for applicants*** is designed to be the **main practical reference document** for preparing and submitting your proposal.

It covers action grants awarded under 2020 calls for proposals of the European Defence Industrial Development Programme (EDIDP).

Reference documents

A complete list of reference documents (including legislation, work programme and templates) can be found on [the Funding & Tenders Portal](#).

Contacting us directly

If, despite all our efforts to make this *Guide for applicants* as user-friendly and comprehensive as possible, you have remaining questions, you can contact us at EC-EDIDP-proposals@ec.europa.eu.

Be aware that we may not be able to answer to questions received after 1 November 2020 before the deadline for submission of the proposals and that any questions or replies will not constitute any ground to claim any expectation concerning the selection of the proposal or the award of the grant.

Frequently asked questions (FAQ)

Following received questions, we may publish a FAQ file on the *Funding & Tenders Portal*. Please consult the portal regularly for updates and publications.

HISTORY OF CHANGES		
Version	Publication date	Changes
1.0	04.04.2019	Version for 2019 calls and submission form.
2.0	May 2020	Version for 2020 calls and submission form.

TABLE OF CONTENT

Introduction	7
Chapter 1: What you need to know and need to do before you fill out the Submission form	8
Context and reference documents	8
Keep you informed and connected.....	9
Basic principles regarding calls and proposals	9
Register on the <i>Funding & Tender Portal</i>	10
Chapter 2: How to fill out the Submission form	12
General guidance	12
General advice	13
MAIN DOCUMENT	13
Front page.....	13
Table of contents.....	16
Part A — Administrative form	17
1. General information and declarations	17
1.1. General information.....	17
1.2. Declarations.....	17
2. Identification of applicants, linked third parties, subcontractors involved in the action, associated partners and non-SME partners.....	18
2.1. Applicants	19
2.2. Linked third parties.....	20
2.3. Subcontractors involved in the action	20
2.4. Associated partners	21
2.5. Non-SME partners of members of the SME consortium	22
2.6. Administrative data.....	22
2.7. Project manager.....	23
3. Eligibility	24
3.1. Applicants, linked third parties, subcontractors involved in the action and non-SME partners in the SME call	24
3.2. Associated partners	31
3.3. Consortium.....	32
3.4. Action	32
4. Bonuses and proportion of the overall budget allocated to SMEs.....	37
4.1. Permanent Structured Cooperation.....	38
4.2. Applicable increase in the funding rate (bonus) per activity.....	39

4.3. Share of all eligible costs (all activities included) dedicated to SMEs and in particular to cross-border SMEs	39
5. Budget.....	39
5.1. Eligible costs, funding rate and requested contribution per activity (all applicants together)	39
5.2. Eligible costs, funding rate and requested contribution per applicant (all activities together)	40
5.3. Percentage of subcontracting per applicant	40
5.4. Direct costs related to travel, equipment and other goods and services (ODC)	40
Part B — Description of the action.....	41
6. Project presentation.....	41
7. Focus on award criteria	42
8. Work packages description	43
ANNEXES.....	46
Annexe 1 – Eligible costs allocated to SMEs and mid-caps	46
Annexe 2 – Budget table – Actual costs	53
Annexe 3 – Declaration on honour for applicants and linked third parties	56
Annexe 4 – Pre-existing information (background information) linked to third countries or third-country entities	57
Annexe 5 – Statistical information on applicants, linked third parties and subcontractors having a direct contractual relationship with an applicant.....	58
Annexe 6 – Declaration of Ownership and Control	59
Annexe 7 – Description of infrastructure, facilities, assets and resources used for the purpose of the action – Operational capacity	66
Annexe 8 – Mid-cap self-assessment form	68
Supporting documents.....	69
Chapter 3: How to submit your proposal	76
Chapter 4: What is going to happen once you have submitted your proposal	77
Evaluation process	77
Clarifications and OCE.....	79
How to accelerate the process.....	79
Announcement of results and feedbacks to applicants.....	79
Grant Agreement Preparation (GAP) and signature of the <i>Grant agreement</i>	80
Implementation of the funded action.....	80
Appendix 1: Definitions.....	82
Appendix 2: Eligible costs	93
1.1. General conditions	93

1.1.1. Eligible costs	93
1.1.2. General eligibility conditions for actual costs	93
1.1.3. General eligibility conditions for unit costs	95
1.2. Direct & indirect costs	96
1.2.1. Direct costs.....	96
1.2.2. Indirect costs	96
1.3. Personnel costs (category A)	96
What costs?	96
How to calculate them?	97
Budgeting personnel costs in your proposal (Annexe 2 to the <i>Submission form</i>)	97
Reporting personnel costs during the action (financial statement)	97
Specific cases.....	100
1.4. Subcontracting costs (subcontractors with a direct contractual relationship with a beneficiary) versus purchase costs (categories C and B/E)	101
How to distinguish them?.....	101
1.5. Subcontracting costs (category C)	101
What costs?.....	101
How to calculate them?	102
Budgeting subcontracting costs in your proposal (Annexe 2 to the <i>Submission form</i>)	102
Reporting subcontracting costs during the action (financial statement)	102
Specific cases.....	103
1.6. Purchase costs: travel, equipment, other goods and services (categories B and E).....	103
1.6.1. Travel costs (category B).....	103
What costs?	103
How to calculate them?.....	103
Budgeting travel & subsistence costs in your proposal (Annexe 2 to the <i>Submission form</i>).....	103
Reporting travel & subsistence costs during the action (financial statement)	104
1.6.2. Equipment costs (category E.1)	105
What costs?	105
How to calculate them?.....	105
Budgeting equipment costs in your proposal (Annexe 2 to the <i>Submission form</i>).....	105
Reporting equipment costs during the action (financial statement)	105
1.6.3. Other goods and services (category E.2)	106
What costs?	106
How to calculate them?.....	107

Budgeting other goods & services costs in your proposal (Annexe 2 to the <i>Submission form</i>)	107
Reporting other goods & services costs during the action (financial statement)	108
1.6.4. Specific cases	108
1.7. Indirect costs (category F)	109
What costs?	109
How to calculate them?	109
1.8. Ineligible costs.....	109
What costs?	109
Specific cases.....	112
1.9. Keeping records — supporting documentation.....	113
1.9.1. Records and other supporting documentation.....	113
1.9.2. Original documents	113
1.9.3. Records for actual costs	114
1.9.4. Records for unit costs set by the EU (specific case of SME owners who do not receive a salary) (category A.3)	114
1.9.5. Records for flat-rate costs	115
1.9.6. Records for personnel costs — Days worked for the action	115
1.9.7. Records of (linked) third parties	117
Appendix 3: List of records and supporting documents per cost category ...	119
Personnel costs.....	119
All staff categories	119
Staff working exclusively on the project	119
Staff allocated partly to the project	119
Natural persons with direct contract (non-permanent staff)	119
Travel & subsistence costs	119
Travel costs	119
Subsistence costs.....	120
Direct costs of subcontracting (with subcontractors with a direct contractual relationship with a beneficiary)	120
Equipment	120
Other goods & services.....	121
Indirect costs.....	121

INTRODUCTION

This *Guide for applicants* is designed to help the applicants fill out the *Submission form* related to EDIDP 2020 calls. Its structure has been substantially revised compared to the previous one provided in support to EDIDP 2019 calls.

This *Guide for applicants* includes four (4) chapters and three (3) appendixes:

Chapter 1: What you need to know and need to do before you fill out the *Submission form*

Chapter 2: How to fill out the *Submission form*

Chapter 3: How to submit your proposal

Chapter 4: What is going to happen once you have submitted your proposal

Appendix 1: Definitions

Appendix 2: Eligible costs

Appendix 3: List of records and supporting documents per cost category

It is recommended to read this *Guide for applicants* together with the [Submission form](#) related to EDIDP 2020 calls and the [2020 calls for proposals and conditions](#).

With the exception of Appendix 2 and 3, words in inverted commas (e.g. ‘applicant’) in this *Guide for applicants* are defined in Appendix 1.

CHAPTER 1: WHAT YOU NEED TO KNOW AND NEED TO DO BEFORE YOU FILL OUT THE SUBMISSION FORM

Context and reference documents

The European Defence Industrial Development Programme (EDIDP) is a two-year programme (2019-2020) of the European Commission aiming at supporting the joint development of defence technologies and products. It must be regarded, together with the Preparatory Action on Defence Research (PADR), as a test programme paving the way to the European Defence Fund (2021-2027).

The EDIDP is based on the [EDIDP Regulation¹](#), adopted in July 2018 by the European Parliament and the Council of the European Union and defining the rules under which Union funding can be awarded to beneficiaries under the EDIDP.

Following the adoption of the EDIDP Regulation, the Commission prepared, in close cooperation with the Member States, [a two-year work programme](#) defining the categories of projects for which calls for proposals would be published in 2019 and 2020. This work programme was adopted by the Commission in March 2019.

Following the adoption of the EDIDP work programme, nine (9) calls for proposals were published in April 2019 (now closed) and twelve (12) calls for proposals have been published in March 2020.

This *Guide for applicants* aims at guiding ‘applicants’ that wish to prepare and submit an application to the EDIDP 2020 calls for proposals.

Before reading forward this document, it is recommended that ‘applicants’ **carefully read the EDIDP [2020 calls for proposals and conditions for the calls](#)** in order to:

- identify the relevant call(s) and topic(s) for which to prepare and submit a proposal (see section 2 of the *2020 calls for proposals and conditions for the calls*);
- know the deadline for submission of the proposal (see section 3.1 of the *2020 calls for proposals and conditions for the calls*);
- understand the evaluation procedure through which their application and proposal will go, and in particular:
 - o **the admissibility conditions** (see section 3.2.3 of the *2020 calls for proposals and conditions for the calls*);
 - o **the exclusion grounds** (see section 3.2.4 of the *2020 calls for proposals and conditions for the calls*);
 - o **the eligibility criteria** (see section 3.2.5 of the *2020 calls for proposals and conditions for the calls*);
 - o **the award criteria and scoring** (see section 3.2.6 of the *2020 calls for proposals and conditions for the calls*);

¹ Regulation (EU) No 2018/1092 of the European Parliament and of the Council of 18 July 2018 establishing the European Defence Industrial Development Programme (‘EDIDP’) aiming at supporting the competitiveness and innovation capacity of the Union's defence industry.

- **the selection criteria**, *i.e.* financial and operational capacity requirements (see section 3.2.7 of the *2020 calls for proposals and conditions for the calls*).

It is also recommended that ‘applicants’ **have the [2020 Submission form and its eight \(8\) annexes in hand](#)**, since this *Guide for applicants* is following the structure of the *Submission form*. It may also be useful that ‘applicants’ refer to the EDIDP [Model Grant Agreement](#) in order to understand how EU grants general provisions and EDIDP specific provisions will be reflected in the EDIDP ‘*Grant agreements*’.

Keep you informed and connected

‘Applicants’ will need to form an eligible ‘consortium’ to submit a proposal. To help them in this endeavour, **matchmaking events** may be organised at Union level or at Member States’ level. It is important that ‘applicants’ liaise with their national administration and stay informed, in particular via the [Funding & Tenders Portal](#), on the upcoming events organised at Union or Member States’ level. To find partners, entities interested in joining a ‘consortium’ or in contributing to a topic may also register and look for partners directly on the [Funding & Tenders Portal](#) (How to participate/Partner Search). These entities can also make use of the partnership database and services offered by the [Enterprise Europe Network](#) (EEN). If assistance is needed, they are invited to get in touch with their local EEN contact point.

Basic principles regarding calls and proposals

Each EDIDP call for proposals specifies the indicative budget for the entire call and the topic(s) addressed by the call. Where there are several topics addressed by the call, the budget is not allocated per topic. This means that **your proposal against one topic can request Union financial support up to the full budget of the call.**

Each topic description inside the call is organised into five sections: specific challenge, scope, ‘targeted activities’, main high-level requirements (except for the call EDIDP-SME-2020) and expected impact. **Unless otherwise specified in the corresponding sections of the topic, the scope and ‘targeted activities’ as described in the *2020 calls for proposals and conditions for the calls* must be fully addressed and covered by your proposal in order to be eligible.** Compliance with other sections, and in particular with the main high-level requirements will be taken into account during the evaluation of your proposal against the award criterion 1 (see section 3.2.6 of the *2020 calls for proposals and conditions for the calls*) but is not considered as eliminatory.

A given proposal can only address one topic from one call. **If ‘applicants’ want to answer to several topics** (from the same call or from different calls), **they need to submit one proposal per topic. To prevent double EU funding of the same project**, if ‘applicants’ submit several proposals with similar content (same project) against a single topic or against different topics, they will be requested to clarify which proposal they would like the Commission to evaluate and against which topic.

Proposals answering to EDIDP calls cannot be submitted through the *Funding & Tenders Portal*. **Proposals need to be submitted by registered mail, courier service or hand delivery** (for proposals

not containing classified information) or via an agreed specific arrangement with DG DEFIS (for proposals containing classified information). For mail address and modalities of submission, please refer to section 3.2.3 of the *2020 calls for proposals and conditions for the calls*.

Register on the Funding & Tender Portal

All ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners of SME consortia’ must create (if not already available) a EULogin user account and register their organisation (if not already done) on the [participant registration page](#) in order to receive a 9-digit participant identification code (PIC) that will be needed to fill out the *Submission form*.

For definitions of ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’, ‘non-SME partners’, ‘SME’ and ‘mid-cap’, please refer to Appendix 1 to this *Guide for applicants*.

In addition, **small and medium-sized enterprises (‘SMEs’) and middle-capitalisation enterprises (‘mid-caps’) participating in the proposed action as other ‘subcontractors’ or ‘suppliers’ are encouraged to create as soon as possible an EULogin user account and to register their organisation** in order to get a PIC. This will be needed for verifications if ‘applicants’ claim the ‘SME’ or ‘mid-cap’ bonus (see section 3.3.1 of the *2020 calls for proposals and conditions for the calls*) or if they want these ‘SMEs’ to be taken into account when evaluating the submitted proposal (see section 3.2.6 of the *2020 calls for proposals and conditions for the calls*).

One organisation only needs to register once, even though it intends to submit several proposals. **Organisations that already have a PIC number must use it and must not register twice.**

It is recommended that all PICs are communicated to the person in charge of coordinating the proposal to ease its job.

From their user account, all participants will be able to perform an **‘SME’ self-assessment** (to know if they are an ‘SME’ according to the European Commission definition). ‘Participants’ claiming to be a ‘mid-cap’ will not be able to perform a **‘mid-cap’ self-assessment** on-line, but will be able to perform one off-line using the Annexe 8 to the *Submission form* (to know if they are a ‘mid-cap’ according to the definition provided in the EDIDP Regulation). Self-assessments must be performed using the data applying to the headcount of staff and the financial amounts relating to the latest approved accounting period and calculated on an annual basis. These **data must not be older than 2 years**.

In the context of the EDIDP, the size of the organisation (‘SME’ and ‘mid-cap’) is particularly important for the evaluation of ‘applicants’ proposal against award criterion 5 (see section 3.2.6 of the *2020 calls for proposals and conditions for the calls*), **for ‘applicants’ claiming the ‘SME’ and/or ‘mid-cap’ bonus** (see section 3.3.1 of the *2020 calls for proposals and conditions for the calls*) and **for the ‘SME’ call** (EDIDP-SME-2020).

After the submission deadline, the **Research Executive Agency (REA) Validation Services** of the European Commission may request necessary supporting documents through the participant portal:

- for the **legal validation** of all registered organisations;
- for the **validation of ‘SME’ or ‘mid-cap’ status** (where applicable);
- for the **validation of the financial capacity of the ‘applicants’ and ‘linked third parties’** (see section 3.2.7 of the *2020 calls for proposals and conditions for the calls*). They will have to

provide financial statements for the last two financial years for which the accounts of their organisation were closed².

The person who registers an organisation can submit updates and corrections at any point before the submission deadline. Afterwards, this can be done only by the [legal entity appointed representative \(LEAR\)](#) identified during the legal validation.

Please consider that, after the registration, any change impacting the legal status of the organisation must be immediately reported on the participant's register account.

Validity of the 'SME' or 'mid-cap' status over time

For the 'SME' call (where the beneficiaries need to be 'SMEs'), after validation by the Commission services, the 'SME' status of the beneficiaries is supposed to be valid *a priori* for the entire duration of the action. However, be aware that in the event of a change to the legal, financial, technical, organisational or ownership of a beneficiary that might call into question the decision to award the grant, the Commission will assess on a case by case basis the consequences of that change on the grant and/or on the participation of the beneficiary concerned (see Article 36.3.1.a of the *Model Grant Agreement*).

For the evaluation against the award criterion 5, the 'SME' status (of the entities individually declared in Section 1 of Annexe 1 to the *Submission form*) validated by the Commission services during the evaluation of the proposal will be considered.

For the applicable 'SME' or 'mid-cap' bonus, the 'SME' or 'mid-cap' status validated by the Commission services:

- at the time of the signature of the '*Grant agreement*' for those individually declared in Section 1 of Annexe 1 to the *Submission form*;
- at the time of the signature of the contract (or equivalent document) pertaining to their participation in the activity for those NOT individually declared in Section 1 of Annexe 1 to the *Submission form* at the time of the submission of the proposal (in the limit of the commitment provided in Section 2 of the same Annexe 1).

will be considered and recognised for the entire duration of the action. This is without prejudice to Article 36.3.1.a of the *Model Grant Agreement* for the beneficiaries that contribute to the bonus.

² In case of a newly created entity (e.g. start-up or spin off), if the entity is linked to a mother company, the Commission will verify the financial capacity of the mother company. If the entity is not linked to a mother company and is not able to provide supporting documents, the Commission will assess the entity's business plan. However, there is a significant chance that its financial capacity would be considered as weak and that additional guarantees (e.g. pre-financing guarantees) would be requested (or no pre-financing granted).

CHAPTER 2: HOW TO FILL OUT THE *SUBMISSION FORM*

General guidance

The *Submission form* for 2020 calls is composed of:

- a **main word document** with two parts:
 - o **Part A** – Administrative form;
 - o **Part B** – Description of the action.

- **eight annexes:**
 - o **Annexe 1** – Eligible costs allocated to SMEs and mid-caps (Excel file);
 - o **Annexe 2** – Budget table – Actual costs (Excel file);
 - o **Annexe 3** – Declaration on honour for applicants and linked third parties (Word file);
 - o **Annexe 4** – Pre-existing information (background information) linked to third countries or third-country entities (Word file);
 - o **Annexe 5** – Statistical information on applicants, linked third parties and subcontractors having a direct contractual relationship with an applicant (Word file);
 - o **Annexe 6** – Declaration of Ownership and Control (Word file);
 - o **Annexe 7** – Description of infrastructure, facilities, assets and resources used for the purpose of the action – Operational capacity (Word file);
 - o **Annexe 8** – Mid-cap self-assessment form (Excel file).

Unless otherwise stipulated in the *Submission form*, all parts of the *Submission form*, including the eight annexes, need to be duly completed as requested.

Excel files (Annexes 1, 2 and 8) have protected cells: you will only be allowed to modify the blue cells which are not protected. In case you think that the structure of these Excel files does not allow you to fill out the form properly (*e.g.* lack of space or need for additional rows), you are kindly requested to contact the European Commission and explain your problem at the following email address: EC-EDIDP-proposals@ec.europa.eu.

In addition to the duly completed *Submission form* and its annexes, you will be requested to provide **supporting documents**, in particular to assess some of the eligibility and selection criteria. **Unless otherwise specified, these supporting documents will need to be provided at the time of the submission of your proposal** (*i.e.* before the deadline for submission as defined in section 3.1 of the *2020 calls for proposals and conditions for the calls*).

You can submit your proposal in any official EU language. However, for reasons of efficiency, we strongly advise you to use English. If you submit your proposal in another language, be informed that the European Commission will proceed to the translation of your proposal into English. Supporting documents are also expected to be in the English language, or provided together with a courtesy translation in English.

If you need the *2020 calls for proposals and conditions for the calls* to be translated in another official EU language, please submit a request to the Commission at the email address mentioned above

before 15 June 2020. Please be aware that it may take around two months to provide you with the full translated document.

The *Submission form*, including its annexes, already contains guidance to assist the ‘applicants’ in filling out the forms (this guidance can be removed from the submitted proposal). This *Guide for applicants* is providing additional guidance and information.

General advice

To give your proposal the best chance of being selected for funding, make sure it is:

- **relevant** — it must address the scope and cover the ‘targeted activities’ as described in the topic of the call your proposal is answering to.
- **complete** — it must include all the requested information. Follow closely the format of the template and ensure you include all the information requested.
- **clear & concise** — don't interpret completeness as a requirement to include as much information (and words) as possible. Make sure your proposal is understandable, precise and focused on substance.
- **respecting the page limit** for Part B – do not repeat the information already provided in other sections of the *Submission form* if unnecessary, but refer very precisely (e.g. page reference + paragraph reference) to it.
- **management-focused** — in Part B, clearly indicate the resources you will allocate to managing the intended activities, especially financial management (ensuring the funding you are requesting will be adequate to finance the planned activities).
- **results/impact-oriented** — in Part B, clearly show the ‘results’ that will be achieved, and how you intend to use them within and after the action.

The structure of the rest of this Chapter 2 is strictly following the one of the *Submission form* and its eight Annexes to ease the reading and use of this *Guide for applicants*.

Main document

Front page

On the front page of the *Submission form*, you need to fill out the call and topic identifiers that your proposal is targeting, the proposal acronym and the activities covered by your proposal. This information is requested on the front page in order to provide an overview at first sight.

- **Call and topic identifiers** can be found in the table of section 3.1 of the *2020 calls for proposals and conditions for the calls*.

They are reproduced here for convenience:

Call identifier	Topic identifier
EDIDP-CBRN-2020	EDIDP-CBRN-DEWS-2020
	EDIDP-CBRN-MCM-2020
EDIDP-UCCRS-2020	EDIDP-UCCRS-MCM-2020
	EDIDP-UCCRS-MUAS-2020
	EDIDP-UCCRS-EDD-2020
EDIDP-CUAS-2020	EDIDP-CUAS-2020
EDIDP-CSAMN-2020	EDIDP-CSAMN-SDN-2020
	EDIDP-CSAMN-EDICT-2020
EDIDP-SSAEW-2020	EDIDP-SSAEW-SC2-2020
	EDIDP-SSAEW-SSAS-2020
	EDIDP-SSAEW-EW-2020
EDIDP-MSC-2020	EDIDP-MSC-IS-2020
	EDIDP-MSC-MFC-2020
	EDIDP-MSC-CRPS-2020
	EDIDP-MSC-NS-2020
EDIDP-NGPSC-2020	EDIDP-NGPSC-LRIF-2020
	EDIDP-NGPSC-PGA-2020
EDIDP-GCC-2020	EDIDP-GCC-2020
EDIDP-ACC-2020	EDIDP-ACC-CH-2020
	EDIDP-ACC-SPS-2020
	EDIDP-ACC-3MACS-2020
EDIDP-SVTE-2020	EDIDP-SVTE-2020
EDIDP-AI-2020	EDIDP-AI-2020
EDIDP-SME-2020	EDIDP-SME-2020

Call and topic identifiers must be compatible. For instance, you cannot indicate EDIDP-SME-2020 as the call identifier and EDIDP-ACC-CH-2020 as the topic identifier, but you can indicate EDIDP-ACC-2020 as the call identifier and EDIDP-ACC-CH-2020 as the topic identifier.

Keep in mind that **one proposal can only address one topic**. If you want to address several topics, you need to prepare and submit one proposal per addressed topic.

You also need to provide this information in the header of the *Submission form* and in the annexes.

- The **proposal acronym** must be defined by the ‘applicants’ themselves. You also need to provide this information in the header of the *Submission form* and in the annexes.
- **Activities covered by the proposal.** ‘Activities’ refer to those listed in Article 6(1) of the EDIDP Regulation. They are reproduced here for convenience:
 - a) **‘studies’**, such as feasibility studies, and other accompanying measures;
 - b) the **‘design’** of a defence product, tangible or intangible component or technology as well as the technical specifications on which such design has been developed, including partial tests for risk reduction in an industrial or representative environment;
 - c) the **‘system prototyping’** of a defence product, tangible or intangible component or technology;
 - d) the **‘testing’** of a defence product, tangible or intangible component or technology;
 - e) the **‘qualification’** of a defence product, tangible or intangible component or technology;
 - f) the **‘certification’** of a defence product, tangible or intangible component or technology;
 - g) the development of technologies or assets increasing efficiency across the **‘life cycle’** of defence products and **technologies’**.

For more information about the kind of work that is usually performed under each of these activities, please refer to Appendix 1.

You are requested here to put a cross (X) in front of each activity covered by the proposed action in your proposal, having in mind that:

- **the ‘targeted activities’**, as described in the call topic³ that you are answering to, **need to be covered by your proposal**;
- your proposal can also cover additional activities such as ‘downstream or upstream activities’;
- **funding rates vary from one activity to another** (see section 3.3.2 of the *2020 calls for proposals and conditions for the calls*);
- **supporting documents, to be provided together with your proposal, may vary from one activity to another** (see section “Supporting documents” of this *Guide for applicants*).

The **‘targeted activities’ are listed in each call/topic** in the sub-section called ‘targeted activities’. Unless otherwise specified in the sub-section, they must be considered as cumulative and as a minimum requirement. **If they are not covered by your proposal, your proposal will not be eligible.**

In some of the call/topics, the ‘targeted activities’ are further described (in the sub-section ‘targeted activities’) in terms of work to be performed. Unless otherwise specified in the call/topic, they must also be considered cumulative and as a minimum requirement. **If they are not covered by your proposal, your proposal will not be eligible.**

³ See corresponding section inside the call/topic text of the *2020 calls for proposals and conditions for the calls*.

‘Upstream or downstream activities’ are optional and depend on the ‘targeted activities’ listed in the considered call/topic. **If they are not covered by your proposal, your proposal will still be eligible, but these optional activities will be taken into account when evaluating your proposal against the award criteria.**

To understand what ‘upstream and downstream activities’ refer to, see the example below where the ‘targeted activities’ listed in the call/topic are ‘system prototyping’ and ‘testing’:

- | | |
|--|-------------------------|
| <p>a) studies, such as feasibility studies, and other accompanying measures;</p> <p>b) the design of a defence product, tangible or intangible component or technology as well as the technical specifications on which such design has been developed, including partial tests for risk reduction in an industrial or representative environment;</p> | } Upstream activities |
| <p>c) the system prototyping of a defence product, tangible or intangible component or technology;</p> <p>d) the testing of a defence product, tangible or intangible component or technology;</p> | } Targeted activities |
| <p>e) the qualification of a defence product, tangible or intangible component or technology;</p> <p>f) the certification of a defence product, tangible or intangible component or technology;</p> <p>g) the development of technologies or assets increasing efficiency across the life cycle of defence products and technologies.</p> | } Downstream activities |

Remark on the management tasks needed to perform the proposed action in your proposal.

For the purpose of the EDIDP, the ‘general management and coordination of the action’ (which is a task under the responsibility of the ‘coordinator of the consortium’) must be distinguished from the management tasks performed within each activity covered by your proposal:

- the costs of the management tasks needed for each activity covered by your proposal must be declared and incurred in each of these activities;
- **the costs of the ‘general management and coordination of the action’ must be declared and incurred as ‘studies’** (see Annexe 1 and Annexe 2 to the *Submission form*). **However, you must not put a cross (X) in front of the ‘studies’ line on the front page of the *Submission form* if your proposal is not covering this type of activity.**

Table of contents

Please, do not forget to update the table (page numbers) once you have finalised your proposal. In addition, it would be appreciated that the headings of the *Submission form* are managed properly throughout your proposal, so that the navigation pane can be used friendly.

Part A — Administrative form

1. General information and declarations

1.1. General information

Acronym of the proposal: please use the same as on the front page.

Title of the proposal: it must be defined by the ‘applicants’. The title must not be longer than 200 characters (space included) and must be understandable for non-specialists in your field.

Duration in months: You need to indicate here the expected duration of your proposed action, having in mind that EDIDP cannot support actions longer than 72 months. If the proposed action is expected to last longer than 48 months, you also need to provide a justification. Be careful that some call topics may define an expected duration for the delivery of the outcome of the action.

Abstract: you need to provide a short summary of your proposal (maximum 2 000 characters, including spaces) detailing:

- the objectives of the action proposed for funding;
- how they will be achieved;
- their relevance to the call.

This abstract might be used to quickly identify the content of your proposal for internal procedures, for the evaluation report and, for successful applications, for publication of the results of the evaluation. It must therefore use plain typed text, avoid formulae and other special characters and must not include any sensitive or classified information.

If the proposal is written in a language other than English, please include an English version of this abstract.

Be aware that an executive summary (maximum 3 pages) of your proposal will also be requested in Part B to provide evaluators with an overview of the content of your presentation, helping them to enter into the matter.

Free keywords. Enter any words (separated with a semicolon ‘;’) you think give extra detail on the content of your proposal (maximum 200 characters including spaces). These words will be used in particular to facilitate the allocation of independent experts that will be involved in the evaluation of your proposal.

Link with a previous proposal. If your proposal or a very similar one has been submitted in the past five (5) years under EDIDP or other EU programme, you are requested to provide necessary reference to the programme concerned, call and year. This information will be used in particular to check potential double funding.

1.2. Declarations

The ‘coordinator’ of the ‘consortium’ must carefully read the declarations laid down in section 1.2 and, once he has verified each item mentioned in the declarations, sign them. Each ‘applicant’ (including the ‘coordinator’) and each ‘linked third party’ must sign separate declarations on honour

provided in Annexe 3 to the *Submission form*. **All signed declarations must be provided at the time of the submission of the proposal.**

Attention of the ‘applicants’ is drawn on the fact that by signing these declarations, they recognise to be fully aware of and comply with applicable national and Union law relating to activities in the domain of defence.

If their proposal is retained for EU funding, each ‘applicant’ and ‘linked third party’ will be required to update and present formal declarations in this respect.

2. Identification of applicants, linked third parties, subcontractors involved in the action, associated partners and non-SME partners

Sections 2.1 to 2.5 of the *Submission form* are designed to provide a comprehensive overview of the entities taking part to the action as ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’, ‘associated partners’ and, for the ‘SME’ call, as ‘non-SME partners’.

These sections consist in tables listing entities and basic information related to these entities such as legal name, PIC number, country of establishment, size and type of the organisation.

Numbering: a numbering mechanism is used in the first column of these tables in order to define an easy-to-use identifier for each listed entity. This numbering allows to get at first sight the number of entities listed in each of the tables and can be used as a reference in the rest of the *Submission form* (see for instance table in section 3.1). Use a cardinal numbering starting with $x = 1$, then $y = 2$, etc. Add as many rows as necessary.

Legal name: this is the official name under which your legal entity is registered in the country and that you have used during registration on the *Funding & Tenders Portal* (see Chapter 1 of this *Guide for applicants*).

PIC number: you will get such a number once your organisation is registered on the [Funding & Tenders Portal](#) (see Chapter 1 of this *Guide for applicants*). ‘Associated partners’ don’t need to register and will not be requested a PIC number.

Country of establishment: country where your legal entity is officially registered.

Relation between ‘participants’: indicate here to which ‘applicants’ ‘linked third parties’ are linked, to which ‘participant’ ‘subcontractors involved in the action’ are subcontracted and to which ‘participant’ ‘associated partners’ and/or ‘non-SME partners’ are associated.

Size of the organisation: refers to ‘SME’, ‘mid-cap’ or ‘large company’, according to the EDIDP definitions. This information is needed since the EDIDP Regulation foresees specific provisions for ‘SMEs’ and ‘mid-caps’.

To know if your organisation is an ‘SME’ according to the EDIDP definition (which is the European Commission’s definition), you must perform a self-assessment online on the *Funding & Tenders Portal* using data of the last financial year for which the accounts of your organisation were closed (see Chapter 1 of this *Guide for applicants*) and which must not be older than 2018.

To know if your organisation is a ‘mid-cap’ according to the EDIDP Regulation’s definition, you must perform a self-assessment based on Annexe 8 to the *Submission form* using data of the last financial year for which the accounts were closed (see Chapter 1 of this *Guide for applicants*).

Be aware that your organisation will neither be considered an ‘SME’ nor a ‘mid-cap’ if 25 % or more of the capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies. In such a case, please indicate N/A (not applicable) in the relevant cells in the tables of sections 2.1 to 2.5 of the *Submission form*. For exceptions, please refer to paragraph 2, second subparagraph of Article 3 of the [Annex to Recommendation 2003/361/EC](#).

A validation of the status of your organisation (‘SME’, ‘mid-cap’) may be performed by the Research Executive Agency (REA) Validation Services who may request you to provide additional supporting documents.

Type of organisation: refers to private or public body, non-profit organisation, international organisation, international organisation of European interest, research organisation, secondary or higher education establishment, other categories. Types can be cumulative. Please indicate those that are relevant for your organisation. **You must at least indicate if your organisation is a public or private one.** The provision of additional information (non-profit organisation, international organisation, international organisation of European interest, research organisation, secondary or higher education establishment, etc.) is however encouraged and will be used for statistical purposes.

2.1. Applicants

You need to list all ‘applicants’ in the table and provide the requested information for each of them. Add as many rows as necessary.

‘Applicants’ mean ‘undertakings’ that have jointly submitted a proposal in a grant award procedure. **In certain parts of the *Submission form* and of this *Guide for applicants*, ‘applicants’ are sometimes referred to as ‘beneficiaries’ or members of the ‘consortium’.** However, strictly speaking, ‘beneficiaries’ are ‘applicants’ with who a ‘*Grant agreement*’ has been signed and ‘linked third parties’. Successful ‘applicants’ will need to sign a written ‘*Consortium agreement*’ at the latest at the time of the signature of the ‘*Grant agreement*’ (see Chapter 4 of this *Guide for applicants*).

In the preparation of their proposal, ‘applicants’ must appoint one of them to act as the foreseen ‘coordinator of the consortium’. This foreseen ‘coordinator’ submits the proposal on behalf (and in the name of) of all the ‘applicants’ and may be contacted in relation with the evaluation of the submitted proposal in case of need for clarification, obvious clerical errors, etc. (see Chapter 4 of this *Guide for applicants*). **The foreseen ‘coordinator of the consortium’ must be indicated in bold in the table of section 2.1 of the *Submission form*.**

In the event the proposal is selected for a grant, the designated ‘coordinator’ will be identified in the ‘*Grant agreement*’. The ‘coordinator’ will be the principal point of contact between the members of the ‘consortium’ in relations with the Commission, unless specified otherwise in the ‘*Grant agreement*’ or in the event of non-compliance with its obligations under the ‘*Grant agreement*’. The ‘coordinator’ will in particular coordinate the action (‘general management and coordination of the

action'), submit the reports and 'deliverables' to the Commission, and receive the funding to be distributed to the other 'beneficiaries'.

'Applicants' need to fulfil eligibility conditions (see section 3 of the *Submission form* and associated guidance in this *Guide for applicants*). **They can claim their own costs.**

2.2. Linked third parties

You need to list all 'linked third parties' in the table and provide the requested information for each of them. Add as many rows as necessary.

Following the definition in Article 187 of the Financial Regulation, 'linked third parties' are entities affiliated to a 'beneficiary'. They are:

- a) entities that form a *sole beneficiary* (i.e. where an entity is formed of several entities that satisfy the criteria for being awarded a grant, including where the entity is specifically established for the purpose of implementing an action to be financed by a grant); or
- b) entities that satisfy the eligibility criteria and that do not fall within one of the situations referred to in Article 136(1) and 141(1) of the Financial Regulation and that have a link with the 'beneficiary', in particular a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation.

Such affiliated entities must be declared as 'linked third parties'.

'Linked third parties' have a link with a 'beneficiary'. This link is of legal or capital (= structural) nature. It exists beyond the granted action concerned and is not established for the sole purpose of its implementation. This is usually the case of "mother and daughter companies" or of "local branches in different countries" for 'large companies' / NGOs. This concept helps to simplify the management of grants for groupings and networks and allows for recognition of costs incurred by 'linked third parties' as eligible as long as they are identified in the signed '*Grant agreement*'.

Even if the 'linked third parties' may benefit from the 'results' of the action or play a role in its implementation, they remain third parties to the legal relationship established between the Commission and the 'beneficiaries' through the signature of the '*Grant agreement*'. These third parties are not part of the 'consortium'.

'Linked third parties' can participate in the action (i.e. implement a part of the action) in their own name and claim their own costs. 'Linked third parties' participating in the action must fulfil the same eligibility conditions as those required for the 'beneficiaries'.

2.3. Subcontractors involved in the action

You need to list all 'subcontractors involved in the action' in the table and provide the requested information for each of them. Add as many rows as necessary.

'Subcontractors' that are not 'subcontractors involved in the action' and 'suppliers' must not be identified in section 2.1 of the *Submission form*.

According to Article 7(8) of the EDIDP Regulation, “*Subcontractors involved in the action’ refers to subcontractors with a direct contractual relationship to a ‘beneficiary’, other subcontractors to which at least 10 % of the total eligible cost of the action is allocated, as well as subcontractors which may require access to classified information in order to carry out the contract.*”

The ‘subcontractors involved in the action’ are therefore a specific subset of the ‘subcontractors’ taking part to the action. ‘Subcontractors’ usually refer to entities contracted to perform activities which are part of the action and involving customisation and development of new know-how for the purpose of an action receiving funding irrespective of the tier at which they are contracted. Subcontracting must be distinguished from purchasing which covers the procurement of ordinary services, goods or equipment needed to carry out the action (see also section 1.4 of Appendix 2 to this *Guide for applicants*).

Even if the ‘subcontractors involved in the action’ may benefit from the ‘results’ of the action or play a role in its implementation, they remain third parties to the legal relationship established between the Commission and the ‘beneficiaries’ through the signature of the ‘*Grant agreement*’. These third parties are not part of the ‘consortium’.

‘Subcontractors involved in the action’ must fulfil the same eligibility conditions as those required for the ‘beneficiaries’ (see section 3.1 of this *Guide for applicants*). They can’t claim directly their own costs: their invoice will be charged by a ‘beneficiary’/‘linked third party’ as subcontracting costs.

2.4. Associated partners

You need to list all ‘associated partners’ in the table and provide the requested information for each of them. Add as many rows as necessary.

According to Article 7(6) of the EDIDP Regulation, ‘beneficiaries’ and ‘subcontractors involved in the action’, receiving financial support through an EDIDP grant can cooperate with ‘undertakings’ established outside the territory of Member States or controlled by a ‘third country’ or by a ‘third-country entity’, including by using the assets, infrastructure, facilities and resources of such ‘undertakings’ provided that this cooperation:

- does not contravene the defence and security interests of the Union and its Member States;
- is consistent with the objectives of the EDIDP set out in ‘Article 3’ and the provisions of ‘Article 12 of the EDIDP Regulation’.

Additionally, in the event of such cooperation:

- unauthorised access to classified information relating to the carrying out of the action by ‘third countries’ or ‘third-country entities’ must be prevented;
- potential negative effects over security of supply of inputs critical to the action must be avoided.

Certain tasks / work-packages may be allocated to such ‘associated partners’ if they fulfil the required specific eligibility conditions (see section 3.2 of the *Submission form* and of this *Guide for applicants*).

Even if the ‘associated partners’ may benefit from the ‘results’ of the action or play a role in its implementation, they remain third parties to the legal relationship established between the Commission and the ‘beneficiaries’ through the signature of the ‘*Grant agreement*’. These third parties are not part of the ‘consortium’.

The costs related to those task/work-packages are not eligible for funding under the EDIDP.

2.5. Non-SME partners of members of the SME ‘consortium’

This table is only relevant for the call EDIDP-SME-2020, in the case ‘applicants’ (which have to be ‘SMEs’) want to allocate a ‘work package’ to non-SMEs. ‘Applicants’ must disregard this section if their proposal is addressing a different call/topic.

‘Non-SME partners’ of members of the ‘SME’ ‘consortium’ refer to entities which are not ‘SMEs’ (e.g. ‘mid-caps’) associated to the action as responsible for a ‘work package’. An ‘SME’ ‘consortium’ may indeed decide to allocate one or more ‘work packages’ to non-SMEs because of the required expertise instead of subcontracting with them. Such non-SME partners must be neither ‘associated partners’ nor ‘subcontractors’ nor ‘suppliers’. You must keep in mind that for the call EDIDP-SME-2020, subcontracting will be strictly limited to 30% of the eligible costs of the action, in order to maximise the involvement of the ‘SME’ ‘consortium’ and avoid excessive subcontracting to non-SMEs.

Even if the ‘non-SME partners’ may benefit from the ‘results’ of the action or play a role in its implementation, they remain third parties to the legal relationship established between the Commission and the ‘beneficiaries’ through the signature of the ‘*Grant agreement*’. These third parties are not part of the ‘consortium’.

‘Non-SME partners’ must fulfil the same eligibility conditions as those required for ‘beneficiaries’. However, the costs related to those task/work-packages are not eligible for funding under the EDIDP.⁴

2.6. Administrative data

This section is designed to provide the Commission with all necessary administrative data needed to further identify and contact the ‘participants’ (‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’, ‘associated partners’ and ‘non-SME partners’). Create as many sub-sections as necessary and, for convenience and clarity, start each new sub-section on a new page (you can

⁴ Please be aware that, should a *Grant agreement* be signed with an ‘SME’ ‘consortium’ cooperating with a ‘non-SME partner’, such ‘non-SME partner’ will be named in the *Grant agreement* and fall under the provisions of Article 11.1 of the *Model Grant Agreement*.

introduce each sub-section with the numbering used in sections 2.1 to 2.5 and the name of the ‘participant’).

Requested data are:

- **PIC number.** Use the PIC number of sections 2.1 to 2.5. The PIC number is not needed for ‘associated partners’.
- **Legal name.** Use the legal name reported in sections 2.1 to 2.5.
- **Short name.** Indicate the short name of your organisation only if you have one.
- **Information about potential former participation to EDIDP calls.** Should your entity has applied to 2019 EDIDP calls for proposals, please reflect in which call. This information will be used to speed up the assessment of your organisation against eligibility and selection criteria, and to assess potential double funding.
- **Address of the organisation.** You need to indicate here the exact address of the place where your organisation is officially registered.
- **Webpage.** Indicate your webpage if you have one.
- **Department(s) carrying out the proposed work.** Indicate here the different departments of your organisation participating to the proposed action and provide their address if different from the one of the place of establishment of your organisation.
- **Structural relationship with other ‘participants’ in the proposal and nature of this relationships.** You only need to provide information for ‘applicants’ and ‘linked third parties’. This information is necessary to assess whether the participation of an entity as a link third party is appropriate (*e.g.* mother, sister, daughter company or other structural links showing a structured cooperation that goes beyond the grant application). Please be informed that detailed information regarding ‘control’ and ownership of the entities will also be requested to all ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’.
- **Person in charge of the proposal.** Indicate here the contact details of the person of your organisation in charge of the proposal to which the Commission may address any communications related to the proposal (in all cases, the ‘coordinator’ contact person will be in copy of the communication). **Please make sure the e-mail address you give is correct and working: we may have to contact you for more information, when evaluating your proposal.**

2.7. Project manager

You are requested to mention in this section of the *Submission form* whether the Member States supporting your proposal have appointed a ‘project manager’ (*e.g.* OCCAR, EDA or other international or national body) and provide its contact details.

In the event of an action awarded with an EDIDP grant and co-financed by Member States, it may indeed happen that Member States have appointed or will appoint a ‘project manager’. In such circumstances, the Commission will consult the ‘project manager’ on progress made with regard to the action prior to executing payments to the ‘beneficiaries’.

3. Eligibility

This section of the *Submission form* is designed to provide the Commission with all the relevant information and evidence necessary for the assessment of the eligibility of the entities taking part in the proposed action and of the eligibility of the proposed action itself (see section 3.2.5 of the *2020 calls for proposals and conditions for the calls*).

Please keep in mind that, without prejudice to the evidence requested in the *Submission form* including its annexes (and further explained in this *Guide for applicants*), ‘applicants’ may be requested to provide additional relevant evidence necessary for the assessment of the eligibility criteria (some additional evidence is already mentioned in this *Guide for applicants*). As specified in Article 7(7) of the EDIDP Regulation, ‘beneficiaries’ must provide all relevant information necessary for the assessment of the eligibility criteria.

Furthermore, in the event of a change during the implementation of the action which might put into question the fulfilment of any of the eligibility criteria, ‘applicants’ must inform the Commission immediately, which will assess whether the eligibility criteria continue to be met.

3.1. Applicants, linked third parties, subcontractors involved in the action and non-SME partners in the SME call

You need to fill in the table with the requested information for each ‘applicant’, ‘linked third party’, ‘subcontractor involved in the action’ and ‘non-SME partner’. Add as many rows as necessary. ‘Subcontractors’ that are not ‘subcontractors involved in the action’ and ‘suppliers’ must not be identified in this section of the *Submission form*: they are not subject to the eligibility check.

In addition to the information and answers provided in the table, each ‘applicant’, ‘linked third party’, ‘subcontractor involved in the action’ and ‘non-SME partner’, depending on its answers to the questions, is required to provide specific evidence (text directly in the *Submission form*, Annexes to the *Submission form*, supporting documents – see specific guidance for each item below) to prove its eligibility. All supporting documents that you provide need to be clearly indicated in the *Submission form* after the table in the corresponding item section (a), b) or c)): for each ‘participant’, make a clear reference to the name (and, where relevant, page/section) of the separate file in which the information is provided.

For UK ‘applicants’: Please be aware that following the entry into force of the EU-UK Withdrawal Agreement* on 1 February 2020 and in particular Articles 127(6), 137 and 138, the references to legal persons or ‘undertakings’ established in a Member State of the European Union are to be understood as including legal persons or ‘undertakings’ established in the United Kingdom. UK ‘applicants’, ‘linked third parties’ and ‘subcontractors’ are therefore eligible to participate in EDIDP calls unless the Commission notifies the United Kingdom otherwise pursuant to Article 127(7)(b) of the Withdrawal Agreement. ‘Applicants’ are strongly advised to regularly check EDIDP calls on the Funding & Tenders Portal for any updates concerning eligibility of UK ‘applicants’, ‘linked third parties’ and ‘subcontractors’.

* Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (OJ L 29, 31.1.2020, p. 7).

Item a) – Public or private ‘undertakings’ established in the Union and having their ‘executive management structures’ established in the Union.

‘Undertaking’ means an entity, regardless of its legal status or the way in which it is financed, which is engaged in an economic activity, and which is established in the Member State in which it is incorporated, in accordance with the national law of that Member State. This includes research organisations (e.g. university, research centre) when these entities conduct an economic activity for the purpose of the action. The territory of the Union covers all Member States territories, including their outermost regions.

‘Executive management structure’ means a body of an ‘undertaking’ appointed in accordance with national law, and, where applicable, reporting to the chief executive officer, which is empowered to establish the ‘undertaking’s’ strategy, objectives and overall direction, and who oversees and monitors management decision-making. The same conditions apply to ‘linked third parties’.

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ regarding item a)?

- Place of establishment of the ‘undertaking’: extract of trade or association register or any legally valid document proving the place of establishment of each of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’;
- Description of the economic activity of the ‘undertaking’:
 - a description of the goods and/or services that each of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ offer in the market. This description must be provided directly in the *Submission form* or as a supporting document;
 - an extract of trade or association register, certificate of liability to VAT or any legally valid document proving the economic activity.
- Justification that the ‘executive management structures’ of the ‘undertaking’ are established in the Union: extract from the official journal, copy of articles of association, of resolution, decision or any other official document proving that the ‘executive management structures’ of each of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ are established in the Union.

Item b) – Infrastructure, facilities, assets and resources used for the purposes of the actions located on the territory of the Union for the entire duration of the action.

The territory of the Union covers all Member States territories, including their outermost regions. Whatever is its answer to question b) in the table, each ‘applicant’, ‘linked third party’, ‘subcontractor involved in the action’ and ‘non-SME partner’ need to provide in Annexe 7 to the *Submission form* a description of the infrastructure, facilities, assets and resources used for the purpose of the action (see specific guidance for Annexe 7 in the corresponding section of this *Guide for applicants*).

Please be aware that additional information is requested in Annexe 7 for ‘applicants’ and ‘linked third parties’ in order to assess their operational capacity (see specific guidance for Annexe 7 in the corresponding section of this *Guide for applicants*).

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ regarding item b)?

- Annexe 7 duly completed for each of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’;
- Additional evidence requested inside Annexe 7 where infrastructure, facilities, assets and resources of the ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ are located outside the Union territory.

Item c) – Not subject to ‘control’ by a ‘third country’ or by a ‘third-country entity’.

Whatever is their answer to question c) in the table, each ‘applicant’, ‘linked third party’, ‘subcontractor involved in the action’ and ‘non-SME partner’ must duly complete and submit with its proposal a *Declaration of Ownership and Control* (see Annexe 6 to the *Submission form* and associated specific guidance in the corresponding section of this *Guide for applicants*). To help them answer properly question c) in the table, it is advised that these participants first perform a self-assessment by completing Annexe 6. Information provided in Annexe 6 will be used by the Commission to verify that the ‘control’ assessment they have carried out is in line with the definition of ‘control’ of the EDIDP Regulation (see below).

Not subject to ‘control’ by a ‘third country’ or by a ‘third-country entity’.

In order to be eligible for the programme, all ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SMEs partners’ must not be subject to ‘control’ by a ‘third country’ or by a ‘third-country entity’, as provided by in Article 7(3) of the EDIDP Regulation. The same conditions apply to ‘linked third parties’.

‘Third country’ means a country that is not a member of the European Union.

‘Third-country entity’ means an entity established in a ‘third country’ or, when it is established in the European Union, having its ‘executive management structures’ in a ‘third country’ (pursuant to Article 2(6) of the EDIDP Regulation).

What is meant by “subject to ‘control’ by a ‘third country’ or by a ‘third-country entity’”?

‘Control’ means the ability to exercise a decisive influence on an ‘undertaking’, directly, or indirectly through one or more intermediate ‘undertakings’ (pursuant to Article 2(7) of the EDIDP Regulation).

When is an ‘undertaking’ subject to ‘control’ by a ‘third country’ or by a ‘third-country entity’?

When a ‘third country’ or ‘third-country entity’ has the possibility to exercise decisive influence on an ‘undertaking’ to influence strategic business decisions of the ‘undertaking’, such as:

- Appointment and removal of senior management;
- Budget;
- Investment business plan;
- Market-specific decisions.

The fact that the ‘third country’ or the ‘third-country entity’ does not actually exercise a decisive influence is not relevant, as soon as this possibility exists.

At which level needs to be assessed whether the ‘undertaking’ is subject to ‘third country’ or ‘third-country entity’ ‘control’?

‘Control’ needs to be assessed at the level of the ultimate owners:

- Ultimate owners are always natural persons (except in cases of public entities) who ultimately control the ‘undertaking’.
- In case of a nominee, fund, trust or any other institutional investment instrument (or arrangement) holding the shares, the requirement of not being subject to ‘control’ by a ‘third country’ or by a ‘third-country entity’ may be satisfied at the level of the nominee, trustee, or other register owner, provided that the latter is an EU national and that it exercises decisive influence over that instrument or arrangement (*i.e.* takes the investment decisions). However, this will in particular depend upon the agreements or other arrangements committing such

nominee, fund, trust or any other institutional investors with the economic beneficiaries (*i.e.* management decisions are not taken at the level of the manager of the instrument).

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ regarding item c)?

- Annexe 6 duly completed and signed for each of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ (see guidance for Annexe 6 in this *Guide for applicants*);
- All additional evidence requested inside Annexe 6 (see guidance for Annexe 6 in this *Guide for applicants*);
- For each of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ a **graph describing the chain of control of the ‘undertaking’ until the ultimate owners** (see guidance for Annexe 6 in this *Guide for applicants* for an illustration of such graph).

Derogation from the requirement of not being subject to ‘control’ by a ‘third country’ or by a ‘third-country entity’

By derogation from the condition set out in Article 7(3) of the EDIDP Regulation, an ‘undertaking’ established in the Union and having its ‘executive management structure’ established in the Union can be eligible as a ‘beneficiary’ or as a ‘subcontractor involved in the action’, even if it is controlled by a ‘third country’ or a ‘third-country entity’, only if **guarantees approved by the Member State in which it is established** are made available to the Commission (as provided by in Article 7(4) of the EDIDP Regulation).

The guarantees approved, in accordance with its national procedures, by the Member State in which the ‘undertaking’ is established, **must substantiate**:

1. that the involvement of the ‘undertaking’ in the EDIDP action will not contravene the security and defence interests of the Union and its Member States;
2. that the involvement of the ‘undertaking’ in the EDIDP action will not contravene the objectives of EDIDP (set out in ‘Article 3 of the EDIDP Regulation’);
3. compliance with the provisions of ‘Article 12 of the EDIDP Regulation’;
4. that measures have been put in place to ensure at least that:
 - a) the ‘third country’ or ‘third-country entity’ ‘control’ over the ‘undertaking’ is not exercised in a manner that:
 - restrains or restricts the ‘undertaking’s ability to carry out the action and to deliver ‘results’,
 - imposes restrictions concerning its infrastructure, facilities, assets, resources, intellectual property or know-how needed for the purpose of the action, or
 - that undermines its capabilities and standards necessary to carry out the action;
 - b) access by a ‘third country’ or by a ‘third-country entity’ to sensitive information relating to the action is prevented and the employees or other persons involved in the action have national security clearances, where appropriate;

- c) ownership of the intellectual property arising from, and the ‘results’ of, the action:
- remain within the ‘beneficiary’ during and after completion of the action;
 - are not subject to control or restriction by a ‘third country’ or by a ‘third-country entity’; and
 - are not exported outside the Union nor is access to them from outside the Union granted without the approval of the Member State in which the ‘undertaking’ is established and in accordance with the objectives of EDIDP (set out in ‘Article 3 of the EDIDP Regulation’).

The guarantees approved by the Member State in which the ‘undertaking’ is established may refer to:

- the ‘undertaking’s ‘executive management structure’ established in the Union,
- specific governmental rights in the ‘control’ over the ‘undertaking’.

The guarantees cannot simply state that the conditions of the EDIDP Regulation are fulfilled, but must explain which measures have been put in place, to comply notably with the conditions of Article 7(4) (a), (b) and (c) (see above), as well as of ‘Article 12(2) of the EDIDP Regulation’. If the information to be provided is sensitive or classified, the ‘undertaking’ is invited to contact the Commission at EC-EDIDP-proposals@ec.europa.eu to identify the appropriate way of transmission ahead of the deadline for submission of the proposal. The Commission will acknowledge reception by email and you will communicate this proof to the ‘coordinator’ who will need to include it in the submitted proposal.

As established in Recital 16 of the EDIDP Regulation, Article 7(4) derogation from Article 7(3) principle constitutes relevant strict conditions. **The guarantees must therefore not include any disclaimer.**

Who is concerned with the provision of such guarantees?

Any ‘applicant’, ‘linked third party’, ‘subcontractor involved in the action’ or ‘non-SME partner’, established in the Union and having its ‘executive management structures’ in the Union, which is subject to ‘control’ by a ‘third country’ or ‘third-country entity’. Such ‘control’ may be acknowledged by the ‘undertaking’ itself or by the Commission, following an assessment based on the information provided by the ‘undertaking’ with Annexe 6 (see corresponding section in this *Guide for applicants*).

When will you be requested to provide such guarantees?

If you already know that your entity is subject to ‘control’ by a ‘third country’ or ‘third-country entity’, or that you realise this is the case after having performed a self-assessment using Annexe 6, you are strongly advised to prepare and provide these guarantees at the time of the submission of your proposal (*i.e.* within the deadline for submission).

If it is the Commission which, following analysis of the information provided in Annexe 6⁵ to the *Submission form*, arrives to the conclusion that your entity is subject to ‘control’ by a ‘third country’ or ‘third-country entity’, you will be requested to provide these guarantees within 25 working days.

What will happen in case of failure to provide appropriate guarantees?

As regards an ‘applicant’, ‘linked third party’ and a ‘non-SME partner’, failure to provide appropriate guarantees will result in the ineligibility of the proposal.

As regards a ‘subcontractor involved in the action’, if appropriate guarantees cannot be provided, the ‘coordinator’ contact person will be requested, during the evaluation, to replace the subcontractor concerned with an eligible entity or to remove the subcontractor concerned from the proposal.

The proposed adjustments will be re-assessed by the Commission. If they constitute a substantial change of the proposal, the proposal will be rejected.

⁵ And, where needed, the provision of clarifications or additional supporting documents.

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of ‘beneficiaries’ and ‘subcontractors involved in the action’ regarding the derogation to item c)?

- List of ‘beneficiaries’ and ‘subcontractors involved in the action’ that want to benefit from this derogation;
- Annexe 6 duly completed and signed for each of these ‘undertakings’;
- For each of these ‘undertakings’, guarantees, approved by the Member State in which the ‘undertaking’ is established in accordance with its national procedure, detailing the measures put in place to comply with the four conditions of the derogation (see above). Examples of such measures could be (but not limited to):
 - specific management structure put in place to deal with the EDIDP action;
 - protection mechanism regarding the structure/practices of the company from the third-country controlling entity or ‘third country’;
 - instruments to control or approve non-EU investments in the ‘undertaking’;
 - registration and/or authorisation received to operate and work in defence;
 - security agreement, in place between the ‘undertaking’ and the Member State where it is established, setting the measures (to be) implemented, including security-related obligations of conduct;
 - control, verification and/or audit rights on the ‘undertaking’;
 - mechanisms in place to prevent access to sensitive information by non-EU management structures;
 - protection against loss of sensitive data;
 - security clearance of the management/employees/facilities involved in the action;
 - reporting duties for the ‘undertaking’.

As stated by the Financial Regulation (Regulation 2018/1046), the Commission could ask for clarifications, and in accordance with Article 7(7) of the EDIDP Regulation, ‘beneficiaries’ must provide all relevant information necessary for the assessment of the eligibility criteria.

3.2. Associated partners

This section of the *Submission form* needs to be filled out only if one or more ‘beneficiaries’ or ‘subcontractors involved in the action’ are cooperating with ‘associated partners’ for the purpose of the action (see section 2.4 of the *Submission form* and of this *Guide for applicants*).

In such case, for each of these ‘associated partners’, you need to reply to **questions d), e), f) and g)** in the *Submission form*, providing all requested information and justification. In the answers to these questions, you can refer (precisely) to supporting documents that you will provide with your application.

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of the ‘associated partners’?

- Detailed answers to questions d), e), f) and g) for each of the ‘associated partners’;
- Supporting documents describing the mechanisms, procedures or measures in place that justify that the requirements of questions d), e), f) and g) are met.

What additional evidence may be requested to the ‘applicants’ in order to assess the eligibility of the ‘associated partners’?

- Information equivalent to the one requested in Annexe 7 to the *Submission form*.

3.3. Consortium

According to Article 2(10) of the EDIDP Regulation a “‘consortium’ means a collaborative grouping of ‘undertakings’ constituted to carry out an action under the [European Defence Industrial Development] Programme.”

Given that the aim of the EDIDP is, in particular, to enhance cooperation between ‘undertakings’ across the Union, Article 6(2) of the EDIDP Regulation lays down that an action must be carried out by ‘undertakings’ cooperating in a ‘consortium’ of at least three eligible ‘undertakings’ which are established in at least three different Member States. At least three of those eligible ‘undertakings’ established in at least two different Member States must not be controlled, directly or indirectly, by the same ‘undertaking’ or must not ‘control’ each other.

You are therefore requested here to answer **questions h) and i)** and to provide the necessary evidence to substantiate your answers.

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of the ‘consortium’?

- Table of section 2.1 of the *Submission form* and associated evidence (see item a), indicating and proving the country of establishment of each of the members of the ‘consortium’ (‘applicants’);
- Legal name and PIC number of at least three members of the ‘consortium’ from at least two different Member States and which are not controlled, directly or indirectly, by the same ‘undertaking’ or do not ‘control’ each other;
- Annexe 6 duly completed and signed for each of the members of the ‘consortium’ (‘applicants’).

Please refer to Chapter 4 of the *Guide for applicants* for further information about the ‘*Consortium agreement*’ that will need to be put in place before the signature of the ‘*Grant agreement*’.

3.4. Action

You are requested in this section to provide all necessary information and evidence necessary for the Commission to assess the eligibility of the proposed action. You must therefore answer questions j) to o) and provide the associated evidence as required.

Item j) – Costs of the action not covered by Union support covered by other means of financing.

You are requested to briefly detail the costs of the action that are expected to be covered by the Union support and those (if any) that are not covered by Union support. This information must be consistent with the figures provided in section 5 and Annexe 2 to the *Submission form*, to which you can precisely refer to. For the costs that are not covered by Union support, you are requested to explain which will be the source(s) of co-financing (Member States contributions and/or private contributions) that will cover these costs.

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of the proposed action against item j)? (may be cumulative)

- **In the case of co-financing by Member States**, supporting document(s) identifying the financial contributors and specifying on what hypothesis (EU support level) their financial contribution will cover the rest of the costs of the action (e.g. Memorandum of Understanding (MoU), comfort letter / guarantee, (draft) procurement contract);
- **In the case of co-financing by other stakeholders**, supporting document(s) identifying the financial contributors and specifying on what hypothesis (EU support level) their financial contribution will cover the rest of the costs of the action (e.g. (draft) loan contract, decision of management board (for self-investment)).

Such evidence does not need to be provided for each ‘activity’ covered by the proposal and/or for each member of the ‘consortium’ (a global proof for the entire action is fine), but it will be accepted if it is easier to provide.

Item k) – Development of products and technologies, the use, development or production of which is prohibited by international law.

You are requested to verify the action against international humanitarian law. The sources of international humanitarian law are treaties and customary international law.

International humanitarian law treaties include in particular the Geneva Conventions and their Additional Protocols, as well as a series of other conventions and protocols on specific topics. These treaties contain basic principles and rules governing the choice of weapons and prohibit or restrict the employment of certain weapons:

WEAPON	TREATY
Explosive projectiles weighing less than 400 grams	Declaration of Saint Petersburg (1868)
Bullets that expand or flatten in the human body	Hague Declaration (1899)
Poison and poisoned weapons	Hague Regulations (1907)
Chemical weapons	Geneva Protocol (1925) Convention on the prohibition of chemical weapons (1993)
Biological weapons	Geneva Protocol (1925) Convention on the prohibition of biological weapons

WEAPON	TREATY
	(1972)
Weapons that injure by fragments which, in the human body, escape detection by X-rays	Protocol I (1980) to the Convention on Certain Conventional Weapons
Incendiary weapons	Protocol III (1980) to the Convention on Certain Conventional Weapons
Blinding laser weapons	Protocol IV (1995) to the Convention on Certain Conventional Weapons
Mines, booby traps and "other devices"	Protocol II, as amended (1996), to the Convention on Certain Conventional Weapons
Anti-personnel mines	Convention on the Prohibition of Anti-Personnel Mines (Ottawa Treaty) (1997)
Explosive Remnants of War	Protocol V (2003) to the Convention on Certain Conventional Weapons
Cluster Munitions	Convention on Cluster Munitions (2008)
Nuclear Weapons	Treaty on the Prohibition of Nuclear Weapons (2017)

Customary international law consists of rules that come from "a general practice accepted as law" and exist independent of treaty law. To prove that a certain rule is customary, one has to show that it is reflected in state practice and that the international community believes that such practice is required as a matter of law. While some States have not ratified important treaty law, they remain nonetheless bound by rules of customary law. The most comprehensive database of customary international humanitarian law has been compiled by the International Committee of the Red Cross, which updates it on a regular basis⁶.

These are the rules of Customary IHL concerning the following weapons (click on each weapon to access the rule):

- [Weapons of a Nature to Cause Superfluous Injury or Unnecessary Suffering](#)
- [Weapons That Are by Nature Indiscriminate](#)
- [Poison](#)
- [Nuclear Weapons](#)
- [Biological Weapons](#)
- [Chemical Weapons](#)
- [Riot Control Agents](#)
- [Herbicides](#)
- [Expanding Bullets](#)
- [Exploding Bullets](#)
- [Weapons Primarily Injuring by Non-Detectable Fragments](#)

⁶ <https://ihl-databases.icrc.org/customary-ihl/eng/docs/home>.

- [Booby-Traps](#)
- Landmines
 - [Restrictions on the Use of Landmines](#)
 - [Recording of the Placement of Landmines](#)
 - [Removal or Neutralization of Landmines](#)
- Incendiary Weapons
 - [The Protection of Civilians and Civilian Objects from the Effects of Incendiary Weapons](#)
 - [The Use of Incendiary Weapons against Combatants](#)
- [Blinding Laser Weapons](#)

Item l) – Common requirements for ‘design’ ‘activities’.

If your proposal is covering ‘design’ ‘activities’, you need to provide specific supporting documents in order for the Commission to assess the eligibility of the action you propose.

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of the proposed action against item l)?

- **Supporting document(s) proving that the ‘activities’ will be based on “common requirements jointly agreed by at least two Member States”** (e.g. Letter of Declaration, signed by at least two Member States, common military requirements described in an agreement (MoU or *ad hoc*) signed between the participating Member States).

Item m) – Common technical specifications and intention to procure for ‘prototyping’, ‘testing’, ‘qualification’, ‘certification’ and ‘life-cycle technologies’.

If your proposal is covering ‘prototyping’, ‘testing’, ‘qualification’, ‘certification’ or ‘life-cycle technologies’ ‘activities’, you need to provide specific supporting documents in order for the Commission to assess the eligibility of the action you propose.

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of the proposed action against item m)?

- **Supporting document(s) proving that the ‘activities’ will be “based on common technical specifications jointly agreed by the Member States that are to co-finance or that intend to jointly procure the final product or to jointly use the technology”** (e.g. a Letter of Declaration, Memorandum of Understanding or *ad hoc* agreement signed by the participating Member States, declaring that the proposal is based on common technical specifications).
- **Supporting document(s) proving that “at least two Member States intend to procure the final product or to use the technology in a coordinated way, including through joint procurement where applicable”** (e.g. Letter of Intent, signed by the respective Member States, Memorandum of Understanding or *ad hoc* agreement signed between the participating Member States, the procurement contract signed with the respective Member States).

Flexibility regarding the date of provision of the supporting documents relating to the common requirements and the common technical specifications

Regarding the common requirements and the common technical specifications (see item l) and m) above), for actions consisting of several ‘activities’, the Commission will allow the associated supporting documents to be provided at the latest following the completion of the ‘study’ phase (for common requirements) and/or ‘design’ phase (for common technical specifications). In such case, a document proving that at least two Member States intend to jointly agree on common requirements and/or common technical specifications must be provided at the time of the submission of the proposal and the development of the supporting documents must constitute a dedicated ‘deliverable’ of the respective ‘activities’. **Your attention is drawn to the fact that failing to provide these supporting documents will result in the termination of the action and may be followed by the recovery of the Union funding.**

What evidence needs to be provided by the ‘applicants’ at the time of submission of the proposal in order to benefit from the flexibility regarding the date of provision of the supporting documents relating to the common requirements and the common technical specifications?

- Supporting document proving that at least two Member States intend to jointly agree on common requirements and/or common technical specifications on which the action will be based.

Please, be aware that the fulfilment of the eligibility criteria regarding commonality of requirements and technical specifications will be verified during audits and project verifications. Any major change to the project should be supported by an assessment of its impact on the commonality of the requirements and technical specifications.

Items n) and o) – ‘Third country’ or ‘third-country entity’ restriction on pre-existing information needed to carry out the action. ‘Third country’ or ‘third-country entity’ restriction or control on the ‘results’ of the action.

Within **question n)**, you are requested to confirm, in case of upgrade of an existing product or technology, that the use of pre-existing information (background information) needed to carry out the action is not subject to a restriction by a ‘third country’ or by a ‘third-country entity’, directly, or indirectly through one or more intermediate ‘undertakings’.

Within **question o)**, you are requested to confirm that the ‘results’ of the action which receives funding under this Programme will not be subject to control or restriction by a ‘third country’ or by a ‘third-country entity’, directly, or indirectly through one or more intermediate ‘undertakings’, including in terms of technology transfer.

‘Results’ must be understood as any tangible or intangible effect of the action, such as data, know-how or information, whatever its form or nature, whether or not it can be protected, as well as any rights attached to it, including intellectual property rights.

To substantiate your answers to these two questions, you must duly complete Annexe 4 (see dedicated section in this *Guide for applicants*).

What evidence needs to be provided by the ‘applicants’ in order to assess the eligibility of the proposed action against items n and o)?

- Annexe 4 to the *Submission form* duly completed.

What additional evidence may be requested to the ‘applicants’ in order to assess the eligibility of the proposed action against item o)?

- Justification that the participation of non-EU nationals to the action (within the ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ or ‘non-SME partners’) will not lead to restriction or control over the ‘results’ of the action by a ‘third country’ or by a ‘third country entity’;
- Justification that the participation of entities established outside the territory of Member States or controlled by a ‘third country’ or by a ‘third-country entity’ (as ‘associated partners’, other ‘subcontractors’ or ‘suppliers’) will not lead to restriction or control over the ‘results’ of the action by a ‘third country’ or by a ‘third country entity’;
- Commitment from the Member State where the ‘associated partner’ is established that this Member State will not impose control or restriction over the ‘results’ generated by the ‘associated partner’ for the purpose of the action.

4. Bonuses and proportion of the overall budget allocated to SMEs

This section of the *Submission form* is designed to provide a synthetic view of the information related to the increase (‘bonus’) in the funding rate that you can claim and to the overall budget of your action allocated to ‘SMEs’.

The Union funding rate will be calculated for each of the ‘activities’ (‘studies’, ‘design’, ‘prototyping’...) covered by your proposal and will be composed of a baseline funding rate (depending on the ‘activity’ concerned) and, where conditions are met, of a bonus. For a presentation of the funding rates and bonus system, please refer to section 3.3 of the *2020 calls for proposals and conditions for the calls*. The main information is reminded in the tables below for convenience:

‘Activity’	Baseline funding rate
‘Studies’	Up to 90% of eligible costs
‘Design’	Up to 65% of eligible costs
‘Prototyping’	Up to 20% of eligible costs
‘Testing’, ‘qualification’, ‘certification’ or ‘life-cycle technologies’	Up to 65% of eligible costs

Condition to be fulfilled to get the corresponding bonus	Bonus (additional number of percentage points to the baseline funding rate)
PESCO bonus	
Action developed in the context of the permanent structured cooperation (PESCO)	+ 10%

Condition to be fulfilled to get the corresponding bonus	Bonus (additional number of percentage points to the baseline funding rate)
‘SME’ bonus	
Proportion of eligible costs allocated to ‘SMEs’ established in the EU \geq 10%	Proportion of eligible costs allocated to ‘non cross-border SMEs’ established in the EU (up to maximum 5%) + Twice the proportion of eligible costs allocated to ‘cross-border SMEs’ established in the EU
‘Mid-cap’ bonus	
Proportion of eligible costs allocated to ‘Mid-caps’ established in the EU \geq 15%	+ 10%

The bonus you may request for each of the ‘activities’ covered by your proposal is automatically calculated in Annexe 1 to the *Submission form* (see guidance for Annexe 1 in this *Guide for applicants* for explanation and examples of application of the bonuses). The total funding rate (baseline funding rate + bonus) you may request for each of the ‘activities’ covered by your proposal is calculated in Annexe 2 to the *Submission form*.

You must keep in mind that the bonus cannot exceed 35% of the total eligible costs of the ‘activity’ and that the total funding rate cannot exceed 100% of the total eligible costs of each ‘activity’ (these rules are automatically implemented in Annexe 1 and in Annexe 2 to the *Submission form*).

Except for 4.1 ([Permanent Structured Cooperation](#)), all the information that you need to provide in this section must be based on the data of Annexe 1 to the *Submission form*. See below specific guidance for the ‘SME’ call (EDIDP-SME-2020) since you don’t need to fill in Annexe 1 to the *Submission form* for this call.

4.1. Permanent Structured Cooperation

If your proposed action is developed in the context of the [Permanent Structured Cooperation](#) (PESCO), it may be eligible for a funding rate increased by 10 percentage points. This bonus will apply for each ‘activity’ covered by your proposal, including ‘studies’ for work package 1 (‘general management and coordination of the action’).

If you consider your proposed action eligible for the PESCO bonus you need to indicate this in section 4.1 of the *Submission form* and provide the following evidence:

- reference to one of the PESCO projects included in the list adopted by the Council at the time of the submission of your proposal;
- a justification that this action is developed in the context of that PESCO project.

Please be aware that following the evaluation of your proposal, the Commission will verify the applicability of the PESCO bonus.

4.2. Applicable increase in the funding rate (bonus) per activity

Increases in the funding rate (bonuses) are calculated for each ‘activity’ covered by your proposal. In this section you need to fill in the table using the values automatically calculated in Annexe 1 to the *Submission form* (cell J54 of each sheet corresponding to an ‘activity’ covered by your proposal, including ‘studies’ for work package 1: ‘general management and coordination of the action’).

In the table, you can delete the rows corresponding to the ‘activities’ that are not covered by your proposal. With the potential exception of ‘studies’ (to take into account work package 1), the final list of ‘activities’ in the table should correspond to the one provided on the front page of the *Submission form*.

This synthetic table will be used during the evaluation of your proposal to provide at first sight (without a need to look into the details of Annexe 1) an overview of the bonuses you request for each of the ‘activities’ covered by your proposal.

For the ‘SME’ call (EDIDP-SME-2020), since you don’t need to fill in Annexe 1 and you are eligible to the maximum possible bonus, please indicate 35% in front of each of the ‘activities’ covered by your proposal, including ‘studies’ for work package 1: ‘general management and coordination of the action’.

4.3. Share of all eligible costs (all activities included) dedicated to SMEs and in particular to cross-border SMEs

In this section you need to fill in the table using the values automatically calculated in Annexe 1 to the *Submission form* (cells F9, F10, F11, G9, G10 and G11 of the sheet “Summary of EU SME participation”).

This information will be taken into account when assessing your proposal against award criterion 5 (see section 3.2.6 of the *2020 calls for proposals and conditions for the calls*). Therefore, please complete this section even if you do not intend to request the ‘SME’ bonus.

For the ‘SME’ call (EDIDP-SME-2020), you don’t need to fill in the table.

5. Budget

Sections 5.1 to 5.4 of the *Submission form* are designed to provide a synthetic overview of the main financial aspects of the proposal. The tables included in these sections must be filled in using the values estimated and declared in Annexe 2 to the *Submission form*, hence a perfect alignment is expected between that Annexe 2 and section 5 of Part A of the *Submission form*. Only for sections 5.3 and 5.4 additional information from that included in Annexe 2 might be required.

5.1. Eligible costs, funding rate and requested contribution per activity (all applicants together)

The aim of this section is to show the whole ‘consortium’s estimated costs for each of the ‘activities’ included in the proposal. Please use the consolidated values calculated in the sheet “Summary per activity” of Annexe 2 to fill in this table. You may remove from the table the rows referring to

‘activities’ not included in your proposal. No additional information from what you have declared in Annexe 2 is expected in this section.

5.2. Eligible costs, funding rate and requested contribution per applicant (all activities together)

This section aims to provide a summary of the estimated costs for each of the ‘applicants’, including their ‘linked third party(ies)’ if any, for the whole action. Please use the values declared in the sheet “Summary per applicant” of Annexe 2 to fill in the table. You may add as many rows as necessary to include the information of all the members of the ‘consortium’. No additional information from what you have declared in Annexe 2 is expected in this section.

5.3. Percentage of subcontracting per applicant

As mentioned in section 1.5 of Appendix 2 to this *Guide for applicants*, subcontracting should concern only limited parts of the action and is expected to remain below 30% of the total eligible costs for each of the ‘applicants’. The table included in this section provides the percentage of each ‘applicant’s estimated eligible costs that is to be subcontracted. Please fill in the column “Percentage of subcontracting per applicant (%)” with the values automatically calculated in column K of the sheet “Summary per applicant” of Annexe 2. You may add as many rows as necessary to include the information for all the members of the ‘consortium’ and their ‘linked third party(ies)’ (if any).

In case the subcontracting costs of an ‘applicant’ represents more than 30% of its total eligible costs, you are requested to provide a justification of this situation, *e.g.* the reasons why the ‘activities’ to be subcontracted cannot be undertaken by the ‘applicant’, why the ‘subcontractor(s)’ is/are not member(s) of the ‘consortium’, *etc.* Please be aware that for the ‘SME’ call (EDIDP-SME-2020), subcontracting of more than 30% of the total eligible costs of any ‘applicant’ will not be accepted in any case.

5.4. Direct costs related to travel, equipment and other goods and services (ODC)

‘Applicants’ whose eligible direct costs for the categories “travel and subsistence”, “equipment” and “other goods and services” jointly represent more than 15% of their direct personnel costs are requested to fill in this table. You should include one table for each of the ‘applicants’ of the ‘consortium’ for which the aforementioned condition is true. Column L of the sheet “Summary per applicant” of Annexe 2 will help you identify these ‘applicants’.

Please use the total amounts declared in the sheet “Direct costs for beneficiary X” of Annexe 2 to report the values of the different cost categories in the table. For the justification, you are invited to use the descriptions of those costs included in the sheets “Direct costs beneficiary X” for the ‘applicants’ concerned and, if necessary, further elaborate on that basis.

Part B — Description of the action

This section is designed to be the main input regarding the technical content of your proposal. This will be the main input for the evaluation of your proposal against the award criteria. This evaluation will be performed by the Commission assisted by independent experts. Therefore, it should be complete, specific and provide all the necessary information for the assessment, while respecting the formatting conditions and page limits (60 pages for both sections 6 and 7 of the *Submission form*; 2 pages per ‘work package’ for section 8 of the *Submission form*).

Please keep in mind that pages over this limit will not be taken into account for the evaluation.

6. Project presentation

This section must contain an executive summary and a detailed presentation of the action that you propose.

The executive summary (maximum 3 pages) will be the first reading of the Commission and the experts. Its objective must be to help them enter your proposal and understand what they are going to find in the detailed presentation and how it is organised.

The detailed presentation must provide, together with sections 7 and 8, all necessary information to understand and assess the relevance of the proposed work. You must support this detailed presentation using all the tables’ templates provided. For the dates in the tables, unless otherwise specified, you can directly indicate the number of months from the starting date of the action (*e.g.* T0 + x months).

If substantial in-kind contributors⁷, such as ministries of defence or public research organisations, are involved in your proposed action, please mention them together with the description of their contribution (*e.g.* meetings with end-users from the ministries of defence of Member States A, B, C to define operational scenarios (see ‘work package’ X) and/or optimize man-machine interface (see ‘work package’ Y)).

Regarding the proposed classification level of the ‘deliverables’ in the table “List of deliverables”, it is reminded that pursuant to Commission Decision (EU) 2019/513 of 26 March 2019 on the security framework for the European Defence Industrial Development Programme, in case the implementation of the grant involves the handling of classified information, Member States on whose territory the ‘beneficiaries’ are established must decide on the originatorship of the classified foreground information generated in the performance of an action. For that purpose, those Member States may decide on a specific security framework for the protection and handling of classified information relating to the action and must inform the Commission thereof. Such a security framework must be without prejudice to the possibility for the Commission to have access to

⁷ Pursuant to Article 11.2 of the *Model Grant Agreement*, in-kind contributors are third parties providing in-kind contributions (such as personnel, equipment or other goods and services) free of charge. They do not implement any action tasks and may not charge their costs to the action. Their contribution must not contravene the security and defence interests of the Union and its Member States, must not lead to controls or restrictions by a non-EU country or by a non-EU-country entity (directly or indirectly through one or more intermediate ‘undertakings’) over the results of the action, and must be consistent with the objectives of the Programme set out in ‘Article 3’ and fully in-line with the provisions of ‘Article 12 of the EDIDP Regulation’.

necessary information for the implementation of the action. If no such specific security framework is set up by those Member States, the security framework will be put in place by the granting authority in accordance with Commission Decision (EU, Euratom) 2015/444 on the security rules for protecting EU classified information ('Decision 2015/444'). The applicable security framework for the action has to be in place at the latest before the signature of the '*Grant agreement*'.

7. Focus on award criteria

This section of the *Submission form* is designed to help you address the award criteria against which your proposal will be assessed.

All necessary information is already provided in the *Submission form* and in section 3.2.6 of the 2020 calls for proposals and conditions for the calls. Only the main points are reminded below.

There are six award criteria:

1. Contribution to excellence in particular by showing that the proposed action presents significant advantages over existing defence products or technologies
2. Contribution to innovation, in particular by showing that the proposed action includes groundbreaking or novel concepts and approaches, new promising future technological improvements or the application of technologies or concepts previously not applied in the defence sector
3. Contribution to the competitiveness and growth of defence 'undertakings' throughout the Union, in particular by creating new market opportunities
4. Contribution to the industrial autonomy of the European defence industry and to the security and defence interests of the Union by enhancing defence products or technologies in line with defence capability priorities agreed by Member States within the framework of the Common Foreign and Security Policy, particularly in the context of the Capability Development Plan, and, where appropriate, regional and international priorities provided that they serve the Union's security and defence interests and do not exclude the possibility of participation of any Member State
5. The proportion of the overall budget of the action to be allocated to the participation of 'SMEs' established in the Union bringing industrial or technological added value, as members of the 'consortium', as 'subcontractors' or as other 'undertakings' in the supply chain, and in particular the proportion of the overall budget of the action to be allocated to 'SMEs' which are established in Member States other than those where the 'undertakings' in the 'consortium' which are not 'SMEs' are established
6. Contribution to the further integration of the European defence industry through the demonstration by the 'beneficiaries' that Member States have committed to jointly use, own or maintain the final product or technology.

Criterion 1 contains two sub-criteria each counting for half of the score of criterion 1:

- Quality of the proposed solution
- Excellence in regards to the quality of the implementation, organisation and resources

Please refer to the *Submission form* or to section 3.2.6 of the *2020 calls for proposals and conditions for the calls* for the different points that will be looked at in each of the criteria. Please note that, even if your proposal is not covering the ‘activity’ ‘life-cycle technologies’, if you consider that “increasing efficiency across life-cycle” is a relevant point of your proposal and must be taken into account in the context of the award criteria 1, 2 and 3, you need to highlight it in section 7.

All proposals will be assessed against award criteria 1, 2, 3, 4 and 5, while award criterion 6 will only apply to the proposals addressing actions covering at least one of the following ‘activities’:

- the system prototyping of a defence product, tangible or intangible component or technology (‘prototyping’);
- the testing of a defence product, tangible or intangible component or technology (‘testing’);
- the qualification of a defence product, tangible or intangible component or technology (‘qualification’);
- the certification of a defence product, tangible or intangible component or technology (‘certification’).

For criteria 1, 4 and 6 a double weighting will apply (they will count double compared to criteria 2, 3 and 5).

For the ‘SME’ call (EDIDP-SME-2020), the maximum score will automatically be given to criterion 5. Therefore, you don’t need to provide a focus on this criterion.

It is reminded that proposals that will get a final score below 3,3 points will not be considered for funding.

8. Work packages description

In section 8 to the Submission form you will find the template for the ‘work packages’ description.

You must provide one table per ‘work package’ (maximum 2 pages per ‘work package’) following the guidance provided in the table template. You can remove the guidance in italic in the submitted proposal.

All the work to be performed in the proposed action must be grouped in a logical, consistent and structured way into separate ‘**work packages**’. Each ‘work package’ must present a clear, logical link to the objectives of the proposed action and to the other ‘work packages’, and should be associated to specific outputs (*e.g.* ‘deliverables’, ‘milestones’).

Each proposed action must have **at least 2** ‘work packages’:

- work package 1 — ‘general management and coordination of the action’;
- ‘work package’ 2 — implementation of technical activities. **Make sure that there is no more than one ‘activity’ per ‘work package’**. One ‘activity’ can be split into several ‘work packages’ if needed.

For **work package 1**, describe all tasks related to the ‘general management and coordination of the action’ (this includes the tasks that do not relate to any of the other ‘work packages’, but which are

directly linked to the action as a whole). Management specific to each other ‘work package’ must not be included in this work package 1. You must not indicate any ‘activity’ corresponding to this ‘work package’, even though, for financial purposes, this ‘work package’ will benefit from the same funding rate as ‘studies’.

For each ‘work package’, you need to provide the following information:

- its identification number (*i.e.* WP1, WP2, WP3, *etc.*);
- the ‘activity’ (or the part of the ‘activity’) addressed by the ‘work package’. It must be:
 - one of the eligible ‘activities’: ‘studies’, ‘design’, ‘prototyping’, ‘testing’, ‘qualification’, ‘certification’, ‘life-cycle technologies’;
 - altogether consistent with the minimum requirements described in the ‘targeted activities’ section of the call/topic your proposal is answering to;
 - altogether in line with the information you provide on the front page of the *Submission form*.

This information must not be provided for work package 1.

- its title;
- the link(s) of this ‘work package’ with the other ‘work packages’: list of other ‘work packages’ from which inputs are needed to perform the work in this ‘work package’, list of other ‘work packages’ to which the outputs of this ‘work package’ will contribute and other interdependence with this ‘work package’.
- the ‘participants’ to the ‘work package’, including their staff efforts for this ‘work package’ (in person months). The lead participant must be one of the members of the ‘consortium’, a ‘linked third party’, an ‘associated partner’ or a ‘non-SME partner’. It cannot be ‘subcontractors’. List the lead participant first (**bold and underlined**);
- its duration in months, as well as the expected starting month. Please keep in mind that nine months are necessary from the call submission deadline to the signature of the ‘*Grant agreement*’ with the awarded ‘applicants’;
- if the work to be performed in this ‘work package’ may imply the handling of classified information (it might be background or foreground information). If you don’t know at this stage, you can leave it blank. The information provided must be consistent with the one in section 6 of the *Submission form*.
- its objective(s);
- the description of the work to be performed and the role of each ‘participant’. For clarity, please distinguish the different tasks.
- the output(s) to be produced (‘deliverables’ and other outcomes). Please make sure:
 - to distinguish between ‘milestones’ and ‘deliverables’;
 - to be as specific as possible;
 - to be realistic about what you can achieve within the action duration. The scope of your action should be large enough to make a difference, but it does not need to produce an excessively high number of outputs;

If relevant, outputs can also be internal (*i.e.* necessary for managing, coordinating, monitoring the action) or refer to intermediate stages of the project.

You can create as many ‘work packages’ as necessary. However, their number should be proportionate to the scale and complexity of the proposed action. ‘Work packages’ should be based

on the logical structure of the action and the stages in which they will be carried out. Enough detail should be provided in each 'work package' to justify the proposed allocated resources (resources assigned to 'work packages' should be in line with their objectives) and 'deliverables' and to monitor the progress (including by the Commission).

If your co-financing takes the form of a procurement contract, please explain how you will ensure that the action remains consistent and synchronised with this procurement contract (*i.e.* including 'work packages', 'deliverables', 'milestones', budget breakdown and timetable).

Annexes

Annexe 1 – Eligible costs allocated to SMEs and mid-caps

You don't need to fill in this Annexe for the 'SME' call (EDIDP-SME-2020).

The objective of Annexe 1 to the *Submission form* is twofold:

- to identify the eligible costs of your action allocated to 'SMEs' and 'mid-caps' for each 'activity' covered by your proposal and for the entire action. This information is needed to estimate the applicable 'SME' and 'mid-cap' bonuses (see section 3.3.3 of the *2020 calls for proposals and conditions for the calls*) and, for the 'SME' part, to evaluate your proposal against award criterion 5 (see section 3.2.6 of the *2020 calls for proposals and conditions for the calls*);
- to help you calculate the applicable bonus that you can claim for each of the 'activities' covered by your proposal.

Some of the information provided in Annexe 1 will be needed for section 4 of the *Submission form* as well as for Annexe 2 to the *Submission form*.

The Annexe 1 is composed of the following sheets:

- Instructions: containing general information and step-by-step instructions on how to fill in the different sheets of the Annexe. You need to indicate in this sheet if your proposed action is developed in the context of the Permanent Structured Cooperation (PESCO): your answer needs to be consistent with section 4.1 of the *Submission form* and will be taken into account in the other sheets to automatically calculate the applicable total bonus that you can claim for each 'activity' covered by your proposal. Do not forget to indicate in this sheet the call and topic identifiers as well as your proposal acronym.
- One sheet per 'activity': each sheet is made of 2 sections.
 - **Section 1** is designed to handle a formal calculation of the costs allocated to 'SMEs' and 'mid-caps', based on a declaration of the 'SMEs' and 'mid-caps' participating to the action. Such information will be taken into account not only for the calculation of the bonus (see Section 2 of the sheet), but also when evaluating your proposal against the award criterion 5;
 - **Section 2** is designed to calculate the total eligible bonus for the 'activity' considered. It takes into account the applicable PESCO bonus (based on information provided on the sheet Instructions) and a commitment (that can go beyond the values provided in Section 1) regarding the 'SMEs' and 'mid-caps' participation in the 'activity' considered (see below *How is the calculation of the bonuses implemented in Annexe 1?*).
Some information of Section 2 will need to be reported in part A of the *Submission form* (section 4.2) and in Annexe 2.

Your attention is drawn on the fact that tasks performed inside work package 1 ('general management and coordination of the action') needs to be financially reported as 'studies' for the purpose of determination of the applicable funding rate.

- Summary of EU SME participation: this sheet is automatically computed based on the information provided in the Section 1 of the sheets per 'activity'. This information needs to be reported in part A of the *Submission form* (section 4.3) and will be taken into account for the evaluation of your proposal against the award criterion 5.

What are the different bonuses applicable to EDIDP?

Section 3.3 of the *2020 calls for proposals and conditions for the calls* set out the baseline funding rates applicable to each of the eligible ‘activities’, the applicable bonuses and explains how the funding rate is calculated. This section explains in more detail the bonus system and the associated calculations.

For each ‘activity’, the baseline funding rate is defined as a percentage of the total eligible costs of the ‘activity’. When certain conditions are fulfilled, the baseline funding rate for a given ‘activity’ can be increased through the application of the funding rate bonuses described below.

The bonus can reach up to 35% of the total eligible costs of the ‘activity’. However, keep in mind that the financial contribution of the Union, including bonuses, cannot cover more than 100% of the total eligible costs of each ‘activity’ (this rule is implemented in Annexe 2 to the *Submission form*).

The maximum requestable funding rate (including bonus) is calculated per ‘activity’ for the ‘consortium’ as a whole and not to individual ‘undertakings’.

PESCO bonus

If your proposed action is developed in the context of PESCO, it may be eligible for receiving an additional 10 percentage points. This bonus will apply **to each ‘activity’** covered by your proposal.

‘Non cross-border SMEs’ and ‘cross-border SMEs’ participation bonus

Where at least 10% of the total eligible costs of an ‘activity’ are allocated to ‘SMEs’ established in the Union, the baseline funding rate may be increased as follows:

- By percentage points equivalent to the percentage of the total eligible costs of the ‘activity’ allocated to ‘*non cross-border SMEs*’ (see definition below). **This bonus for the participation of ‘non cross-border SMEs’ can however not exceed 5 percentage points.**
- By percentage points equivalent to twice the percentage of the total eligible costs of the ‘activity’ allocated to ‘*cross-border SMEs*’ (see definition below). **This bonus for the participation of ‘cross-border SMEs’ can exceed 5 percentage points.**

Small and medium-sized enterprises (‘SMEs’)

‘Small and medium-sized enterprises’ or ‘SMEs’ means small and medium-sized enterprises as defined in the [Annex to Commission Recommendation 2003/361/EC](#)⁸.

‘Cross-border SMEs’ means ‘SMEs’ which are established in Member States other than those in which the ‘undertakings’ in the ‘consortium’ that are not ‘SMEs’ are established.

‘Non cross-border SMEs’ means ‘SMEs’ which are established in the same Member States as the ‘undertakings’ in the ‘consortium’ that are not ‘SMEs’.

⁸ Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36). Applicants may also visit to the following web-site for more information: http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

It is reminded that you should perform an on-line ‘SME’ self-assessment on the participant’s portal to know if you are an ‘SME’ according to this definition (see Chapter 1 of this *Guide for applicants*).

Example 1:

- Total eligible costs of the ‘activity’: 100
- Eligible costs allocated to ‘SMEs’ (‘cross-border’ and ‘non cross-border’): 9%
- Resulting bonus: 0% (threshold of 10% not reached)

Example 2:

- Total eligible costs of the ‘activity’: 100
- Eligible costs allocated to ‘non cross-border SMEs’: 20%
- Resulting bonus: 20% in theory but 5% in practice (5% cap)

Example 3:

- Total eligible costs of the ‘activity’: 100
- Eligible costs allocated to ‘cross-border SMEs’: 20%
- Resulting bonus: 40% in theory but 35% in practice (35% overall cap)

Your attention is drawn on the fact that for the ‘SME’ call (EDIDP-SME-2020) all the members of the ‘consortium’ will be considered as ‘cross-border SMEs’. As a consequence (and because of the strict limit of 30% regarding subcontracting for this call), the ‘applicants’ will automatically be eligible to the maximum possible bonus of 35% for all the ‘activities’.

‘Mid-caps’ participation bonus

Where at least 15% of the total eligible costs of an ‘activity’ are allocated to ‘mid-caps’ established in the Union, the baseline funding rate may be increased by an additional 10 percentage points.

Middle-capitalisation companies (‘mid-caps’)

‘Middle-capitalisation company’ or ‘mid-cap’ means an enterprise that is not a ‘SME’ and that has up to 3 000 employees, knowing that the staff headcount is calculated in accordance with Articles 3 to 6 of the [Annex to Commission Recommendation 2003/361/EC](#).

It is reminded that you can perform a ‘mid-cap’ self-assessment using Annexe 8 to the *Submission form* to know if you are a ‘mid-cap’ according to this definition (see Chapter 1 of this *Guide for applicants* and guidance for Annexe 8 in this *Guide for applicants*).

Example 1:

- Total eligible costs of the ‘activity’: 100
- Eligible costs allocated to ‘mid-caps’: 12%
- Resulting bonus: 0%

Example 2:

- Total eligible costs of the ‘activity’: 100
- Eligible costs allocated to ‘mid-caps’: 25%
- Resulting bonus: 10%

How is the calculation of the bonuses implemented in Annexe 1?

The applicable funding rate bonuses are established separately for each ‘activity’ covered by your action and in relation to the activity’s total eligible costs.

The ‘SME’ and ‘mid-cap’ bonuses will be determined individually for each activity on the basis of the information provided in the corresponding sheet of Annexe 1 to the *Submission form*. **‘SMEs’ and ‘mid-caps’ participating as ‘beneficiaries’ in the ‘consortium’, as well as linked third-parties, ‘subcontractors involved in the action’ and other ‘subcontractors’ or ‘suppliers’ (for purchases) further in the supply chain can be taken into account in this Annexe for the calculation of the bonus.** ‘SMEs’ and ‘mid-caps’ that are ‘associated partners’ or ‘linked third parties’ / ‘subcontractors’ / ‘suppliers’ of ‘associated partners’ must not be declared, even if they are established in the Union, since their associated costs are not eligible (see section 2.4 of the *Guide for applicants*).

You can choose to declare and/or provide a commitment regarding the ‘SMEs’ and ‘mid-caps’ participation in each ‘activity’ covered by your proposal⁹. You can also mix both.

Declaration of ‘SMEs’ and ‘mid-caps’ (Section 1)

The formal declaration can be performed in Section 1 of the sheet corresponding to each ‘activity’. Section 1 automatically calculates the costs allocated to ‘SMEs’ and ‘mid-caps’ according to the following mechanism.

For establishing the applicable ‘SME’ and ‘mid-cap’ bonuses, the value of the eligible costs allocated to an ‘SME’ or a ‘mid-cap’ will be taken into account. **These costs must be net of any costs of subcontracting or purchasing from other ‘SMEs’ or ‘mid-caps’ separately declared for the same purpose, as well as of any costs of subcontracting to any other ‘undertaking’ not declared.**

The value of the eligible costs allocated to an ‘SME’ or a ‘mid-cap’ (C) will be determined as the difference between element (A) and elements (B1) and (B2) below, *i.e.*:

$$C = A - (B1+B2)$$

where (A) is the value of the eligible costs allocated to the ‘undertaking’ (when this ‘undertaking’ is a ‘beneficiary’ or a ‘linked third party’) or the value of the subcontract or of the purchase placed with the ‘undertaking’ (where this ‘undertaking’ is respectively a ‘subcontractor’ or a ‘supplier’ in the supply chain);

where (B1) is the value of any element outsourced (purchase, subcontract) by this ‘undertaking’ to other ‘SMEs’ and ‘mid-caps’ that are declared separately for the purpose of establishing the applicable bonus;

where (B2) is the value of all subcontracts awarded by this ‘undertaking’ to all other companies which are not declared for the purpose of establishing the applicable bonus (because you chose not to declare them or because they are not ‘SMEs’ nor ‘mid-caps’ established in the Union).

⁹ You are free to declare individually or commit on the participation of SMEs and ‘mid-caps’ without a limitation as to the tier at which they participate. You are also free not to declare SMEs and ‘mid-caps’ whose participation may in principle be relevant for the determination of the applicable bonus. However, the calculation of the applicable bonus will only take into account the information provided in Annexe 1 to the *Submission form*.

Possible commitment on the participation of ‘SMEs’ and ‘mid-caps’ beyond ‘undertakings’ individually declared in Section 1 (Section 2).

Considering that the full composition of the supply chain may not be known at the moment of submission of the proposal, section 2 of Annexe 1 to the *Submission form* allows ‘applicants’ to provide a commitment on the expected overall ‘SMEs’ and ‘mid-caps’ participation going beyond the ‘SMEs’ and ‘mid-caps’ that are already individually listed in Section 1 of Annexe 1. Providing such a commitment is optional.

This commitment will be taken into account to estimate the applicable funding rate bonus that can be granted to the ‘consortium’. To do so, the methodology for the calculation of the value of the participation of ‘SMEs’ and ‘mid-caps’ described above (deduction of subcontracts and purchases to other ‘SMEs’ and ‘mid-caps’ that are separately declared and deduction of subcontracts to any other ‘undertaking’) should apply. **The amount of the overall expected commitment introduced in section 2 of Annexe 1 to the *Submission form* should include the estimated value of the work allocated to ‘SMEs’ and ‘mid-caps’ already provided in Section 1 of the Table.** In case no additional commitment is made, the total participation figures of Section 1 need to be reported in section 2.

The payment equivalent to the bonus may however only take place once the information on the effective participation of individually identified ‘SMEs’ and ‘mid-caps’ has been provided to the Commission. This information must be provided at the latest with the delivery of the ‘activities’ final report¹⁰. For this purpose, the report(s) to be provided during the implementation of the action must include a table equivalent to the one of Section 1 of Annexe 1 to the *Submission form*. **If the ‘consortium’ does not fulfil the commitment on ‘SMEs’ and ‘mid-caps’ participation made at the moment of the submission of the proposal, the EU funding rate will be reduced accordingly.**

It is important to note that:

- changes of ‘subcontractors’ or ‘suppliers’ and/or modifications of the value of the work allocated to ‘SMEs’ and ‘mid-caps’, occurring during the implementation of an eligible action can potentially lead to reductions of the amount of the grant (see Article 32 of the *Model Grant Agreement*). The amount of EU funding paid can thus be reduced accordingly. However, such changes cannot lead to increase the Union funding beyond the amount initially granted based on the individual declaration and the commitment provided in Annexe 1 to the *Submission form*.
- the applicability of the ‘SME’ or of the ‘mid-cap’ participation bonus is dependent on reaching a minimum value (threshold). Changes during the implementation of the action that would bring the share of the eligible costs allocated to ‘SMEs’ or to ‘mid-caps’ below the applicable threshold would lead to the loss of the full amount of the corresponding bonus.

The ‘beneficiaries’ need to keep records and appropriate and sufficient evidence to substantiate the information on the participation of the ‘SMEs’ and/or ‘mid-caps’ declared for the purpose of establishing the applicable EU funding rate bonuses in case of audits, investigations or litigations (*e.g.*

¹⁰ Regarding the SMEs and ‘mid-caps’ which are identified after the conclusion of the *Grant agreement*, the appropriate date on which their qualification as SMEs or ‘mid-caps’ will be established is the date of signature of the contract (or equivalent document) pertaining to their participation in the activity. Regarding the SMEs and ‘mid-caps’ which are already identified at the time of the submission, the appropriate date on which their qualification as SMEs or ‘mid-caps’ will be established is the date of signature of the *Grant agreement*.

contracts, invoices, *etc.*). Where relevant, the ‘beneficiaries’ need to ensure that the necessary records and evidence will be produced by their ‘subcontractors’ and other entities involved further down the supply chain.

Example of calculation of the bonus for an action:

Let's assume a proposed action with the following characteristics:

- The proposed action is covering only 'prototyping' (which has a maximum baseline funding rate of 20%);
- The proposed action is developed in the context of PESCO;
- The participation of 'SMEs' established in the Member States in which the 'undertakings' in the 'consortium' that are not 'SMEs' are established ('non cross-border SMEs') represents 6% of the total eligible costs of the 'prototyping' 'activity';
- The participation of 'SMEs' established in Member States other than those in which the 'undertakings' in the 'consortium' that are not 'SMEs' are established ('cross-border SMEs') represents 6% of the total eligible costs of the 'prototyping' 'activity';
- The participation of 'mid-caps' represents 20% of the total eligible costs of the 'prototyping' 'activity';
- The global management and coordination of the action (work package 1), which has to be financially declared as 'studies' with a maximum baseline funding rate of 90%, is only performed by the 'coordinator of the consortium' which is a 'large company' (*i.e.* not an 'SME', nor a 'mid-cap').

The following funding rate bonuses may be applied to this action:

- PESCO bonus: 10 additional percentage points applicable both to the 'prototyping' and 'studies' (in this case only work package 1) 'activities'.
- The 'SME' bonus is applicable to the 'prototyping' 'activity' as the participation of 'SMEs' established in the EU represents 12% and therefore exceeds the 10% threshold:
 - 'Non cross-border SME' bonus: 5 additional percentage points (the level of participation would normally enable a bonus of 6 additional percentage points, but this bonus is capped at a maximum of 5 additional percentage points).
 - 'Cross-border SME' bonus: 12 additional percentage points (for the 'cross-border SME' bonus the bonus amount represents twice the percentage of the total eligible costs allocated to 'cross-border SMEs', which is here 6%)
- The 'mid-cap' bonus is applicable ('mid-caps' participation exceeds 15% of the total eligible costs of the 'activity'): 10 additional percentage points.
- Since no 'SME' nor 'mid-cap' participates to work package 1, 'studies' (in this case only work package 1) are not eligible to the 'SME' and 'mid-cap' bonus.

In view of the above the total applicable bonus for the 'prototyping' 'activity' would be of 37 additional percentage points. However, the overall bonus cap cannot be exceeded. Accordingly, the total applicable bonus would be of 35 additional percentage points and the funding rate of the 'activity' may thus reach 55% of the total eligible costs of the 'activity' (20% baseline funding rate + 35 percentage points of bonuses).

Regarding 'studies' 'activity' (in this case only work package 1), the total applicable bonus would be of 10 additional percentage points and its funding rate may thus reach 100% of its total eligible costs (90% baseline funding rate + 10 percentage points of PESCO bonus).

Annexe 2 – Budget table – Actual costs

The budget table should show the complete estimated budget of the proposed action. The budgeted costs should be based on a detailed and accurate estimation of all the costs that are necessary to carry out the action (based on the cost eligibility rules set out in Article 7 of the ‘Grant agreement’ and in Appendix 2 to this *Guide for applicants*). The itemised expenditure should be aligned with the resources identified and described in Part B of the Submission form. Please be aware that information of Annexe 2 will be taken into account for the evaluation of your proposal (cost efficiency).

The budget table (Annexe 2) is composed of the following sheets:

- **Instructions:** containing general information and step-by-step instructions on how to fill in the different sheets of the Annexe. Do not forget to indicate in this sheet the call and topic identifiers as well as your proposal acronym.
- **Summary per ‘activity’:** where each ‘applicant’ must introduce (in the blue cells) its estimated costs for each of the ‘activities’ included in the proposal. A brief explanation of the different budget categories included in this sheet is provided in the table below. More detailed explanation and guidance can be found in Appendix 2 to this *Guide for applicants*.

Column	Budget category
A A.1 A.2 A.3	Direct personnel costs: Employees (or equivalent). Natural persons under direct contract and seconded persons. ‘SME’ owners and natural person ‘beneficiaries’. <i>Indicate costs for personnel. Include only persons working on the action (and only for their estimated time of work on the action).</i>
B	Direct costs of travel & subsistence <i>Indicate costs for any trips (project meetings, technical workshops, etc.) planned for the action.</i>
C	Direct costs of subcontracting to entities with a direct contractual relationship with a ‘beneficiary’ <i>Indicate costs for subcontracted action tasks.</i>
E E.1 E.2	Other direct costs Equipment Other goods and services <i>Include costs for equipment, consumables, conferences, publications and other goods and services, provided they are not for subcontracted action tasks. For equipment, please include only depreciation costs.</i>

Column	Budget category
F	Indirect costs <i>Automatically calculated at the indirect cost flat-rate of 25% set out in Article 11(5) of EDIDP Regulation and reminded in Article 7.2.F of the ‘Grant agreement’.</i> <i>Automatically calculated.</i>
G	Total eligible costs <i>Automatically calculated. Sum of all eligible costs.</i>
H	Baseline funding rate <i>Automatically calculated (the basic reimbursement rate for each ‘activity’ as set out in section 3.3.2 of the 2020 calls for proposals and conditions for the calls).</i>
I	Increased funding rate (applicable bonuses) <i>Please fill in using the values calculated in Annexe 1 to the Submission Form.</i>
J	Maximum requestable funding rate % <i>Automatically calculated. It is the sum of baseline funding rate plus increase funding rate (applicable bonuses).</i>
K	Maximum requestable EU contribution <i>Automatically calculated. Total eligible cost multiplied by maximum requestable funding rate %. This represents the maximum Union financial support that you could theoretically claim under EDIDP.</i>
L	Requested EU contribution <i>Amount to be requested per ‘activity’. It must be equal or lower than the maximum requestable EU contribution. <u>The total requested EU contribution for the whole ‘consortium’ and for the whole action cannot exceed the budget indicated in the call.</u></i>
M	Requested EU funding rate <i>Automatically calculated and provided for information. It represents the funding rate requested per ‘activity’.</i>
O	Additional information estimated costs of ‘associated partners’ <i>Indicate costs of action tasks allocated to ‘associated partners’.</i>

- Summary per applicant: a fully automated table that shows the total estimated costs for each of the ‘applicants’, consolidating the values introduced by the ‘applicants’ in the previous sheet. The budget items included in this sheet are the same than in “Summary per activity” with the addition of the following:

Column	Budget category
K	<p>Percentage of subcontracting</p> <p><i>Automatically calculated. It shows the percentage of subcontracting costs over the total eligible costs of each ‘applicant’. These values need to be reported in section 5.3 of Part A of the Submission form.</i></p>
L	<p>Percentage of other direct costs</p> <p><i>Automatically calculated. It shows the percentage of the jointly costs for travel and subsistence, equipment and other goods and services over the personnel costs. For ‘applicants’ which value is higher than 15%, please fill in the tables in section 5.4 of Part A of the Submission form.</i></p>

- **Direct costs of beneficiary X:** you must create one sheet for each ‘applicant’ included in the ‘consortium’. In these sheets, ‘applicants’ must declare their estimated costs, detailed per budget category, for the whole action (*i.e.* not broken down per ‘work package’ or per ‘activity’ – do not forget however to indicate in column H the link between the estimated costs and the ‘work packages’). The total figures per budget category included in these sheets must be fully consistent with the ‘applicants’ estimated costs declared in the sheet “Summary per activity”. More detailed explanation and guidance on the different budget categories can be found in Appendix 2 to this *Guide for applicants*.

Keep your budget estimates on file – you may be required to produce them later on, *e.g.* during ‘Grant agreement preparation’ if your application is successful. Keep in mind that in such case, Annexe 2 to the *Submission form* will, after final review during the ‘Grant agreement preparation’ (GAP), become Annexe 2 to the signed ‘Grant agreement’.

Annexe 3 – Declaration on honour for applicants and linked third parties

Each ‘applicant’ (including the ‘coordinator’) and ‘linked third party’ needs to read, sign and submit Annexe 3 with their proposal. Be careful that the template is different for ‘applicants’ and ‘linked third parties’.

The Annexe 3 will be taken into account by the Commission when assessing your application against exclusion grounds and selection criteria (financial capacity).

Be aware that successful ‘applicants’ will be requested to update and sign such declarations on honour before the signature of the ‘*Grant agreement*’.

Annexe 4 – Pre-existing information (background information) linked to third countries or third-country entities

This annexe will be used to assess the eligibility of the proposed action against Article 6(1) and, to some extent, ‘Article 12(2) of the EDIDP Regulation’. It must substantiate the answers to questions n) and o) of Part A of the *Submission form*.

It is designed to identify the background information originating from ‘third countries’ or ‘third-country entities’ (including the one brought by ‘associated partners’, if any) needed to carry out the action. **You must demonstrate in this Annexe that you have all necessary rights on this background information to carry out the action and that it will not lead to control or restrictions over the ‘results’ of the action.**

‘Results’ must be understood as any tangible or intangible effect of the action, such as data, know-how or information, whatever its form or nature, whether or not it can be protected, as well as any rights attached to it, including intellectual property rights.

Be aware that with regard to ‘Article 12(2)’, additional evidence may be requested by the Commission services during the evaluation of your proposal (see section 3.4 item o) of this *Guide for applicants*).

Annexe 5 – Statistical information on applicants, linked third parties and subcontractors having a direct contractual relationship with an applicant

The Commission is gathering statistical information on the defence industry in order to assess the programme's performance. All legal entities that are 'applicants', 'linked third parties', and subcontractors with a direct contractual relationship with an 'applicant' for the purpose of the action, are kindly invited to provide the information requested in Annexe 5.

In the Table in Annexe 5 you are invited to provide for each legal entity (add as many rows as necessary), data on the turnover, on the number of full time equivalent employees and on the Research and Development expenditure, distinguishing for each of these categories the data related to defence activities from the data related to non-defence activities. Ideally, the data should be provided for the most recent year for which it is available at the time of submission. The year for which the data is provided should be indicated in the column "Year of reference". In the first four columns you are invited to provide simple information allowing the Commission to identify unambiguously each legal entity and its general field(s) of activity ([NACE code\(s\)](#)).

The information that you will provide in this Annexe is without prejudice to the information requested for the evaluation of the submitted proposal and **will therefore not be taken into account for the evaluation of your proposal.**

Annexe 6 – Declaration of Ownership and Control

The information that you will provide in this Annexe will be used by the Commission to assess if your entity is subject or not to ‘control’ by a ‘third country’ or by a ‘third-country entity’ (see section 3.1 item c) of this *Guide for applicants*). The Commission will also use this information to verify if members of the ‘consortium’ are not controlled, directly or indirectly, by the same ‘undertaking’ or do not ‘control’ each other (see section 3.3 of this *Guide for applicants*).

Please, be aware that following the information that you will provide in this Annexe at the time of submission of your proposal, the Commission may come back to you for clarifications or additional evidence (see below) depending on your own case. Moreover, in case the Commission comes to the conclusion that your entity is controlled by a ‘third country’ or a ‘third-country entity’, you will be requested to provide guarantees approved by the Member State in which you are established as detailed in section 3.1 of this *Guide for applicants* (“Derogation from the requirement of not being subject to ‘control’ by a ‘third country’ or by a ‘third-country entity’”). **In such cases, be aware that you will be given a limited time to provide the necessary evidence.**

At the same time, this Annexe may help ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ to run a self-assessment and to anticipate their potential ‘control’ by a ‘third country’ or by a ‘third-country entity’ and the necessary supporting documents that may be requested.

Nota: all the information you will provide inside or in relation with Annexe 6 will be treated according to Article 339 of the TFEU, will not be disclosed, and may only be used for the purpose of the evaluation of your proposal under EDIDP. You can also submit the information clearly marked “Confidential” or “Business secrets” if you believe your interest would be harmed if any of this information is disclosed. In this case, you should give reasons why this information should be covered by the obligation of professional secrecy. If you deem the information you provide in or with Annexe 6 too sensitive to be delivered with the proposal via the ‘coordinator’, please contact the Commission at EC-EDIDP-proposals@ec.europa.eu to identify the appropriate way of transmission ahead of the deadline for submission of the proposal. The Commission will acknowledge reception by email and you will communicate this proof to the ‘coordinator’ who will need to include it in the submitted proposal.

In practice, each ‘applicant’, ‘linked third party’, ‘subcontractor involved in the action’ and ‘non-SME partner’ has to assess how ‘control’ is exercised in its entity, and whether there is a possibility that a ‘third country’ or a ‘third-country entity’ influences strategic decisions.

What evidence needs to be provided in or with Annexe 6 regarding the ‘undertaking’ legal entity?

- The ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ need to provide all information in the tables regarding entity, headquarters and listed, subsidiary or controlled company;
- Report/minutes of the last three shareholders meetings when the company is a listed company, subsidiary or controlled by a listed company.

‘Control’ must be assessed following these indications:

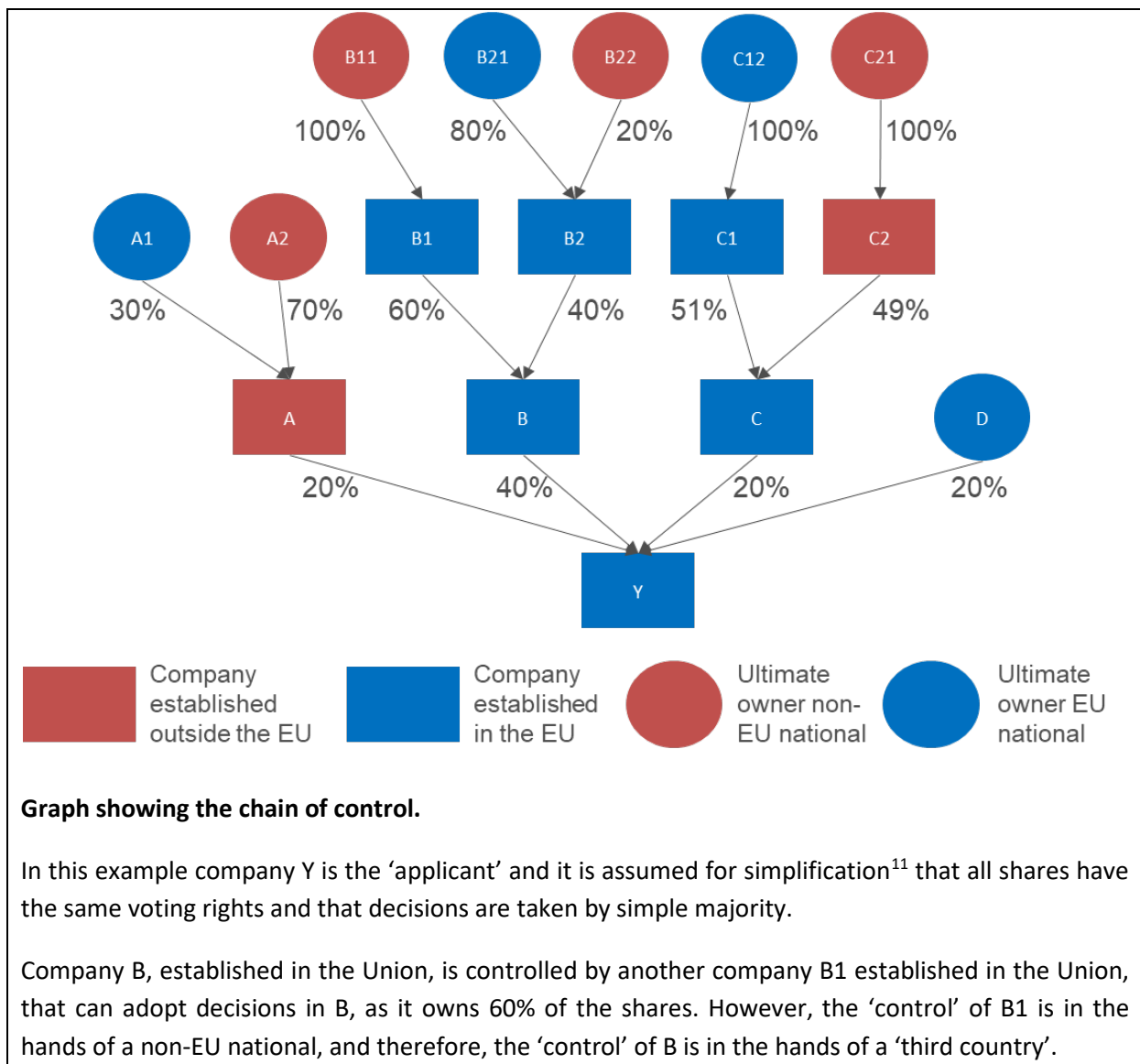
- a) When the ‘undertaking’ is **directly owned** by individual shareholders (natural persons that own and control the company), these are the ultimate owners. In these cases, the nationality of the individual shareholders has to be considered as a first element of assessment:
 - If all the shareholders are EU nationals, it is concluded that the ‘undertaking’ is not subject to ‘control’ by a third-country individual;
 - If there are third-country individuals among the shareholders, their ability to exercise ‘control’ has to be assessed as explained below.

- b) When the ‘undertaking’ is **indirectly owned** by the ultimate owners, several ownership layers can exist between the ‘undertaking’ and the ultimate owners (the natural persons that own and control the company):
 - The identification of the ultimate owners has to be conducted at each layer, and at each layer has to be assessed the existence of third-country individual or ‘third-country entity’ controlling that intermediate layer, up to the ultimate owners of all the layers involved;
 - ‘Undertakings’ must therefore assess, all along the chain of control of their entity until the ultimate owners, that there is no ‘control’ of the ‘undertaking’ by ‘third countries’ or ‘third-country entities’ (see graph below);
 - In cases where shareholding is widely spread, and one or several ‘third-country’ shareholders are the largest shareholders, even if the shareholding is below 25%, detailed control assessment of all the above mentioned elements has to be conducted. Indeed, in such a case, even if shareholding may look as not significant, it could be *de facto* that the shareholder becomes the one being able to influence the strategic decisions;
 - Only ultimate owners having more than 5% of the shares or 5% of the voting rights of the ‘undertaking’ must be identified.

- c) If the ‘undertaking’ is a company listed in the **stock exchange**, a subsidiary of a listed company or is controlled by a listed company, ‘control’ has to be assessed in the same way as described above. However, in some cases, as regards the shares that are floating, only the ‘undertaking’ is in a position of identifying the shareholders that register their attendance for the general meeting and not those that do not register. In these cases, in order to assess ‘control’, more emphasis should be made on identifying:
 - the bodies embodied with the adoption of strategic decisions;

- the decisions that are taken at the general meeting of shareholders and the quorum (participation and majority) required to adopt such decisions;
- the decisions that are taken at other management bodies (such as Executive Board, Supervisory Board, Board of Directors, Advisory Boards, CEO) and the quorum (participation and majority) required to adopt such decisions;
- the appointment of management bodies and the possibilities of the largest shareholders to appoint them;
- any veto right or multiple voting shares (e.g. golden share), if existing;

Where not all the ultimate owners can be identified (due to the presence in the control chain of listed companies with important float (share of capital on a regulated stock market)), the legal representative of the ‘undertaking’ must ensure that under the national legislative provisions no unknown shareholder can alone or in concert be in a position to exercise a decisive influence on the ‘undertaking’.



¹¹ when doing your assessment you need to check which are the majorities needed, the quorums requested, if there are different voting rights attached to the shares, the veto rights that minority shareholder can have, etc.

In company Y, even if 80% of the shares are in hands of 2 companies (and 1 direct owner) established in the Union, when looking at the 'control' of the intermediate layers, it can be concluded that 60% of the shares are controlled by non-EU shareholders (20% corresponding to company A, and 40% to company B), and therefore, that non-third-country ultimate owners can adopt strategic decisions.

Calculation of ultimate owner shareholding: in the example, ultimate owner B11 owns 24% of Y shares: $(100\% B1 * 60\% B * 40\% Y) = 24\%$

How is 'control' by a 'third country' or 'third-country entity' assessed?

'Undertakings' need to assess the 'control' by a third-country element by checking the following issues:

- a) Ownership structure and specific rights (*i.e.* shareholders rights)
- b) Corporate governance
- c) Commercial links conferring control
- d) Financial links conferring control
- e) Other sources of control

a) Ownership structure and specific rights (*i.e.* shareholders rights)

'Control' can be granted to third-country shareholders through extensive rights attached to their shares, such as right to veto a transfer of shares, pre-emption rights (right given to an existing shareholder to be the first option in case other shareholders wants to sell their shares), right of the third-country shareholder to sell its shares (depending on the applicable conditions), right to purchase additional shares or conditions for the investment in the company imposed by the third-country shareholder. These rights could grant them the ability to obtain concessions on matters, which, on their face, and having regard to the corporate governance agreed upon, appear to be controlled by the EU shareholder(s).

What evidence needs to be provided in or with Annexe 6 regarding ownership structure and specific rights?

- The ‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ need to provide information on the nationality of the individual ultimate owners that detain at least 5% of the capital or voting rights in the ‘undertaking’;
- Information on the rights attached to the shares detained;
- Shareholders’ agreement, Memorandum of Understanding among shareholders, Statutes, Articles of Association or other relevant documents regarding the taking of decisions within the company, investment agreements between the shareholders.

What additional evidence may be requested regarding ownership structure and specific rights?

- Evidence on the absence of third-country ‘control’ of each intermediate layer, up to the ultimate owner, according to the graph describing the chain of control of the ‘undertaking’ (see section 3.1 item c) of this *Guide for applicants*);
- Copy of ID card or passport of the ultimate owner(s).

b) Corporate governance

When a ‘third country’ or ‘third-country entity’ has the possibility to veto decisions proposed by the EU shareholders or members, it exercises decisive influence. The assessment the ‘undertaking’ has to conduct is whether their strategic decisions may be influenced, actively (through an action) or passively (by not exercising its rights – *e.g.* abstention), by a ‘third country’ or by a ‘third-country entity’.

For this purpose, the ‘undertaking’ has to identify at what level (which are the bodies) are the strategic business decisions taken within the ‘undertaking’; which are the majorities of votes (and/or share capital) requested for the adoption of the decisions; what is the nature of the decisions they take, their decision-making procedures, including quorum requirements and voting rules and any prerogative accorded to other bodies. If the majorities requested for the adoption are such that allow a minority shareholder or member to block strategic decisions, it is considered to have a veto right and therefore, influence the adoption of the strategic decisions and thus ‘control’.

What evidence needs to be provided in or with Annexe 6 regarding corporate governance?

- Description of the decision-making bodies and their composition;
- The relevant rules regarding election, appointment, nomination or tenure of members of the decision-making bodies;
- The decision-making procedures.

c) Commercial links conferring control

Commercial dependence may consist in a cooperation between two ‘undertakings’, or may take the form of a joint venture, or purchase and sale of goods between the third-country shareholder and the ‘undertaking’. To the extent that the ‘undertaking’ is dependent on such cooperation with the

third-country shareholders, the latter could gain strategic influence over the former. A third-country customer or supplier might exercise the same dependence, even if it is not a shareholder, in cases of long-term supply or buy agreements that allow it to decide on the commercial strategy.

What evidence needs to be provided in or with Annexe 6 regarding commercial dependence?

- Information on companies or individuals of ‘third countries’ that have a contractual relationship with the ‘undertaking’ which can give them ‘control’ over it. If this commercial relationship is with a company or individual of the ‘third country’ which is a shareholder, you also need to include the relevant information.

What additional evidence may be requested regarding commercial dependence?

- Cooperation agreements with third-country customers or suppliers (including shareholders if relevant), when they could confer ‘control’ over the company.

d) Financial links conferring control

‘Control’ could be exercised when the ‘undertaking’ is financially dependent on the contribution from the third-country shareholder. Due to this financial dependence, the third-country shareholder is in a position to obtain concessions in strategic areas, even though legally the EU shareholder would have the means to refuse such concession. To assess the degree of financial dependence, it needs to be assessed whether the third-country shareholder contributed to the financing of the ‘undertaking’ in a proportion higher to its shareholding. All modes of financing should be taken into account, such as capital increase, loans, guarantees, debt waivers bails and grants.

What evidence needs to be provided in or with Annexe 6 regarding financial dependence?

- Information on shareholders providing financing to the company, indicating the type of financing and nature and degree of ‘control’.

What additional evidence may be requested regarding financial dependence?

- In case of third-country or third-country entity shareholder that provides financial contribution, any supporting document (loans, by-laws...) that justifies the financial contribution.

e) Other sources of control

There might be other sources of ‘control’ specific to each case. In such cases, please provide inside Annexe 6 all the information about any other means, process or link ultimately conferring ‘control’ to a ‘third country’ or ‘third-country entity’.

What evidence needs to be provided in or with Annexe 6 regarding other sources of ‘control’?

- all the information about any other means, process or link ultimately conferring ‘control’ to a ‘third country’ or ‘third-country entity’.

Annexe 6 has to be signed by a person with powers to represent the company.

Please keep in mind that in the event of any change during the implementation of the action which might put into question the fulfilment of the eligibility criteria, you must inform the Commission immediately, which will assess whether the eligibility criteria continue to be met.

Annexe 7 – Description of infrastructure, facilities, assets and resources used for the purpose of the action – Operational capacity

The objective of Annexe 7 to the *Submission form* is twofold:

- a) To provide the information needed to assess the eligibility of each ‘beneficiary’, ‘linked third party’, ‘subcontractor involved in the action’, and ‘non-SME partner’ regarding the infrastructure, facilities, assets and resources used for the purpose of the action (section 3.2.5 of the *2020 calls for proposals and conditions for the calls*);
- b) To provide the information needed to assess the operational capacity of each ‘beneficiary’ and ‘linked third party’ (see section 3.2.7 of the *2020 calls for proposals and conditions for the calls*).

Regarding point a), **all infrastructure, facilities, assets and resources, which will be used for the implementation of the action** by each ‘beneficiary’, ‘linked third party’, ‘subcontractor involved in the action’ and ‘non-SME partner’, **need to be described and located**. This may for example include location of offices, laboratories, testing facilities, but also the software and human resources required/involved. **In case the usage of space assets or services or the usage of cloud facilities or services is required to carry out the action, they need to be specified**, including the place of establishment of the company(ies) owning and/or operating the related systems.

Should you be in possession of a Facility Security Clearance (FSC) for any of the facilities listed, please indicate it in Annexe 7, in the consideration that the ‘work packages’ you are involved in may imply the handling of classified information (see sections 6 and 8 of the *Submission form*).

Attention is drawn on the fact in order to be eligible for EDIDP funding, all the infrastructure, facilities, assets and resources of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ needed to carry out the action must be located on the territory of the European Union (which includes the outermost regions of the Member States) for the entire duration of the action. To carry out the action, **the usage of infrastructure, facilities, assets and resources located outside the territory of the Union is however possible, but not eligible for funding**, provided that:

- these infrastructure, facilities, assets and resources are those of the ‘beneficiaries’, ‘linked third parties’, ‘subcontractors involved in the action’ or ‘non-SME partners’ and that you **justify that there is no competitive substitute available in the Union**. In addition, their usage must not contravene the security and defence interests of the Union and its Member States, must be consistent with the objectives of the EDIDP (see ‘Article 3 of the EDIDP Regulation’), and must not entail restriction or control by a ‘third country’ or by a ‘third-country entity’ on the ‘results’ of the action. Or;
- these are the infrastructure, facilities, assets and resources of ‘**associated partners**’ and their usage does not contravene the security and defence interests of the Union and its Member States, is consistent with the objectives of the EDIDP (see ‘Article 3 of the EDIDP Regulation’), and does not entail restriction or control by a ‘third country’ or by a ‘third-country entity’ on the ‘results’ of the action. In addition, there must be no unauthorised access by a ‘third country’ or other ‘third-country entity’ to classified information relating to the carrying out of the action and the potential negative effects over security of supply of inputs critical to the action must be avoided. In such case, **‘applicants’ are not requested to fill in out Annexe 7 for**

the ‘associated partners’ but they might be requested to do so (see section 3.2 of this *Guide for applicants*)

Regarding point b), the ‘applicants’ and ‘linked third parties’ must provide information to demonstrate that they have the professional competencies and qualifications required to perform and complete their allocated tasks in the proposed action. This will be assessed based on the description of the entity (profile, main activities, area of expertise, qualifications...) and of the list of projects activities or developed products (past experience) related to the tasks to be performed within the action. In order to be able to assess the relevance of the provided evidence it is important to specify, for each of them, the year of implementation, the duration of the activities, the value and the specific role of the ‘beneficiary’.

Annexe 8 – Mid-cap self-assessment form

This Annexe is designed to help ‘participants’ assess if they are ‘mid-caps’ according to the definition of the EDIDP Regulation:

Middle-capitalisation companies (‘mid-caps’)

‘Middle-capitalisation company’ or ‘mid-cap’ means an enterprise that is not a ‘SME’ and that has up to 3 000 employees, knowing that the staff headcount is calculated in accordance with Articles 3 to 6 of the [Annex to Commission Recommendation 2003/361/EC](#).

This Annexe must be filled in and provided only in the case ‘applicants’ intend to request the ‘mid-cap’ bonus (see section 3.3.3 of the *2020 calls for proposals and conditions for the calls* and guidance in Annexe 1 to this *Guide for applicants*).

‘Mid-caps’ participating as ‘beneficiaries’ in the ‘consortium’, ‘linked third parties’, ‘subcontractors involved in the action’, other ‘subcontractors’ or ‘suppliers’ (for purchases) further in the supply chain, ‘associated partners’¹² and ‘non-SME partners’¹³ can be taken into account for the calculation of the ‘mid-cap’ bonus and therefore will need to fill in this Annexe.

The Annexe is composed of 2 sheets:

- **Instructions:** you will find in this sheet the necessary instructions and definitions needed to correctly fill in the self-assessment form. Your attention is drawn in particular to the definitions provided for linked and partner companies. **Please be aware that you will need to provide information from partner and linked companies up to two degrees of relationship** with the exception of partner to partner (*i.e.* partner, linked, partner to linked, linked to partner and linked to linked).
- **Self-assessment form:** you need to fill in the blue cells of the sheet following the instructions and definitions provided in the sheet Instructions. If after completion of the sheet, the cell B11 indicates MIDCAP, you are considered as a ‘mid-cap’. This is without prejudice to the validation of your status by REA (see below).

Your attention is drawn on the fact that **data used** for the headcount of staff and the financial amounts¹⁴ relating to the latest approved accounting period and calculated on an annual basis **must not be older than 2 years**.

Be aware that following the submission of Annexe 8 with your proposal, the **Research Executive Agency (REA) Validation Services** of the European Commission **may request necessary supporting documents** through the participant portal **for the validation your ‘mid-cap’ status**.

¹² Only ‘associated partners’ that are established in the territory of the Union.

¹³ Be aware that for the SME call, applicants (which are all considered as ‘cross-border SMEs’) are already eligible to the maximum bonus.

¹⁴ Data for the financial amounts are needed to check that you are not an SME (‘mid-caps’ must not be SMEs).

Supporting documents

In addition to the duly completion of the entire *Submission form* and its eight annexes, you are requested to provide all necessary supporting documents for the Commission to be able to assess your eligibility and some of the selection criteria. Unless otherwise specified in this *Guide for applicants*, **these supporting documents need to be provided at the time of submission of your proposal**. Keep in mind that some of these supporting documents may need to be approved by Member states (*e.g.* guarantees in case of derogation from the requirement of not being subject to ‘control’ by a ‘third country’ or by a ‘third-country entity’ – see section 3.1 item c) in this *Guide for applicants*).

Please provide these documents as separate files in pdf format and use precise reference to these files (name, page and where relevant paragraph) to refer to these documents in the *Submission form* where necessary. It is expected that all supporting are, as far as possible, in the English language, or provided together with a courtesy translation in English. If some of these supporting documents contain many information not relevant to the requested information, please highlight the relevant part.

The following table is summarizing all the supporting documents that you need to provide at the time of the submission of your proposal or that you may be requested to provide afterwards. **The following table is without prejudice to any other additional supporting document or evidence that the Commission may deem necessary to request to ‘applicants’ on a case-by-case basis, in order to assess the eligibility of the ‘participants’ and of the proposed action, as well as to assess their operational and financial capacity.**

To support what?	Which evidence or supporting document?	Who/What is concerned?
<u>Eligibility of the participants:</u> place of establishment of the 'undertaking'	extract of trade or association register or any legally valid document proving the place of establishment	'applicants', 'linked third parties', 'subcontractors involved in the action' and 'non-SME partners'
<u>Eligibility of the participants:</u> description of the economic activity of the 'undertaking'	<ul style="list-style-type: none"> - description of the goods and/or services offered in the market. - extract of trade or association register, certificate of liability to VAT or any legally valid document proving the economic activity. 	'applicants', 'linked third parties', 'subcontractors involved in the action' and 'non-SME partners'
<u>Eligibility of the participants:</u> executive management structures of the 'undertaking' are established in the Union	extract from the official journal, copy of articles of association, of resolution, decision or any other official document proving that the 'executive management structures' are established in the Union	'applicants', 'linked third parties', 'subcontractors involved in the action' and 'non-SME partners'
<u>Eligibility of the participants:</u> infrastructure, facilities, assets and resources used for the purposes of the actions located on the territory of the Union for the entire duration of the action	<p>additional evidence requested inside Annexe 7 where infrastructure, facilities, assets and resources are located outside the Union territory to support that:</p> <ul style="list-style-type: none"> - there is no competitive substitutes readily available in the Union; - the use of these assets, infrastructure facilities or resources will not contravene the security and defence interests of the Union and its Member States; - the use of these assets, infrastructure facilities or resources is consistent with 'Article 3 of EDIDP Regulation'; - the use of these assets, infrastructure facilities or resources does not lead the 'results' of the action to be subject to control or restriction by a 'third country' or by a 'third-country entity', directly, or indirectly through one or more intermediate 'undertakings', including in terms of technology transfer. 	'applicants', 'linked third parties', 'subcontractors involved in the action' and 'non-SME partners'

To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the participants:</u> absence of ‘control’ by a ‘third country’ or ‘third-country entity’</p>	<ul style="list-style-type: none"> - graph describing the chain of control of the ‘undertaking’ until the ultimate owners (see guidance for Annexe 6 in this <i>Guide for applicants</i> for an illustration of such graph); - all additional evidence requested inside Annexe 6: <ul style="list-style-type: none"> - report/minutes of the last three shareholders meetings when the company is a listed company, subsidiary or controlled by a listed company; - shareholders’ agreement, Memorandum of Understanding among shareholders, Statutes, Articles of Association or other relevant documents regarding the taking of decisions within the company, investment agreements between the shareholders. - (may be requested) evidence on the absence of third-country ‘control’ of each intermediate layer, up to the ultimate owner, according to the graph describing the chain of control of the ‘undertaking’ (see section 3.1 item c) of this <i>Guide for applicants</i>); - (may be requested) copy of ID card or passport of the ultimate owner(s); - description of the decision-making bodies and their composition; - the relevant rules regarding election, appointment, nomination or tenure of members of the decision-making bodies; - the decision-making procedures; - (may be requested) cooperation agreements with third-country customers or suppliers (including shareholders if relevant), when they could confer ‘control’ over the company; - (may be requested) in case of third-country or third-country entity shareholder that provides financial contribution, any supporting document (loans, by-laws...) that justifies the financial contribution; - all the information about any other means, process or link ultimately conferring ‘control’ to a ‘third country’ or ‘third-country entity’. 	<p>‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’</p>

To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the participants:</u> derogation in case of ‘control’ by a ‘third country’ or ‘third-country entity’</p>	<p>guarantees, approved by the Member State in which the ‘undertaking’ is established in accordance with its national procedure, detailing the measures put in place to comply with the four conditions of the derogation. Examples of such measures could be (but not limited to):</p> <ul style="list-style-type: none"> - specific management structure put in place to deal with the EDIDP action; - protection mechanism regarding the structure/practices of the company from the third-country controlling entity or ‘third country’; - instruments to control or approve non-EU investments in the ‘undertaking’; - registration and/or authorisation received to operate and work in defence; - security agreement, in place between the ‘undertaking’ and the Member State where it is established, setting the measures (to be) implemented, including security-related obligations of conduct; - control, verification and/or audit rights on the ‘undertaking’; - mechanisms in place to prevent access to sensitive information by non-EU management structures; - protection against loss of sensitive data; - security clearance of the management/employees/facilities involved in the action; - reporting duties for the ‘undertaking’. 	<p>‘applicants’, ‘linked third parties’, ‘subcontractors involved in the action’ and ‘non-SME partners’ asking for a derogation</p>
<p><u>Eligibility of the participants:</u> ‘associated partners’</p>	<ul style="list-style-type: none"> - supporting documents describing the mechanisms, procedures or measures in place that justify that the requirements of questions d), e), f) and g) in Part A of the <i>Submission form</i> are met. - (may be requested) information equivalent to the one requested in Annexe 7 to the Submission form. 	<p>‘associated partners’</p>

To support what?	Which evidence or supporting document?	Who/What is concerned?
<u>Eligibility of the action:</u> co-financing	<ul style="list-style-type: none"> - in the case of co-financing by Member States, supporting document(s) identifying the financial contributors and specifying on what hypothesis (EU support level) their financial contribution will cover the rest of the costs of the action (<i>e.g.</i> Memorandum of Understanding (MoU), comfort letter / guarantee, (draft) procurement contract); - in the case of co-financing by other stakeholders, supporting document(s) identifying the financial contributors and specifying on what hypothesis (EU support level) their financial contribution will cover the rest of the costs of the action (<i>e.g.</i> (draft) loan contract, decision of management board (for self-investment)). 	any action which costs are not fully covered by the requested Union financial support
<u>Eligibility of the action:</u> common requirements	supporting document(s) proving that the ‘activities’ will be based on “common requirements jointly agreed by at least two Member States” (<i>e.g.</i> Letter of Declaration, signed by at least two Member States, common military requirements described in an agreement (MoU or <i>ad hoc</i>) signed between the participating Member States).	actions covering ‘design’
<u>Eligibility of the action:</u> common technical specifications	supporting document(s) proving that the ‘activities’ will be “based on common technical specifications jointly agreed by the Member States that are to co-finance or that intend to jointly procure the final product or to jointly use the technology” (<i>e.g.</i> a Letter of Declaration, Memorandum of Understanding or <i>ad hoc</i> agreement signed by the participating Member States, declaring that the proposal is based on common technical specifications).	actions covering any of the following ‘activities’: ‘prototyping’, ‘testing’, ‘qualification’, ‘certification’ or ‘life-cycle technologies’

To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the action:</u> common requirements and/or common technical specifications</p>	<p>supporting document proving that at least two Member States intend to jointly agree on common requirements and/or common technical specifications on which the action will be based.</p>	<p>actions covering:</p> <ul style="list-style-type: none"> - at least ‘studies’ <u>and</u> ‘design’ for the common requirements (<u>and performing the ‘studies’ first</u>) - at least ‘design’ <u>and</u> ‘prototyping’ for the common technical specifications (<u>and performing the ‘design’ first</u>) <p>in case ‘applicants’ want to benefit from the flexibility regarding the date of provision of the common requirements and/or common technical specifications</p>
<p><u>Eligibility of the action:</u> intention to procure</p>	<p>supporting document(s) proving that “at least two Member States intend to procure the final product or to use the technology in a coordinated way, including through joint procurement where applicable” (e.g. Letter of Intent, signed by the respective Member States, Memorandum of Understanding or <i>ad hoc</i> agreement signed between the participating Member States, the procurement contract signed with the respective Member States).</p>	<p>actions covering any of the following ‘activities’: ‘prototyping’, ‘testing’, ‘qualification’, ‘certification’ or ‘life-cycle technologies’</p>

To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the action:</u> absence of control and restrictions over the 'results' of the action</p>	<ul style="list-style-type: none"> - (may be requested) justification that the participation of non-EU nationals to the action (within the 'applicants', 'linked third parties', 'subcontractors involved in the action' or 'non-SME partners') will not lead to restriction or control over the results of the action by a 'third country' or by a 'third-country entity'; - (may be requested) justification that the participation of entities established outside the territory of Member States or controlled by a 'third country' or by a 'third-country entity' (as 'associated partners', other 'subcontractors' or 'suppliers') will not lead to restriction or control over the 'results' of the action by a 'third country' or by a 'third-country entity'; - (may be requested) commitment from the Member State where the 'associated partner' is established that this Member State will not impose control or restriction over the 'results' generated by the 'associated partner' for the purpose of the action. 	<p>any action</p>

CHAPTER 3: HOW TO SUBMIT YOUR PROPOSAL

Before you submit your proposal, make sure that you have checked the following items:

- You have used the latest version of the *Submission form* and of its eight annexes;
- The *Submission form*, including its eight annexes, is duly completed as requested in the *Submission form* and further explained in this *Guide for applicants*.
- You have included all requested supporting documents (see section Supporting documents of this *Guide for applicants*);
- You have followed the general advice provided in Chapter 1 of this *Guide for applicants*.

Proposals cannot be submitted through the *Funding & Tenders Portal*. **Proposals need to be submitted by registered mail, courier service or hand delivery** (for proposals not containing classified information) or via an agreed specific arrangement with DG DEFIS (for proposals containing classified information). For mail address and modalities of submission, please refer to section 3.2.3 of the *2020 calls for proposals and conditions for the calls*. Make sure to use the appropriate address to avoid any delay in delivery and reception.

The proposal must be submitted before the **call deadline** (specified in section 3.1 of the *2020 calls for proposals and conditions for the calls*). If you miss the deadline, your proposal will be automatically disregarded and considered not to have been submitted.

Part B of the proposal must keep to the **page limits** (specified in the *Submission form*); excess pages will be disregarded.

Documents must be named and placed in folders allowing a **rapid identification of their content** and the part/section of the Submission form they are referring to. .

You can submit your proposal in **any official EU language**. However, for reasons of efficiency, we strongly advise you to use English. If you submit your proposal in another language, be informed that the European Commission will proceed to the translation of your proposal into English. Supporting documents are also expected to be in the English language, or provided together with a courtesy translation in English. If you submit Part B of the proposal in a language other than English, please write your abstract/project summary (both in Part A and in Part B) in English.

We strongly advise you to complete your proposal sufficiently in advance of the deadline, to avoid any last minute problems. Any technical problems due to last minute submissions will be at your own risk.

You may submit several proposals (and an organisation may participate in several applications), however those proposals must be for different projects.

If you have submitted several proposals with the same content (same project) against a single topic or against different topics, you will be asked to clarify which proposal you would like the Commission to evaluate and against which topic (since projects may normally receive only one grant from the EU budget).

The 'coordinators' will receive an e-mail confirming the reception of their proposal.

CHAPTER 4: WHAT IS GOING TO HAPPEN ONCE YOU HAVE SUBMITTED YOUR PROPOSAL

Once you have submitted your proposal, the Commission, assisted by independent experts, will proceed to its evaluation.

Evaluation process

The evaluation process is designed according to the principles and conditions laid down in Article 200 of the Financial Regulation¹⁵ and Article 15 of the EDIDP Regulation¹⁶.

The conditions and criteria are detailed in section 3.2 of the *2020 calls for proposals and conditions for the calls* and are organised as follow:

- **Admissibility** – in order to be evaluated, all proposals submitted must comply with the admissibility conditions as described in section 3.2.3 of the *2020 calls for proposals and conditions for the calls*. One or two weeks after the call submission deadline, received proposals will be opened by the opening committee that will check the completeness of the proposals and register the electronic files and the paper versions (if any). They will also confirm that the proposals were submitted before the call submission deadline announced on the *Funding & Tenders Portal* (and in section 3.1 of the *2020 calls for proposals and conditions for the calls*).

The ‘coordinators’ will receive an e-mail confirming the reception of their proposal. This communication does not prejudice from the assessment of the eligibility conditions or other criteria laid down in the *2020 calls for proposals and conditions for the calls*. Proposals which fail to meet the admissibility conditions will be rejected.

- **Exclusion criteria** – this assessment will consist in determining if the admissible proposals fall under exclusion grounds (see section 3.2.4 of the *2020 calls for proposals and conditions for the calls*). It is based on the Declarations on Honour provided in the proposal (Annexe 3 to the *Submission form*) and verification in the EDES (Early Detection and Exclusion System) database of the European Commission. Proposals which fall under exclusion grounds will be rejected.
- **Eligibility criteria** – all admissible proposals will then be assessed for eligibility (actions and entities) as described in section 3.2.5 of the *2020 calls for proposals and conditions for the calls*. Proposals which fail to meet any of the eligibility criteria will be rejected.

As described in the *2020 calls for proposals and conditions for the calls*, the evaluation of the eligibility criteria will extend before and after the evaluation of the award criteria with the assistance of independent experts. Before the evaluation of the award criteria, the assessment of the eligibility will mainly focus on the eligibility of the action. Proposals that do not meet these eligibility criteria will be considered as ineligible and the evaluation of the award criteria will not be performed.

¹⁵ Regulation (EU, Euratom) No 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

¹⁶ Regulation (EU) No 2018/1092 of the European Parliament and of the Council of 18 July 2018 establishing the European Defence Industrial Development Programme (‘EDIDP’) aiming at supporting the competitiveness and innovation capacity of the Union's defence industry.

Considering the complexity of some of the eligibility criteria, the full eligibility assessment might only be completed for proposals that are proposed for funding or on the reserve list following the evaluation of the award criteria. Consequently, eligibility assessment might not be completed for proposals that are rejected due to a lack of budget (proposals that passed the thresholds, but are ranked too low to receive funding). This will be clearly specified on the information received by the ‘applicants’ at the end of the evaluation.

- **Selection criteria** – This includes the assessment of the financial capacity and operational capacity of ‘applicants’ and ‘linked third parties’. The operational capacity will be assessed based on the relevant elements provided in the Part B of the proposals and in the Annexe 7 to the *Submission form*. The financial capacity will be performed by the REA (Research Executive Agency) Validation Services that may contact the relevant entities to request the supporting documents necessary for the legal and financial validation of their organisation (see also Chapter 1 of this *Guide for applicants*). All exchanges with the REA Validation Services will exclusively take place through the participant portal.
- **Award criteria** – Admissible proposals that successfully complete the first eligibility step will be assessed according to the award criteria described in section 3.2.6 of the *2020 calls for proposals and conditions for the calls*. The Commission is assisted by independent experts for this part of the evaluation that is organised as follow:
 - Individual evaluations of proposals by a minimum of three independent experts who will prepare their individual assessment of the relevant award criteria and additional questions for all proposals they review. The experts prepare and sign Individual Evaluation Reports (IER);
 - Consensus meetings between the experts who individually assessed a proposal in order to find a commonly agreed position on scores and comments for the award criteria and additional questions (where relevant). This commonly agreed position (comments and scores) will be included in a Consensus Report (CR) signed by the independent experts. The calibration and cross-reading of comments and scores for proposals submitted in the same call are organised in order to ensure the quality of the evaluation.
 - The Evaluation Committee appointed by the Responsible Authorising Officer (RAO) meets to discuss all proposals in a call based on the Consensus Reports prepared by the independent experts during the consensus meetings. The Evaluation Committee reaches a final position on comments and scores for each of the award criteria, on the priority order of proposals with the same score and on the ranking of proposals with an overall score above the threshold. All this is contained in a panel report signed by the Members of the Evaluation Committee.
 - The RAO takes the final award decision on the ground of proposals drawn up by the Evaluation Committee and the budget allocated to the call, but also considering the results of the assessment of the eligibility, exclusion and selection criteria. However, he/she may depart from the proposal of the evaluation committee if he/she considers that it is appropriate and justified, while observing the eligibility, selection and award criteria laid down in the *2020 calls for proposals and conditions for the calls*.

Clarifications and OCE

In order to ensure the quality of the evaluation, the ‘coordinator’ contact person might be requested at any time during the evaluation to correct Obvious Clerical Errors (OCE) detected in the proposals or to provide clarifications on the content of the proposal.

The requests for corrections (OCE) or clarification will be linked to a **specific deadline that the ‘consortium’ must respect**. If the deadline is not respected, the Commission Services reserve the right to consider or not the information received in the proceedings of the evaluation.

It is important to highlight that while the OCE or the clarifications might relate to a particular entity of the ‘consortium’, the request will be addressed to the ‘coordinator’ contact person that will be the sole point of contact between the ‘consortium’ and the Commission services¹⁷.

How to accelerate the process

The level of interactions with the ‘applicants’ in order to correct OCEs and provide clarifications at the request of the Commission Services and the responsiveness of the ‘applicants’ to provide the necessary information or documents requested by the REA Validation Services can significantly affect the duration of the evaluation process.

In order to accelerate the evaluation process, we request all ‘applicants’ to verify before the submission that their proposals are properly filled and all annexes and supporting documents are provided. In addition, ‘coordinators’ are invited to answer Commission Services requests as soon as possible and do not wait for the deadline indicated in the initial request.

Announcement of results and feedbacks to applicants

Directly after the adoption of the Commission Implementing Decision(s) related to the results of the calls by the European Commission, the ‘applicants’, through their ‘coordinator’, will be informed of the results of the evaluation for their proposals. They will receive an information letter either:

- Informing them that their proposal is proposed for funding and inviting them to start the ‘Grant agreement preparation’ (GAP). Or;
- Informing them that their proposal is on the reserve list. Proposals in the reserve list successfully comply with the exclusion, eligibility, selection and award criteria laid down in the calls text but are considered rejected by lack of budgetary appropriations. Nevertheless, proposals in the reserve list may be selected for grants if the proposals initially selected for grants fail to successfully complete the ‘Grant agreement preparation’. Or;
- Informing them that their proposal is rejected and detailing the reasons for rejection. These reasons namely include:
 - Non-compliance with the admissibility conditions
 - Non-compliance with the eligibility, selection and/or exclusion criteria;

¹⁷ See possible exceptions for sensitive information regarding control and guarantees (see sections 3.1 item c) and Annexe 6 in this *Guide for applicants*).

- Overall score below the minimum threshold for the award criteria defined in the *2020 calls for proposals and conditions for the calls*;
- Proposals that cannot be funded because “below-available-budget” (proposals that passed the thresholds, but are ranked too low to receive funding).

With reference to the section on the eligibility criteria above in this Chapter, the information provided to the ‘applicants’ will also specify if the eligibility assessment has been completed for the proposal.

Grant Agreement Preparation (GAP) and signature of the ‘Grant agreement’

The Commission will invite successful ‘applicants’ to prepare a ‘Grant agreement’. ‘Applicants’ may usefully refer to the available EDIDP *Model Grant Agreement* (MGA), which reflects EDIDP and EU grants provisions. Part B of their proposal will be the basis for Annexe 1 to the ‘Grant agreement’ and Annexe 2 to their proposal the basis for Annexe 2 to the ‘Grant Agreement’.

During this phase, ‘applicants’ and ‘linked third parties’ will update and sign a Declarations on Honour.

At the latest at the time of the signature of the ‘Grant agreement’, the ‘beneficiaries’ must conclude an internal agreement in order to organise their operation and co-ordination and ensure that the action is implemented properly. These internal arrangements should be set out in a written ‘Consortium agreement’ signed by all the ‘beneficiaries’, covering for instance:

- the internal organisation of the ‘consortium’;
- different distribution keys for the payments (if any);
- additional rules on rights and obligations related to pre-existing rights and results;
- settlement of internal disputes;
- liability, indemnification and confidentiality arrangements between the ‘beneficiaries’.

The ‘Consortium agreement’ must not contain any provision contrary to the ‘Grant agreement’.

The ‘project manager’ and the applicable security framework for the action (see section 3.7 of the *2020 calls for proposals and conditions for the calls*) will need to be confirmed and put in place during the GAP.

If all requirements are fulfilled, you will receive an invitation to sign your ‘Grant agreement’ (signature first by the ‘coordinator’ on behalf of the ‘consortium’ and then by the Commission). The other ‘beneficiaries’ must then accede to the ‘Grant agreement’ by signing an accession form (see Annexe 3 to the *Model Grant Agreement*) attached to the ‘Grant agreement’.

The GAP should not last more than three months.

Implementation of the funded action

After signature of the ‘Grant agreement’, the ‘beneficiaries’ will be bound by the ‘Grant agreement’ provisions and become jointly and severally liable for the technical implementation of the action. If a

'beneficiary' fails to implement its part of the action, the other 'beneficiaries' become responsible for implementing its part (without being entitled to any additional EU funding for doing so), unless the Commission expressly relieves them from implementing the part of the action concerned.

For a successful implementation of your action, we mainly require the following:

- **implement the project** as described in Annexe 1 to the '*Grant agreement*' and
- **report** regularly your progress to us as foreseen in the '*Grant agreement*' by:
 - submitting the 'deliverables', reporting on 'milestones', alerting on critical risks, preparing summary for publication, *etc.*
 - sending the periodic and final reports.

Proper project implementation will allow the Commission to process your reports quickly and make the **payments** provided for in the '*Grant agreement*'.

⚠ Payments will be made exclusively to the 'coordinator' (who must distribute them without delay to other 'beneficiaries').

⚠ Budget transfers may be subject to ceilings/limitations (see the '*Grant agreement*'). Beyond those ceilings/limits, you will have to request a formal amendment.

⚠ Bear in mind that certain obligations under the '*Grant agreement*' depend on your share in the estimated budget (*e.g.* liability for consortium debts, grant reductions, *etc.*). It is therefore generally advised to request an amendment towards the end of the action, to align the estimated budget to the project implementation.

⚠ You will be prompted to submit a financial statement to request payment of the costs incurred during the reporting period.

⚠ You should declare **ONLY** the eligible costs actually incurred for the project implementation (NOT the budgeted costs or other ineligible costs; see the '*Grant agreement*' and Appendix 2 to this *Guide for applicants*).

⚠ Keep your calculations on file (you may be required to produce them later on and during an audit you will have to show how each cost item you declared can be reconciled with your accounts).

APPENDIX 1: DEFINITIONS

<p>Applicants</p>	<p>‘Undertakings’ that have jointly submitted a proposal in a grant award procedure. In certain parts of the <i>Submission form</i> and of this <i>Guide for applicants</i>, ‘applicants’ are sometimes referred to as ‘beneficiaries’ or members of the ‘consortium’. However, ‘beneficiaries’ are ‘applicants’ with who a ‘<i>Grant agreement</i>’ has been signed.</p> <p>For the eligibility conditions associated to ‘applicants’ to EDIDP calls, please refer to section 3.1 of Chapter 2 of this <i>Guide for applicants</i>.</p>
<p>Action</p>	<p>Set of tasks defined in your proposal (Part B of the <i>Submission form</i>), in accordance with the call topic you are addressing, for which you request Union funding and further reflected in the signed ‘<i>Grant Agreement</i>’ (Annexe 1) to be performed by the ‘beneficiaries’.</p> <p>For the eligibility conditions associated to EDIDP actions, please refer to section 3.4 of Chapter 2 of this <i>Guide for applicants</i>.</p>
<p>Activities</p>	<p>Development phases covered by an eligible proposal under the EDIDP. They must be one or more of the following:</p> <ul style="list-style-type: none"> a) ‘studies’, such as feasibility studies, and other accompanying measures; b) the ‘design’ of a defence product, tangible or intangible component or technology as well as the technical specifications on which such design has been developed, including partial tests for risk reduction in an industrial or representative environment; c) the ‘system prototyping’ of a defence product, tangible or intangible component or technology; d) the ‘testing’ of a defence product, tangible or intangible component or technology; e) the ‘qualification’ of a defence product, tangible or intangible component or technology; f) the ‘certification’ of a defence product, tangible or intangible component or technology; g) the development of technologies or assets increasing efficiency across the ‘life cycle of defence products and technologies’.

<p>Article 3 (of the EDIDP Regulation)</p>	<p style="text-align: center;"><i>Article 3</i> Objectives</p> <p>The Programme shall have the following objectives:</p> <p>(a) to foster the competitiveness, efficiency and innovation capacity of the defence industry throughout the Union, which contributes to the Union's strategic autonomy, by supporting actions in their development phase;</p> <p>(b) to support and leverage cooperation, including across borders, between 'undertakings', including 'SMEs' and 'mid-caps', throughout the Union, and collaboration between Member States, in the development of defence products or technologies, while strengthening and improving the agility of defence supply and value chains, and fostering the standardisation of defence systems and their interoperability.</p> <p>Such cooperation shall take place in line with defence capability priorities agreed by Member States within the framework of the Common Foreign and Security Policy and particularly in the context of the Capability Development Plan.</p> <p>In that context, regional and international priorities, when they serve the Union's security and defence interests as determined under the Common Foreign and Security Policy, and taking into account the need to avoid unnecessary duplication, may also be taken into account, where appropriate, wherever they do not exclude the possibility of participation of any Member State;</p> <p>(c) to foster better exploitation of the results of defence research and contribute to development after the research phase, thereby supporting the competitiveness of the European defence industry on the internal market and the global marketplace, including by consolidation, where appropriate.</p>
---	--

<p>Article 12 (of the EDIDP Regulation)</p>	<p style="text-align: center;"><i>Article 12</i></p> <p style="text-align: center;">Ownership and intellectual property rights</p> <ol style="list-style-type: none"> 1. The Union shall not own the products or technologies resulting from the action nor shall it have any intellectual property rights claim pertaining to the action. 2. The ‘results’ of actions which receive funding under the Programme shall not be subject to control or restriction by a ‘third country’ or by a ‘third-country entity’, directly, or indirectly through one or more intermediate ‘undertakings’, including in terms of technology transfer. 3. This Regulation shall not affect the discretion of Member States as regards policy on the export of defence-related products. 4. With regard to the ‘results’ generated by ‘beneficiaries’ that have received funding under the Programme and without prejudice to paragraph 3 of this Article, the Commission shall be notified of any transfer of ownership to a ‘third country’ or to a ‘third-country entity’. If such transfer of ownership contravenes the objectives set out in ‘Article 3’, the funding provided under the Programme shall be reimbursed. 5. If Union assistance is provided in the form of public procurement of a ‘study’, all Member States shall have the right, free of charge, to a non-exclusive licence for the use of the ‘study’ upon their written request.
<p>Associated partner</p>	<p>As referred to in Article 7(6) of the EDIDP Regulation, ‘undertaking’:</p> <ul style="list-style-type: none"> - established outside the territory of Member States <p>or</p> <ul style="list-style-type: none"> - controlled by a ‘third country’ or by a ‘third-country entity’, without having fulfilled the requirements for a derogation as referred to in Article 7(4) of the EDIDP Regulation <p>with who a ‘beneficiary’, a ‘linked third party’ or a ‘subcontractor involved in the action’ wants to cooperate for the purpose of the ‘action’, including by using its assets, infrastructure, facilities and resources.</p> <p>For the eligibility conditions associated to ‘associated partners’ in the context of EDIDP, please refer to section 3.2 of Chapter 2 of this <i>Guide for applicants</i>.</p>
<p>Beneficiaries</p>	<p>‘Applicants’ with whom a ‘Grant agreement’ is signed.</p>
<p>Certification</p>	<p>According to Article 2(3) of the EDIDP Regulation, ‘certification’ means the process by which a national authority certifies that the defence product, tangible or intangible component or technology complies with the applicable regulations.</p>
<p>Consortium</p>	<p>According to Article 2(10) of the EDIDP Regulation, ‘consortium’ means a collaborative grouping of ‘undertakings’ constituted to carry out an action under the [European Defence Industrial Development] Programme.</p> <p>For the eligibility conditions associated to EDIDP consortia, please refer to section 3.3 of Chapter 2 of this <i>Guide for applicants</i>.</p>

Consortium agreement	<p>At the latest at the time of the signature of the <i>'Grant agreement'</i>, the 'applicants' must organise their operation and co-ordination, to ensure that the action is implemented properly.</p> <p>These internal arrangements should be set out in a written <i>'Consortium agreement'</i> between the 'applicants', covering for instance:</p> <ul style="list-style-type: none"> - the internal organisation of the 'consortium'; - different distribution keys for the payments (if any); - additional rules on rights and obligations related to pre-existing rights and results; - settlement of internal disputes; - liability, indemnification and confidentiality arrangements between the 'beneficiaries'. <p>This <i>'Consortium agreement'</i> must not contain any provision contrary to the <i>'Grant agreement'</i>.</p>
Control	<p>According to Article 2(7) of the EDIDP Regulation, 'control' means the ability to exercise a decisive influence on an 'undertaking', directly, or indirectly through one or more intermediate 'undertakings'.</p> <p>For all conditions regarding 'control' of entities in the context of EDIDP, please refer to section 3.1 and Annexe 6 of Chapter 2 of this <i>Guide for applicants</i>.</p>
Coordinator (or Consortium coordinator)	<p>According to Article 9(1) of the EDIDP Regulation, the members of any consortium wishing to participate in an action shall appoint one of its members to act as 'coordinator'. The 'coordinator' shall be identified in the <i>'Grant agreement'</i>. The 'coordinator' shall be the principal point of contact between the members of the 'consortium' in relations with the Commission or the relevant funding body, unless specified otherwise in the <i>'Grant agreement'</i> or in the event of non-compliance with its obligations under the <i>'Grant agreement'</i>.</p> <p>As the 'coordinator', this 'beneficiary' will become the single point of contact between the other 'beneficiaries' and the Commission services.</p>
Cross-border SME	<p>'SME' established in a Member State other than those in which the 'undertakings' in the 'consortium' that are not 'SMEs' are established.</p>
Deliverable	<p>Distinct output of the 'action', meaningful in terms of the action's overall objectives and constituted by a report, a document, a technical diagram, a software, etc.</p>
Design	<p>Such activities cover both the preliminary definition and detailed definition of the final product or technology. The following sub-activities are usually carried out under the 'design' phase:</p> <ol style="list-style-type: none"> a. The Preliminary Definition aims at: <ul style="list-style-type: none"> - finalising project management, engineering and product assurance plans; - establishing a baseline master schedule; - elaborating the baseline cost at completion; - elaborating the preliminary organizational breakdown structure; - confirming technical solutions for the system and operations concepts and their feasibility with respect to programmatic constraints; - conducting "trade-off" studies and selecting the preferred system

	<p>concept together with the preferred technical solutions for this concept;</p> <ul style="list-style-type: none"> - establishing a preliminary design definition for the selected system concept and retained technical solutions; - determining the verification program including model philosophy (or equivalent); - identifying and defining external interfaces; - preparing the next level specifications and related business agreement documents; - initiating pre-development work on critical technologies or system design areas when it is necessary to reduce the development risks; - initiating any long-lead item procurement required to meet project schedule needs; - preparing the environmental impact mitigation plan and the disposal plan; - conducting reliability and safety assessment; - finalising the product tree, the work breakdown structure and the specification tree; - updating the risk assessment; <p>Two reviews usually take place during the preliminary definition phase:</p> <ul style="list-style-type: none"> - System Requirements Review (SRR), with the primary objective to release updated technical requirements specifications, to assess the preliminary design definition and to assess the preliminary verification programme. The main objectives of the review are to release the updated technical specifications, to assess the preliminary design definition and the preliminary verification program. - Preliminary Design Review (PDR), with the primary objectives to verify the preliminary design of the selected concept and technical solutions against project and system requirements; to release the final management, engineering and product assurance plans; to release the product tree, work breakdown structure and specification tree; to release the verification plan (including model philosophy or equivalent). The PDR demonstrates that the preliminary design meets all system requirements with acceptable risk and within the cost and scheduled constraints and establishes the basis for proceeding with the detailed design. The objectives of the PDR are to ensure that all system requirements have been validated, allocated, the requirements completed, and that the design is expected to meet the functional and performance requirements. <p>b. The Detailed Definition aims at</p> <ul style="list-style-type: none"> - completing the detailed design definition of the system at all levels in the customer-supplier chain; - producing, developing testing and pre-qualification of the selected critical elements and components; - producing and developing testing of engineering models, as required by the selected model philosophy and verification approach; - completing the assembly, integration and testing planning for the system and its constituent parts; - detailing the definition of internal and external interfaces; - issuing a preliminary user manual;
--	--

	<ul style="list-style-type: none"> - updating the risk assessment. <p>One review usually takes place during the detailed definition phase:</p> <ul style="list-style-type: none"> - A Critical Design Review (CDR) usually takes place at the end of these activities, with the primary objectives to assess the qualification and validation status of the critical processes and their readiness for deployment for the next phase; to confirm compatibility with external interfaces; to release the final design; to release the assembly, integration and test planning; to release hardware/software manufacturing, assembly and testing where relevant; to release the user manual. The CDR demonstrates that the maturity of the solution is appropriate to support proceeding with implementation, assembly, integration, and verification on lower level systems. The CDR baselines the system and equipment design data - including design data provided by the equipment suppliers - for a final design freeze. The CDR determines that the technical effort is on track to complete development, meeting requirements within the identified cost and schedule constraints.
Downstream activities	See 'Targeted activities'.
Executive management structure	<p>According to Article 2(5) of the EDIDP Regulation, 'executive management structure' means a body of an 'undertaking' appointed in accordance with national law, and, where applicable, reporting to the chief executive officer, which is empowered to establish the 'undertaking's strategy, objectives and overall direction, and who oversees and monitors management decision-making.</p> <p>For more information, please refer to section 3.1 of Chapter 2 of this <i>Guide for applicants</i>.</p>
General management and coordination of the action	<p>Tasks to be performed by the 'coordinator of the consortium' to ensure the global coordination of the 'activities' covered by the proposed action, to liaise with the European Commission and to distribute the funds among the members of the 'consortium'. These tasks must compose work package 1.</p> <p>Costs incurred for these tasks must be declared as 'studies' (see Annexe 1 and Annexe 2 to the <i>Submission form</i> and associated guidance in Chapter 2 of this <i>Guide for applicants</i>).</p>
Grant agreement	<p>The '<i>Grant agreement</i>' is a bilateral act. On the one side of the legal relationship is the Commission, on the other the 'consortium coordinator'. In order to produce its legal effects the agreement needs to be signed by both parties. By means of this signature the successful 'applicant' commits legally to implement the action/work programme and accepts the conditions governing this implementation as specified in the agreement.</p> <p>'Applicants' are invited to read the EDIDP Model Grant Agreement in order to understand how EU grants general provisions and EDIDP specific provisions will be reflected in the EDIDP '<i>Grant agreements</i>'.</p>
Grant agreement preparation (GAP)	Phase between the end of the evaluation and selection procedure and the signature of the ' <i>Grant Agreement</i> '. For more information, you can refer to the relevant section of Chapter 4 of this <i>Guide for applicants</i> .
Large company	'Undertaking' which is neither a 'SME' nor a 'mid-cap'.

Life-cycle technologies	The development of technologies or assets increasing efficiency across the lifecycle (e.g. lower production, operational, maintenance, repair and overhaul or disposal costs) should lead to projects producing lower costs, taking into account the whole lifecycle, and thus obtaining savings and improving efficiency.
Linked third party	<p>Following the definition in Article 187 of the Financial Regulation, ‘linked third parties’ are entities affiliated to a ‘beneficiary’. They are:</p> <ul style="list-style-type: none"> a) entities that form a <i>sole beneficiary</i> (i.e. where an entity is formed of several entities that satisfy the criteria for being awarded a grant, including where the entity is specifically established for the purpose of implementing an action to be financed by a grant); or b) entities that satisfy the eligibility criteria and that do not fall within one of the situations referred to in Article 136(1) and 141(1) of the Financial Regulation and that have a link with the ‘beneficiary’, in particular a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation. <p>For the eligibility conditions associated to ‘linked third parties’ in the context of EDIDP, please refer to section 3.1 of Chapter 2 of this <i>Guide for applicants</i>.</p>
Mid-cap	<p>According to Article 2(9) of the EDIDP Regulation, ‘middle-capitalisation company’ or ‘mid-cap’ means an enterprise that is not a ‘SME’ and that has up to 3 000 employees, where the staff headcount is calculated in accordance with Articles 3 to 6 of the Annex to Recommendation 2003/361/EC.</p> <p>For more information, you can usefully refer to the guidance of Annexe 8 in Chapter 2 of this <i>Guide for applicants</i>.</p>
Milestone	Control points in the project that help to chart progress. ‘Milestones’ may correspond to the completion of a key ‘deliverable’, allowing the next phase of the work to begin. They may also be needed at intermediate points so that, if problems arise, corrective measures can be taken. A ‘milestone’ may be a critical decision point in the project where, for example, the ‘consortium’ must decide which of several technologies to adopt for further development.
Non cross-border SME	‘SME’ established in the same Member State as one of the ‘undertakings’ in the ‘consortium’ that are not ‘SMEs’.
Non-SME partner (of an ‘SME’ consortium)	‘Beneficiaries’ of an action funded under the call dedicated to SMEs (EDIDP-SME-2020) may decide to associate a ‘large company’ or a ‘mid-cap’ to the action and allocate it a ‘work package’ instead of subcontracting with it. Such partner, if not falling into the category of ‘associated partner’, is called a ‘non-SME partner’ of the ‘SME’ ‘consortium’ and must fulfil the same eligibility conditions as those required for ‘beneficiaries’, ‘linked third parties’ or ‘subcontractors involved in the action’. A ‘non-SME partner’ is neither an ‘associated partner’, nor a ‘subcontractor’ nor a ‘supplier’. The costs related to the ‘activities’ performed by a ‘non-SME partner’ are not eligible for funding under the EDIDP.

Participants	‘Participants’ refer to any legal entity carrying out an action or part of an action, having rights and obligations with regard to the European Union or another funding body. They include the ‘beneficiaries’, ‘linked third parties’, ‘associated partners’, ‘non-SME partners’, ‘subcontractors’ or ‘suppliers’ participating in the action.
Project manager	Public entity (e.g. OCCAR, EDA, Lead nation) that may be appointed by the Member States supporting and co-financing a submitted proposal in order to coordinate their position and act, on their name and behalf, as the contracting authority vis-à-vis the ‘consortium’. If such a ‘project manager’ is appointed, the Commission will consult him on the progress made with regard to the action prior to executing payments to the ‘beneficiaries’.
Prototyping (or system prototyping)	According to Article 2(1) of the EDIDP Regulation, ‘system prototype’ means a model of a product or technology that can demonstrate performance in an operational environment. ‘System prototyping’ is commonly understood as the activities starting after completion of the critical design review (see ‘design’) and ending with the completion of the assembly and integration of a first complete model of the capability ready to demonstrate performance in an operational environment.
Qualification	According to Article 2(2) of the EDIDP Regulation, ‘qualification’ means the entire process of demonstrating that the ‘design’ of a defence product, tangible or intangible component or technology meets the specified requirements, providing objective evidence by which particular requirements of a ‘design’ are demonstrated to have been met. ‘Qualification’ is usually understood as the process of demonstrating that a product or a technology complies with its requirements (operational requirements or derived technical specifications, depending on the level at which the ‘qualification’ is performed).
Results (of the action)	Any tangible or intangible effect of the action, such as data, know-how or information, whatever its form or nature, whether or not it can be protected, as well as any rights attached to it, including intellectual property rights.
SME	According to Article 2(8) of the EDIDP Regulation, ‘small and medium-sized enterprises’ or ‘SMEs’ means small and medium-sized enterprises as defined in the Annex to Commission Recommendation 2003/361/EC .
Studies	In a defence project lifecycle, such activities are performed under the Preparation Phase of development, where a co-operative project is prepared in terms of outline scope, time, cost, performance, acquisition organisation and participation to meet harmonised capability requirements. The following sub-activities are usually carried out under such Preparation Phase of development: <ul style="list-style-type: none"> a. Pre-feasibility studies aim at: <ul style="list-style-type: none"> o elaborating the capability statement (operational requirements) in terms of identification and characterization of the capability needs,

	<p>expected performance, dependability and safety goals and capability operating constraints with respect to the physical and operational environment;</p> <ul style="list-style-type: none"> ○ developing the preliminary technical requirements specification; ○ identifying possible capability concepts; ○ performing preliminary assessment of programmatic aspects supported by market and economic studies as appropriate; ○ performing preliminary risk assessment. <p>A Mission Definition Review (MDR) usually takes place at the end of these activities, with the primary objectives to release the capability statement (operational requirements) and to assess the preliminary technical requirements specification and programmatic aspects.</p> <p style="padding-left: 40px;">b. Feasibility studies aim at:</p> <ul style="list-style-type: none"> ○ assessing the technical and programmatic feasibility of the possible concepts by identifying constraints relating to implementation, costs, schedule, organisation, operations, maintenance, production and disposal; ○ establishing the preliminary management plan, system engineering plan and product assurance plan; ○ elaborating the possible system and operations concepts and system architectures compared against the identified needs, to determine levels of uncertainty and risks; ○ establishing the function tree; ○ identifying critical technologies and proposing pre-development; quantifying and characterising critical elements for technical and economic feasibility; ○ proposing the system and operations concept(s) and technical solutions, including model philosophy (or equivalent) and verification approach; ○ elaborating risk assessment. <p>A Preliminary Requirements Review (PRR) usually takes place at the end of these activities, with the primary objectives to release the preliminary management, engineering and product assurance plans; to release the technical requirements specifications; to confirm the technical and programmatic feasibility of the system concept(s); and to select system and operations concept(s) and technical solutions, including model philosophy and verification approach, to be carried forward in the definition phase.</p>
<p>Subcontractor</p>	<p>‘Subcontractors’ usually refer to entities contracted to perform activities which are part of the action and involving customisation and development of new know-how for the purpose of an action receiving funding irrespective of the tier at which they are contracted. Subcontracting must be distinguished from purchasing which covers the procurement of ordinary services, goods or equipment needed to carry out the project.</p>

<p>Subcontractor involved in the action</p>	<p>According to Article 7(8) of the EDIDP Regulation, ‘Subcontractors involved in the action’ refers to ‘subcontractors’ with a direct contractual relationship to a ‘beneficiary’, other ‘subcontractors’ to which at least 10 % of the total eligible cost of the action is allocated, as well as ‘subcontractors’ which may require access to classified information in order to carry out the contract.</p> <p>They are a subset of ‘subcontractors’. For the eligibility conditions associated to ‘subcontractors involved in the action’ in the context of EDIDP, please refer to section 3.1 of Chapter 2 of this <i>Guide for applicants</i>.</p>
<p>Supplier</p>	<p>Economic operator providing a service, supply or work to the ‘beneficiary’ necessary for the action, that does not qualify as subcontract. Bound by a contract with the ‘beneficiary’ specifically concluded for the service, supply or work necessary for the action.</p>
<p>Targeted activities</p>	<p>Unless otherwise specified directly in the call/topic, minimum and cumulative set of activities (listed and further described in the ‘targeted activities’ sub-section of the call/topic in the <i>2020 calls for proposals and conditions for the calls</i>) that need to be covered by a proposal in answer to this call/topic in order not to be rejected.</p> <p>The ‘targeted activities’ sub-section of the call/topics sometimes refer to ‘upstream activities’ and/or ‘downstream activities’. These ‘upstream and downstream activities’ are defined relatively to the ‘targeted activities’ as illustrated below:</p> <ul style="list-style-type: none"> a) studies, such as feasibility studies, and other accompanying measures; b) the design of a defence product, tangible or intangible component or technology as well as the technical specifications on which such design has been developed, including partial tests for risk reduction in an industrial or representative environment; c) the system prototyping of a defence product, tangible or intangible component or technology; d) the testing of a defence product, tangible or intangible component or technology; e) the qualification of a defence product, tangible or intangible component or technology; f) the certification of a defence product, tangible or intangible component or technology; g) the development of technologies or assets increasing efficiency across the life cycle of defence products and technologies. <p style="text-align: right;"> } Upstream activities } Targeted activities } Downstream activities </p>
<p>Testing</p>	<p>‘Testing’ aims at progressively demonstrating that a product or a technology is functional, in different relevant use cases and environments and, if needed, at applying correcting measures as appropriate.</p>
<p>Third country</p>	<p>Country that is not a member of the European Union.</p>
<p>Third-country entity</p>	<p>According to Article 2(6) of the EDIDP Regulation, a ‘third-country entity’ means an entity established in a ‘third country’ or, when it is established in the Union, having its ‘executive management structures’ in a ‘third country’.</p>

Upstream activities	See 'Targeted activities'.
Undertaking	According to Article 2(4) of the EDIDP Regulation, 'undertaking' means an entity, regardless of its legal status or the way in which it is financed, which is engaged in an economic activity, and which is established in the Member State in which it is incorporated, in accordance with the national law of that Member State.
Work package	Major sub-division of the proposed action. One work package must only address one type of 'activity' and clearly refer to it (see section 8 of the <i>Submission form</i>). Only work package 1 which must be devoted to the 'general management and coordination of the action' does not need to refer to a specific 'activity' but will be considered as of "study" type regarding its funding rate and applicable bonuses (see Annexe 1 and Annexe 2 to the <i>Submission form</i>).


APPENDIX 2: ELIGIBLE COSTS

Unless otherwise specified, references to Articles and Annexes made in this Appendix are those of the EDIDP *Model Grant Agreement* (MGA) that you can find on the [Funding & Tenders Portal](#). EDIDP ‘Grant agreements’ will be prepared and signed with the successful applicants on the basis of this MGA.

1.1. General conditions

1.1.1. Eligible costs

The grant can **only** reimburse **eligible costs**.

 ONLY eligible costs may be entered into the estimated budget for the action (Annexe 2 to the *Submission form*) and declared in the financial statements. The record-keeping and burden of proof for eligibility is on the beneficiaries/linked third parties. They must keep sufficient supporting documents to show that the costs they declare are eligible. Compliance with eligibility rules may be subject to a check or audit by the Commission. Any ineligible costs found will be rejected.

If an applicant declares ineligible costs, the ineligible costs will be rejected and, if needed, other measures (e.g. suspension, termination, grant reduction, etc.) may be taken.

1.1.2. General eligibility conditions for actual costs

In order to be **eligible**, actual costs must be:

- **actually incurred by the beneficiary** *i.e.*:
 - real and not estimated, budgeted or imputed; and
 - definitively and genuinely borne by the beneficiary (not by any other entity).
- **incurred during the action duration** (*i.e.* the generating event that triggers the costs must take place during the action duration)

The ‘action duration’ is the period running from the action starting date (which cannot be earlier than the date of signature of the *Grant agreement*¹⁸) to the end date of the action.

If costs are invoiced or paid later than the end date, they are eligible only if the debt existed already during the action duration (supported by documentary evidence) and the final cost was known at the moment of the financial report.

Costs of services or equipment supplied to a beneficiary (or to its linked third party) may be invoiced and paid after the end date of the action if the services or equipment were used by the beneficiary (or to its linked third party) during the action duration. By contrast, costs of services or equipment supplied after the end of the action (or after the *Grant agreement* termination) are not eligible.

Certain other costs incurred before or after the action duration may be considered exceptionally eligible if the timing is imposed by the Commission (*i.e.* a bank guarantee to be


¹⁸ Unless otherwise stipulated in the *Grant agreement*.


provided before the action starting date (if any); kick-off meeting organised before the action starting date).

- **entered as eligible costs in the estimated budget of the action**, under the relevant budget category (see Annexe 2 to the signed *Grant agreement*)

When the final amount of the grant is calculated, the eligible costs cannot include costs under budget categories that did not appear in the estimated budget of the action, unless the initial estimated budget was amended or, for subcontracts with a direct contractual relationship with a beneficiary, if these additional costs were approved in accordance with the signed *Grant agreement*.

Costs included in the estimated budget may be transferred between beneficiaries and budget categories without amending the signed *Grant agreement*.

 Budget transfers between categories must stay below 20% of the total costs for the action set out in Annexe 2 to the signed *Grant agreement*, unless they are approved by an amendment (see Article 45 of the *MGA*).

 Please note also that the Commission does require a formal amendment of the estimated budget (Annexe 2 to the signed *Grant agreement*), if the transfer of budget between beneficiaries is linked to a change in the distribution of action tasks (and in this case also the description of the action (Annexe 1 to the signed *Grant agreement*) needs to be amended).

- **connected to the action as described in Annexe 1 to the signed *Grant agreement*** (*i.e.* necessary to achieve the action's objectives)

The EU grant cannot be used to finance activities other than those approved by the Commission.

 **Project management:** Coordination and administration tasks are considered **action tasks**.

- **identifiable and verifiable** (*i.e.* come directly from the beneficiary's accounts (be directly reconcilable with them and supported by documentation))

The beneficiaries must be able to show (with records and supporting documents; see Article 24 of the *MGA*) the actual costs of the work, *i.e.* what was actually paid for the work (and for depreciation costs, what is actually recorded in the beneficiary's profit and loss accounts).

Costs must be calculated according to the applicable accounting rules of the country in which the beneficiary is established and according to the beneficiary's usual cost accounting practices.

This may NOT be used as an excuse for non-compliance with other provisions of the *Grant agreement*. A beneficiary must make any changes needed to bring its usual cost accounting practices in line with all provisions of the *Grant agreement*.

Examples: conditions for calculation of productive hours (see section 1.3 of this Appendix); conditions for the eligibility of depreciation costs (in line with the international accounting standards, which may deviate from the accounting rules of the country).

Where national taxation and accounting rules do not require an invoice, an accounting document of equivalent value must be supplied (*i.e.* a document that (i) is produced to prove that the accounting entry is accurate and (ii) complies with the applicable accounting law).

- in **compliance with applicable national laws on taxes, labour and social security**

AND

- **reasonable, justified and must comply with the principles of sound financial management, in particular regarding economy and efficiency** (*i.e.* be in line with good housekeeping practice when spending public money and not be excessive).

‘Economy’ means minimising the costs of resources used for an activity (input), while maximising quality; ‘efficiency’ is the relationship between outputs and the resources used to produce them.

Examples:

1. The beneficiary may NOT increase the remuneration of its personnel, upgrade its travel policy or its purchasing rules because of the EU grant.
2. Entertainment or luxurious expenses (including gifts, special meals and gastronomic dinners) are generally not eligible.

1.1.3. General eligibility conditions for unit costs

For EDIDP call for proposals, unit costs are only allowed for:

- Staff costs and **only if the applicants’ methodology for determining staff unit costs has been certified *ex ante* by the Commission as compliant** (Certificate of Methodology for Unit Costs-CoMUC). Please be aware that Annexe 2 to the *Submission form* is not designed to submit personnel costs using this approach. If you intend to determine your personnel costs using a methodology based on unit costs certified *ex ante* by the Commission please contact the Commission;
- Personnel costs of SMEs’ owners not receiving any salary and other natural person not receiving any salary (category A.3 of Annexe 2 to the *Submission form*). Country coefficients can be found in the Appendix of Annexe 2 to [the Commission implementing decision on the financing of the European Defence Industrial Development Programme and the adoption of the work programme for the years 2019 and 2020](#);
- Travel and subsistence costs, for *per diems* calculation.

In order to be **eligible**, unit costs must be:

- calculated by **multiplying the number of actual units** used to carry out the work or produced (*e.g. days spent travelling*) **by the amount per unit**;
- the **number of units** must be **necessary** for the action;
- the units must be **used or produced during the action duration**

AND

- the beneficiaries must be able to **show the link** between the number of units declared and the work on the action.

The beneficiaries must be able to show (with records and supporting evidence) that the number of units declared was actually used for the action. The actual costs of the work are not relevant.

***Example:** A beneficiary declares 10 days of travel for an action in 2014. If there is an audit, the beneficiary must be able to show a record of the days travelled for the action.*

1.2. Direct & indirect costs

1.2.1. Direct costs

‘Direct costs’ are specific costs directly linked to the performance of the action and which can therefore be directly booked to it.

They are:


- either costs that have been caused in full by the activities of the action; or
- costs that have been caused in full by the activities of several actions (projects), the attribution of which to a single action can, and has been, directly measured (*i.e.* not attributed indirectly via an allocation key, a cost driver or a proxy).

The beneficiaries must be able to show (with records and supporting evidence) the link to the action.

1.2.2. Indirect costs

‘Indirect costs’ are costs that cannot be identified as specific costs directly linked to the performance of the action.

In practice, they are costs whose link to the action can NOT be (or has not been) measured directly, but only by means of cost drivers or a proxy (*i.e.* parameters that apportion the total indirect costs (overheads) among the different activities of the beneficiary).

 Indirect costs are automatically declared as a **25% fixed flat-rate** of the eligible direct costs.

There is only one indirect cost rate per action: all beneficiaries will be reimbursed at the same rate.

1.3. Personnel costs (category A)

What costs?

This budget category covers personnel costs (employees or equivalent, natural persons under direct contract and seconded persons).

The personnel costs should correspond to the adequate human resources needed to ensure the successful implementation of the project.

The costs must be calculated on the basis of actual gross salary or wages plus obligatory social charges and any other statutory costs included in the remuneration.

The costs you declare must correspond to the actual time worked on the project by the staff concerned.

⚠️ The rates at which staff are charged to the project must correspond to the **normal remuneration policy** of each beneficiary (documented by salary grids, long-term work contracts, *etc.*).

It should not significantly exceed the market rates generally applicable in the geographical area and sector (especially with respect to the profile of the staff concerned), and must be justified by the nature of the work.

Any amounts paid in excess of these rates may be considered as an ineligible cost.

⚠️ Overtime — Overtime is included and reimbursed just like normal working time. Overtime pay must be included in the annual personnel costs. Overtime worked (paid or unpaid) must be added to the annual workable hours or days ('productive time'), in order to calculate the annual productive hours or days.

How to calculate them?

⚠️ For the submission of your proposal, you are provided with a compulsory **budget table** (Annexe 2 to the *Submission Form*). It follows the cost categories and the eligibility rules of the *Grant agreement* and will help you to build your grant budget.

Budgeting personnel costs in your proposal (Annexe 2 to the Submission form)

For the estimated budget, you should indicate for each participant the total amount of staff costs they estimate to be necessary for the project.

These amounts should be a detailed and accurate estimate of individual staff costs (estimated person-months per staff category), following the calculation method described below. Only eligible costs should be budgeted.

The cost details should contain (for A.1 and for A.2):

- the position of the staff in the organisation (*e.g.* team leader, system engineer) and in the proposed action;
- the category of the staff (*e.g.* senior, junior);
- the annual staff costs (gross salary, including social charges and other statutory costs);
- the annual productive time (in days);
- Estimated number of days that the staff will work on the action.

Record-keeping — Keep these detailed estimates on file (they may be needed during 'Grant agreement preparation' or later on in case of an audit). See also section 1.9 of this Appendix.

Reporting personnel costs during the action (financial statement)

For the financial statement, you should claim the personnel costs by using a **daily rate** (daily rate x days worked on the action).

Thus, personnel costs will effectively be based on **3 elements**:

- a) annual personnel costs (gross salary, including social charges and other statutory costs);
- b) annual productive days (actual annual working time);
- c) time actually worked on the action.

$$\frac{\text{a) annual gross salary + social charges}}{\text{b) total actual annual productive working days}} \times \text{c) actual number of days working on the action}$$

⚠️ For reporting periods running over **several years**, the daily rate must be calculated separately for each individual year. If a financial year is not closed at the end of the reporting period, the beneficiary must use the daily rate of the last closed financial year.

a) annual personnel costs

This means costs actually paid by the beneficiary over a year (including salary, taxes, employer's contribution for national security schemes, *etc.*) calculated as follows:

1	Annual gross salary including paid overtime and salaries for 13 th and 14 th 'month', if applicable
	<i>How? Add up the gross salary on every monthly salary slip</i>
+ 2	Holiday allowance, if not included in item 1 above
+ 3	Obligatory/compulsory social charges imposed by law, such as pension/health/insurance schemes, contributions to labour market funds, <i>etc.</i>
+ 4	Statutory pension schemes under national law
- 5	Compensation received from insurance or other sickness/employment schemes to reactivate unemployed people
<hr/>	
Total	Annual staff cost (<i>sum of 1 to 4 minus 5</i>)

Base the calculation on statutory documents, such as salary slips and payroll summary, so the amounts can easily be traced and verified.


Ineligible costs for this calculation:

- all additional (non-statutory) and individual pension schemes and/or sickness insurance schemes;
- company cars;
- bonuses and similar fringe benefits;
- dividends or profit sharing;
- amounts paid for long-term illness or maternity leave.

b) total actual annual productive time

This means total time in days worked over a year, calculated as follows:

1	Total number of days in a year	365
- 2	Minus weekends	104
- 3	Minus public holidays	
- 4	Minus annual leave actually taken	
- 5	Minus time compensation or flexitime	
- 6	Minus sickness	
+ 7	Plus any (paid or unpaid) overtime	
<hr/>		
	Total number of productive days in the year (<i>1 minus 2 to 6, plus 7</i>)	

 **Meetings, trainings and similar absences** are considered productive working time and should not be deducted.

c) actual time worked on the action

For persons allocated exclusively to the project, the time worked on the project will not be calculated in days, but in months.

For all other persons, the time worked for the project must be calculated in days. It must be clearly substantiated by timesheets (or equivalent time registration system).

For this purpose, every beneficiary must establish a time registration system that meets at least the following rules:

- The timesheets must contain at least the following information:
 - *Grant agreement* number;
 - name of employer;
 - name of employee;
 - day, month and year;
 - number of time units (days) worked on the project during the period of the timesheet;
 - number of time units (days) worked on other projects/activities;
 - total number of time units (days) worked;
 - details of the tasks performed for the project;
 - date and signature of employee;
 - date and signature of supervisor.
- The timesheet should cover either a week or a month and be filled in regularly, usually every day (timesheets created retroactively are not acceptable).
- The timesheet should be signed by the employee and approved by the supervisor in a timely manner – ideally during the week after.

- Summary sheets (showing *e.g.* "x" days spent per month) are not accepted as supporting documentation.

Specific cases

Persons working exclusively on the action — There is a different calculation method for staff working 100 % on the project. They are allowed to use monthly rates instead of hourly rates.

Moreover, they do not need to keep timesheets (but sign a declaration on exclusive work for the action; see Article 24 of the *MGA*).

If the declaration covers months in which the person was absent for more than half of the working days those months can NOT be taken into account to calculate the hours worked in the action (unless the absence is linked to annual leave).

Natural persons with direct contract (non-permanent staff) — Costs for in-house consultants and similar persons (*i.e.* self-employed natural persons) that work on the action under conditions similar to those of an employee may be an eligible cost (budget category A.2). The following criteria are indications:

- the person works for the beneficiary under a direct contract;
- the person works under conditions similar to those of the employees (regarding the way the work is organised and the tasks that are performed);
- the costs for the person are reasonable and not significantly different from the costs of the employees performing similar tasks;
- the person uses the beneficiary's infrastructure/works on the premises (*i.e.* generates indirect costs for the beneficiary);
- travel and subsistence costs for the person for participating in project meetings or project travel are paid by the beneficiary under conditions similar to those of the employees;
- the result of the person's work belongs to the beneficiary under conditions similar to those of the employees.

This category does NOT cover staff provided by a **temporary work agency** (because in this case there is no direct contract between the person and the beneficiary; the contract is not with the beneficiary but with the entity hiring the person). Such staff therefore qualifies typically as purchase of services. Thus, although NOT eligible as 'personnel costs' (category A.2), the costs can normally be charged under budget category E.2 'other goods and services', if they comply with the eligibility conditions (especially best value for money and no conflict of interest; see Article 14 of the *MGA*).

Seconded staff — Under EDIDP only in kind contributions for free are allowed.. Staff seconded to the beneficiary for free cannot be declared as a cost by that beneficiary.

Permanent staff of a public organisation — For public organisations (*i.e.* public bodies, with the exception of universities), the salary costs of permanent staff can be claimed only if they relate to the costs of project activities which the organisation would not have carried out if the project had not been undertaken.

1.4. Subcontracting costs (subcontractors with a direct contractual relationship with a beneficiary) versus purchase costs (categories C and B/E)

How to distinguish them?

Generally speaking, the *article on subcontracting* (see Article 15 of the *MGA*) sets the rules for the contracting out of parts of the action (*i.e.* action tasks mentioned in Annexe 1 to the signed *Grant agreement*), while the *article on purchases* (see Article 14 of the *MGA*) sets the rules for buying of equipment, consumables and other services. Purchases cover the procurement of ordinary services, goods or equipment needed to carry out the project. Unlike *subcontracting*, they do not involve the outsourcing of entire parts of the project (project tasks or project activities described in the description of the action).

Examples (purchases): Dissemination of information, evaluation, audits, translations, reproduction, purchase of tickets, renting of rooms and accommodation, purchase of consumables and supplies, website development.

While all subcontracting regarding subcontractors with a direct contractual relationship with a beneficiary must be declared under a specific budget category (C. ‘subcontracting’), purchases must be declared either under category E.1 ‘equipment’ or E.2 ‘other goods and services’. *Equipment* is for assets, while *other goods and services* is for consumables.

1.5. Subcontracting costs (category C)

What costs?

This budget category covers the costs for subcontracting of a part of the action tasks (*i.e.* externalising a part of the action to a third party).

You may subcontract action tasks if you follow these rules:

- Retain sole responsibility for carrying out the project and for compliance with the provisions of the *Grant agreement*;
- Subcontractors cannot be chosen among the members of the consortium (beneficiaries) or their linked third parties;
- Subcontract only a limited part of the project; subcontracting all or most of the activities would be contrary to the division of roles in the consortium and raise questions on the ownership of the project and capacity to implement it;
- Subcontract only tasks that are absolutely necessary due to the nature of the project and its implementation needs;
- Do NOT subcontract the management and general administration of the project (coordinator’s tasks);
- For subcontracting going beyond 30% of the total eligible costs, give specific reasons; for the SME call (EDIDP-SME-2020), this 30% limit is absolute.
- Specify in Part B of the *Submission form* the tasks that will be subcontracted (and explain what value subcontracting will add – see in particular award criterion 5 – and why the relevant

expertise is not available in your consortium) and show the estimated costs in your estimated budget (Annexe 2 to the *Submission form*);

- Ensure that:
 - your subcontracts include the following terms:
 - goods/services to be provided and their links to the project;
 - start and end dates;
 - price to be paid (breakdown and description of the costs);
 - detailed description of the tasks/work schedule/completion phases;
 - detailed description of the costs on which the price is based;
 - payment arrangements (one or more advance payments, staggered payments, *etc.*);
 - clauses addressing non-performance or late completion.
 - the subcontracts are based on the best value for money (considering the quality of the service proposed, *i.e.* the best price-quality ratio) or on the lowest price.
This does NOT in all cases require a competitive selection procedure. You can organise the tender according to your internal practices if you can demonstrate that you will:
 - select the tender offering best value for money, or the lowest price;
 - avoid any conflicts of interest.
 - If you are acting as a contracting authority or entity (as defined, respectively, in Directives [2014/24/EU](#) and [2014/25/EU](#)¹⁹), you must abide by the applicable national public procurement rules;
 - the bodies mentioned in Article 29 of the *MGA* (*e.g.* granting authority, European Anti-Fraud Office (OLAF), Court of Auditors (ECA), *etc.*) can exercise their rights **also towards the subcontractors involved in the action**;
 - your obligations under Articles 16, 17, 21 and 37 of the *MGA* **also apply to the subcontractors involved in the action**.

How to calculate them?

Budgeting subcontracting costs in your proposal (Annexe 2 to the Submission form)

For the estimated budget, you should enter an estimate of the total amount of subcontracts (of subcontractors with a direct contractual relationship with a beneficiary) needed for the project, for each applicant and linked third party.

Reporting subcontracting costs during the action (financial statement)

For the financial statement, you should include all costs incurred for the subcontracts (of subcontractors with a direct contractual relationship with a beneficiary).

¹⁹ New directives in force since 2016:

Directive [2014/24/EU](#) of the European Parliament and of the Council of 26 February 2014 on public procurement (OJ L 94, 28.3.2014, p. 65) and repealing Directive 2004/18/EC (OJ L 94, 28.03.2014, p.65).

Directive [2014/25/EU](#) of the European Parliament and of the Council of 26 February 2014 on public procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243).

Old directives:

Directive [2004/18/EC](#) of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts (OJ L 134, 30.4.2004, p. 114).

Directive [2004/17/EC](#) of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (OJ L 134, 30.4.2004, p. 1).

The costs you declare must correspond to the price you paid to the subcontractors (including all related taxes; for VAT, see Article 7.3 of the *MGA*).

Specific cases

Subcontracting between beneficiaries is NOT allowed in the same *Grant agreement*. All beneficiaries contribute to and are interested in the action; if one beneficiary needs the services of another in order to perform its part of the work, it is the second beneficiary who should declare the costs for that work.

Subcontracting by beneficiaries to affiliates is NOT allowed, unless they have a framework contract or the affiliate is their usual provider, and the subcontract is priced at market conditions. Otherwise, these affiliates may work in the action, but they must be identified as linked third parties under Article 10 of the *MGA* and declare their own costs.

Coordination tasks of the ‘coordinator’ (*e.g.* distribution of funds, review of reports and others tasks listed under Article 9 of the *MGA*) can NOT be subcontracted. Other activities of the coordinator may in principle be subcontracted.

Framework contracts with subcontractors with a direct contractual relationship with a beneficiary can be used for selecting a provider if this is the usual practice of the beneficiary (*e.g.* for a type of service). In order to be eligible, the framework contract must (have) be(en) awarded on the basis of best-value-for-money and absence of conflict of interest. The framework contract does not necessarily have to be concluded before the start of the action.

1.6. Purchase costs: travel, equipment, other goods and services (categories B and E)

1.6.1. Travel costs (category B)

What costs?

This budget category covers the travel costs and related subsistence allowances spent for the action.

Only travel costs relating to specific and clearly identifiable activities are eligible for EU funding and must have been incurred by people directly involved in or contracted for such activities.

Travel and subsistence costs must be reasonable and in line with your usual practices on travel costs.

Travel and subsistence costs of participants in conferences and seminars should also be included under this category.

How to calculate them?

Budgeting travel & subsistence costs in your proposal (Annexe 2 to the Submission form)

For the estimated budget, you should enter an estimate of the total amount of travel costs and subsistence costs (actual or *per diem*) needed for the project, for each applicant and linked third party.

These amounts should be a detailed and accurate estimate, based on the corporate policy, destination, number of people involved, *etc.* Only eligible costs should be budgeted.

Ideally the details, to be documented and kept for further reporting, should show the:

- reason for travelling (*e.g. second project meeting, study visit, etc.*);
- places of origin and destination (to be added in the 'description of costs' of category B inside Annexe 2);
- number and, if already known, position of the people travelling/receiving subsistence allowances;
- type of unit (*e.g. flights, train journeys*) – to be added in the 'description of costs' of category B inside Annexe 2.

Reporting travel & subsistence costs during the action (financial statement)

The costs you declare must correspond to the costs you incurred for travels (including all related duties, taxes and charges; for VAT, see Article 6.4 of the *MGA*).

Travel costs

For the financial statement, you should include all costs from the point of origin to the destination, including transfers to/from airports/train stations.

All people travelling in connection with the project are required to make every effort to use the cheapest fare and method — wherever possible, public transport.

Rail travel — First-class fares are accepted.

Air travel — You must take the cheapest fare.

Cars — If air/rail travel is not cheap or possible, costs for travelling by car will be refunded as follows:

- private vehicles (own or company cars): amount equivalent to the corresponding (or an equivalent) rail fare;
Only 1 ticket will be reimbursed, even where several people are travelling in the same vehicle.
- hire cars (maximum category B or equivalent) or taxis: actual cost, if not excessive compared with other means of travel.
Only 1 taxi fare will be reimbursed even where several people are travelling in the same vehicle.

Subsistence costs

This means cost of accommodation, meals, local travel at the place of assignment and sundry expenses.

Such costs are eligible, if they are:

- in line with local prices;
- exclusively linked to the project;

- reasonable (for a guide to what is considered reasonable in each country, see [these daily per diem amounts](#)).

1.6.2. Equipment costs (category E.1)

What costs?

The depreciation costs of other equipment (purchased before the beginning of the project) are in principle part of the 'indirect costs' (project overheads, category F).

However, if you need to buy/rent *specific equipment* for the project (e.g. audio-visual equipment), it can be charged as 'equipment costs' if you follow these rules:

- Clearly demonstrate why the equipment needs to be purchased, rented or leased for the project;
- Respect the contracting rules, e.g. compare the prices of different suppliers to see who offers the best value for money (taking account of price and quality);
- Charge to the project only the cost of equipment purchased or rented during the period covered by the *Grant agreement*, at a rate that reflects the degree and duration of use for the project in that period;
- Itemise the equipment with an inventory number in the organisation where it is installed;
- Calculate the depreciation in accordance with international accounting standards and your usual accounting practices, taking into account the rate of actual use for the project.

If (exceptionally) explicitly authorised in your *Grant agreement*, you may declare the full purchase costs of the equipment (i.e. more than the depreciation for the months of the action).

The Large Research Infrastructure (LRI) scheme is not applicable to EDIDP.

How to calculate them?

Budgeting equipment costs in your proposal (Annexe 2 to the Submission form)

For the estimated budget, you should enter an estimate of the total amount of equipment costs needed for the project, for each applicant and linked third party.

This amount should be a detailed and accurate estimate, based on the depreciation. Only eligible costs should be budgeted.

Reporting equipment costs during the action (financial statement)

For the financial statement, you should enter the depreciation (or rental/leasing costs) incurred for the equipment.

Example (depreciation):

Total value of equipment purchased: EUR 1,000

Service life: 3 years (36 months)

Monthly depreciation = EUR 1,000/36 = EUR 27.78

Duration of eligibility for costs in Grant agreement: 01/10/2014 to 30/09/2016 (24 months).

Date of purchase (= date of invoice): 30/04/2015.

Period of use = maximum 17 months.

Usage rate (if equipment used on a half-time basis for the project) = 50%.

Total amount payable for depreciation = EUR 27.78 x 17 months x 0.5 = EUR 236.13.

1.6.3. Other goods and services (category E.2)

What costs?

This budget category covers consumables, conferences and seminars, publications and dissemination, translation and other costs not covered in the previous categories.

The costs of consumables and supplies are eligible if they are exclusively used for the project and identifiable as such in your accounts and if the purchasing rules were complied with (best value for money).

Publications must be produced specifically for the project and comply with the [Guidelines on visibility of EU funding](#).

Costs for conferences, seminars and other events do NOT include any travel and subsistence allowances provided for participants (these should be put under 'travel', category B).

Other costs not falling under any other category can be charged under category E, if they are necessary and specific to the project activities and contribute to its final results.

Typically, these include:

- costs of services (*e.g.* experts not considered staff members, specific evaluation of the project, auditor fees);
- conference fees; meeting registration costs;
- charges for financial transactions; fees for a bank guarantee requested by the Commission;
- purchase of information materials specific and key to project implementation (books, studies, electronic data);
- project-specific press releases and event advertisements (one-off costs);
- purchase of copyrights and other intellectual property rights (IPR);
- intellectual property costs connected with publishing project materials (*e.g.* CD-ROMs);
- other costs stemming from obligations under the *Grant agreement* which are not budgeted for under another budget category.

General office supplies (pens, paper, folders, ink cartridges, electricity supply, telephone and postal services, internet connection, software, *etc.*) are 'indirect costs', belonging in category F — unless unusually high quantities of such supplies are required due to the specific circumstances.

Costs of purchasing land or immovable property are not eligible. For the costs of premises rented to carry out the project, you will have to provide a specific rental contract/lease indicating a clear and exclusive link with the project. If this link is not demonstrated, the cost will be considered covered by the indirect costs.

How to calculate them?**Budgeting other goods & services costs in your proposal (Annexe 2 to the Submission form)**

For the estimated budget, you should enter an estimate of the total amount of all other goods and services needed for the project, for each applicant and linked third party.

These amounts should be a detailed and accurate estimate, based on type of publication (languages and number of copies/pages, *etc.*), conference/seminar/event or other cost. Only eligible costs should be budgeted.

Publication & dissemination

Publication and dissemination costs include costs for editing, translation and printing, as well as costs for website creation and/or maintenance (keep track of these costs separately — separate lines for editing, printing, translation, *etc.*).

The details can be estimated on the basis of experience made on similar projects. During the implementation of the action, the costs must be documented and kept for further reporting and should include the following:

for publications:

- title;
- reference number of the output in Annexe 1 to the signed *Grant agreement* (*e.g.* work package 4, output 3 - Conference);
- type of publication (*e.g.* brochure, leaflet);
- language(s) in which it will be produced;
- estimated number of pages;
- number of copies;
- type of unit (usually number of pages or number of copies).

for translations:

- title of the publication;
- reference number of the output in Annexe 1 to the signed *Grant agreement* (*e.g.* work package 4, output 3);
- source and target languages (*e.g.* from English into Italian);
- number of pages;
- type of unit (*e.g.* pages).

Conferences, seminars and other events

Costs for conferences, seminars and other events include costs for renting of rooms, interpreting, catering, *etc.* (keep track of these costs separately — separate lines for renting of rooms, interpreting, catering, *etc.*).

The details can be estimated on the basis of experience made on similar projects. During the implementation of the action, the costs must be documented and kept for further reporting and should include the following:

for renting of rooms:

- expected number of participants;
- duration of the event (*e.g.* days, half-days or number of hours);
- title of the event in Annexe 1 to the signed *Grant agreement*.

for interpreting:

- number of interpreters per day;
- number of days interpreting needed;
- source and target languages (*e.g.* English into French & vice versa);
- type of unit to count (*e.g.* days of interpreting).

for catering:

- type of catering costs (*e.g.* lunch, coffee break);
- number of items;
- number of participants;
- type of unit to count (*e.g.* participants).

Reporting other goods & services costs during the action (financial statement)

For the financial statement, you should include costs for goods and services.

Catering costs must not include people receiving subsistence allowance for the same event, unless such costs are deducted from their allowance.

1.6.4. Specific cases

Rate per mile/km — Rates per mile/km will only be reimbursed if the beneficiary provides good reasons why the normal means of calculation for car travel costs cannot be applied.

Beneficiary *per diem* system (daily allowance) — *Per diems* will be reimbursed if they are part of the beneficiary's usual practices (*i.e.* you can demonstrate that such a system was officially in place before the grant was awarded).

The *per diem* rate cannot exceed the maximum limits per country set by the European Commission https://ec.europa.eu/international-partnerships/system/files/per-diem-rates-20200201_en.pdf

Any costs declared in excess of this limit will be considered ineligible.

Per diems including accommodation will be accepted only when an overnight stay is necessary (because of the timing of the return). If the overnight stay was not necessary, a proportion of 60% will be considered for accommodation and rejected.

In-kind contributions against payment — Not applicable.

1.7. Indirect costs (category F)

What costs?

Commonly known as *overheads*, these are costs that cannot be identified as specific costs directly linked to the project and so booked to it directly.

They cover general indirect costs you incur in implementing the project, typically:

- general rental costs or depreciation of buildings and equipment;
- maintenance costs;
- telecommunication and postal fees;
- water, gas, electricity, heating, *etc.*;
- office furniture;
- supplies and petty office equipment;
- insurance;
- costs connected with support services, such as administrative and financial management, human resources, training, documentation, IT, *etc.*

How to calculate them?

Eligible indirect costs are calculated, with a flat-rate instead of actual costs. This rate — set out in Article 11(5) of EDIDP Regulation and reminded in Article 7.2.F of the *MGA* — is **25%** of the direct eligible costs (excluding subcontracting).

This means that your indirect costs will depend directly on your direct costs and that you will not need to keep track of your actual indirect costs.

1.8. Ineligible costs

What costs?

Costs are **ineligible**, if one of the following applies:

- they **do not meet the general and specific eligibility conditions**

Examples: costs incurred in relation to activities not indicated in Annexe 1 to the signed Grant agreement (description of the action); subcontracting costs not complying with Article 15 of the *MGA*; taxes for which you are liable in your capacity as a business (e.g. IRAP in Italy, Gewerbesteuer in Germany); gifts and presents; recreational/tourism/cultural activities; costs not entailing a cash flow for you; costs incurred by a third party to the Grant agreement.

- they are **listed in Article 7.3 of the MGA**, in particular:

- costs related to **return on capital** or **return generated by an investment**;

Examples: dividends paid as remuneration for investing in the action; remuneration paid as a share in the company's equity.

- **debt and debt service charges**;

‘Debt service’ is the amount paid on a loan in principal and interest over a period of time.

Example: *If a beneficiary takes a loan used to acquire equipment or consumables for the project of EUR 100 000 at 9 percent interest for 10 years, the debt service for the first year (principal and interest) is EUR 15 582.*

– **provisions for future losses or debts;**

‘Provision’ means an amount set aside in an organisation’s accounts, to cover for a known liability of uncertain timing or amount. This includes allowances for doubtful or bad debts.

– **interest owed** (*i.e.* interest on a loan to borrow capital);

– **excessive or reckless expenditure;**

‘Excessive’ means paying significantly more for products, services or personnel than the prevailing market rates or the usual practices of the beneficiary (and thus resulting in an avoidable financial loss to the action).

‘Reckless’ means failing to exercise care in the selection of products, services or personnel (and thus resulting in an avoidable financial loss to the action).

– **currency exchange losses** (*i.e.* for beneficiaries using currencies other than euros or being invoiced in a currency other than the currency they use: any loss due to exchange rate fluctuations (*e.g.* between the date of invoicing and the date of payment));

This includes insurance premiums against risk of exchange rate losses.

– **bank costs** charged by the beneficiary’s bank for transfers from the Commission;

Conversely, bank charges for the distribution of the EU funding may constitute an eligible cost for the coordinator (if the eligibility conditions of Article 7.1 and Article 7.2.E.2 of the *MGA* are met).

– **deductible VAT;**

‘Deductible VAT’ means VAT that is recoverable under the national ‘VAT system’ (*i.e.* the system of collection and deduction under the national VAT legislation). Such VAT is not a genuine and definitive cost and, according to accounting standards, should not be recorded as such. Therefore, it is not actually incurred by the beneficiary.

The cost and revenue accounts should exclude deductible VAT; such VAT should be recorded in *separate* payable or receivable accounts, without effect on revenue or cost line items.

The VAT *paid* is a claim against the tax authority. It should be recorded in the ‘assets’ part of the balance sheet. It should not be recorded as expenditure in the profit and loss accounts (only the purchase price of goods and services *excluding* VAT should be recorded). Similarly, for the value of purchased equipment or assets, only the net

purchase cost should be recorded in the balance sheet's fixed asset line, and the depreciation cost should be calculated based on this value, excluding VAT.

The VAT *collected* is a debt towards the tax authority and should therefore be recorded in the 'liabilities' part of the balance sheet.

Conversely, if VAT is NOT deductible, it is an eligible cost.

The full price of the goods or services bought by the beneficiary can be recorded as expenditure in its profit and loss accounts, without any distinction between the net price and the amount of VAT charged on it. The full price of equipment and assets bought can be recorded in the balance sheet's fixed asset line and is the basis for the depreciation allowances recorded in the profit and loss accounts.

- **costs incurred during the suspension of the implementation of the action;**

Example: Action is suspended and one of the beneficiaries continues working on it after the date of the suspension

- **costs declared under another EU grant** (*i.e.* double funding);

This includes:

- costs funded directly by other EU programmes managed by the European Commission or its executive agencies or funding bodies (*e.g.* H2020 grants, Euratom grants);
- costs managed/funded/awarded by Member States but co-funded with EU funds (*e.g.* European Structural and Investment Funds (ESIF));
- costs for grants awarded/funded/managed by other EU, international or national bodies and co-funded with EU funds (*e.g.* Joint Undertakings, Article 185 TFEU bodies);
- if a beneficiary is receiving an EU operating grant²⁰, then the indirect costs of that beneficiary are not eligible and the indirect cost flat-rate should not be applied — unless it can demonstrate that the operating grant does not cover any costs of the action (*see Article 7.2.F of the MGA*).

Examples (operating grants): Grants awarded to support the running costs of certain institutions pursuing an aim of European interest, such as: College of Europe, European standards bodies (CEN, CENELEC, ETSI)

- costs for **staff** of a **national** (or local) administration, for activities that are part of the administration's normal activities (*i.e.* not undertaken only because of the grant);

²⁰ For the definition, see Article 180(2)(b) of the [Financial Regulation](#): '**operating grant**' means direct financial contribution, by way of donation, from the budget in order to finance the functioning of a body which pursues an aim of general EU interest or has an objective forming part of and supporting an EU policy.

For public organisations (*i.e.* public bodies, with the exception of universities), the salary costs of permanent staff be claimed only if they relate to the costs of project activities which the organisation would not have carried out if the project not been undertaken.

- travel, subsistence and any other costs for EU **staff** (or elected representatives of the EU Parliament);
- costs arising from military or defence operations. Research and development activities covered by EDIDP Regulation are excluded from these military or defence operations.
- costs for activities that take place on the territory of a ‘third country’ (non EU country) pursuant to Article 7(5) of the EDIDP Regulation;
- costs for activities of ‘associated partners’ (Article 7(6) of EDIDP Regulation) and, for the SME call (EDIDP-SME-2020), ‘non-SME partners’, including their subcontracting and supplying costs.

If a beneficiary **declares ineligible costs**, the ineligible costs will be rejected and, if needed, other measures specified in Chapter 6 of the *MGA* (*e.g.* suspension, termination, grant reduction, *etc.*) may be taken.

Specific cases

Non-identifiable VAT (in foreign invoices) — In exceptional cases where the beneficiary cannot identify the VAT charged by the supplier (*e.g.* small non-EU invoices), the full purchase price can be recorded in the accounts if it is not possible to deduct the VAT. That VAT would therefore be eligible.

Partially deductible VAT — Some entities have a mixed VAT regime, meaning that they carry out VAT exempt or out-of-the-scope activities AND VAT taxed activities. When VAT paid on goods or services by these entities cannot be directly allocated to one or the other category of activities it will be *partially* deductible. Therefore it will also be *partially* eligible. The eligible part corresponds to the pro-rata of the VAT which is not deductible for that entity.

In these cases, the beneficiary uses a provisional (estimated) deduction ratio during the year. The final ratio is only determined at the end of the fiscal year. The beneficiary must regularise VAT when closing its accounts. Therefore, the beneficiary must also regularize the VAT costs declared for the grant (by declaring, in the next reporting period, an adjustment for the difference between the provisional deduction ratio and the final ratio).

VAT incurred by a public body acting ‘as public authority’ — VAT incurred by a public body acting as public authority is ALWAYS ineligible.

These are activities which can only be exercised by public bodies under their special legal framework, under different legal conditions to those covering private bodies. They may or may not be linked to ‘imperium’.

Examples: *Policing, the justice system, combating counterfeiting of banknotes and coins, national statistics, determination and enforcement of public policies*

Duties — The eligibility of duties depends on the eligibility of the cost item to which they are linked (*i.e.* in whose price they are included). If the item is eligible, the duty is also eligible.

In-kind contributions free of charge — This means non-cash inputs from third parties, such as:


- donations of raw materials (*e.g.* paper and ink for publication purposes);
- unpaid volunteer work or provision of services;
- any other good or service provided to the project whose cost is borne by another organisation and not reimbursed by the beneficiary.

They are not an eligible cost and can NOT be included when calculating total eligible costs and the final grant amount (nor should they be reported as receipt at final reporting stage).

1.9. Keeping records — supporting documentation

1.9.1. Records and other supporting documentation

The beneficiaries (for (linked) third parties, see section 1.9.7 of this Appendix) must keep appropriate and sufficient evidence to **prove** the eligibility of all the costs declared, proper implementation of the action and compliance with all the other obligations under the signed *Grant agreement*.

 Costs that are not supported by appropriate and sufficient evidence may be rejected (and other measures described in Chapter 6 of the *MGA* may be applied as well).

The evidence must be the same as that which would be accepted by the national (tax) authorities.

The evidence must be verifiable, auditable and available. It must be persuasive enough for our auditors, who assess it according to generally accepted audit standards²¹.

Appendix 3 to this *Guide for applicants* lists the records and documents (per cost category) that may serve as evidence.

Records and documents must be kept for at least five years after the balance is paid (three years for grants up to EUR 60 000). If you throw supporting documents away during this period, you risk that the grant is reduced, that costs are rejected and that amounts already paid to you will be recovered.

The Commission may require to see documents of any beneficiary in the consortium (both coordinator and co-beneficiaries).

If there are ongoing procedures such as audits, investigations or litigations, the evidence must be kept until these end, even if this is longer than five (or three) years.

The rules in the signed *Grant agreement* do not affect national laws on keeping documents (which may require additional measures).

1.9.2. Original documents

The beneficiaries must **keep original documents**.

They will be accepted by the Commission as originals, if considered an original under national law.

²¹ International Standard on Auditing ISA 500 'Audit Evidence'.

Examples:

1. *The Commission will accept authenticated copies or digitally-signed documents, if national law accepts these as originals.*
2. *The Commission will accept digitalised copies of documents (instead of hard copies), if this is acceptable under national law.*

This means that documents should be kept in the format in which they were received or created:

- documents received or created in paper form should be kept in paper form;
- documents received or created electronically should be kept in their electronic format. Hard copies of original electronic documents are not needed.

1.9.3. Records for actual costs

For actual costs, the beneficiaries must:

- keep detailed records and other supporting documents to prove the eligibility of the costs declared;
- use cost accounting practices and internal control procedures that make it possible to verify that the amounts declared, amounts recorded in the accounts and amounts recorded in supporting documentation match up.

Best practice: The information included in the financial statements for each budget category (*i.e.* personnel costs, other direct costs, indirect costs) must be broken down into details and must match the amounts recorded in the accounts and in supporting documentation.

Examples:

1. *For costs declared in category A.1 (employees or equivalent) and A.2 (natural persons under direct contract and seconded persons) the costs must be detailed for each person carrying out work for the action (individual daily rate multiplied by the actual days worked for the action). They must match the accounting records (*i.e.* general ledger transactions, annual financial statements) and supporting documentation (*i.e.* labour contracts, collective labour agreements, applicable national law on taxes, labour and social security contributions, payslips, time records, bank statements showing salary payments, etc.).*
2. *For costs declared in category E.1 and E.2 (other direct costs): the beneficiary must keep a breakdown of costs declared by type (*i.e.* travel costs and related subsistence allowances, depreciation, costs of other goods and services, etc.). It should be able to provide details of individual transactions for each type of cost. For depreciation, it must be able to provide details per individual equipment used for the action. Declared costs must match accounting records (*i.e.* general ledger transactions, annual financial statements) and supporting documentation (*i.e.* purchase orders, delivery notes, invoices, contracts, bank statements, asset usage logbook, depreciation policy, etc.).*

1.9.4. Records for unit costs set by the EU (specific case of SME owners who do not receive a salary) (category A.3)

For such unit costs, the beneficiaries must keep detailed records and other supporting documents to prove the number of units declared.

It is NOT necessary to keep records on the actual costs incurred.

The Commission may access the accounting records, but will reject costs only if the number of units declared is incorrect. The actual costs of the work are not relevant.

If the Commission detects an irregularity or fraud in the action's implementation, it may reduce the grant.

1.9.5. Records for flat-rate costs

For flat-rate costs, the beneficiaries must keep detailed records and other supporting documents to prove that the costs to which the flat rate is applied are eligible.


Example: *For the flat rate of 25 % of indirect costs, the auditors will verify (and the beneficiaries must be able to show) that:*

- a) the actual direct costs are eligible, using the detailed records and supporting documents explained above;*
- b) the following costs were excluded: subcontracting costs (with subcontractors with a direct contractual relationship with a beneficiary), the costs of resources made available by third parties not used on the beneficiary's premises and financial support to third parties from the pool of actual direct eligible costs to which the flat rate applies.*

It is NOT necessary to keep records on the actual costs incurred.

1.9.6. Records for personnel costs — Days worked for the action

The records for personnel costs depend on whether the person worked exclusively for the action or not.

 Exclusive work or not matters ALSO for the calculation of the costs to be declared (in this case they must be calculated through a simple monthly rate; see Article 7.2.A of the MGA).

For **persons who work exclusively for the action** (regardless if they are full-time or part-time employees), the beneficiary may either:

- sign a **declaration on exclusive work for the action** (one per reporting period), to confirm that the person worked exclusively for the action, either:
 - during the whole reporting period
 - or
 - during an uninterrupted time-period, covering at least a full calendar month within the reporting period.

Best practice: Beneficiaries should take a prudent approach and use this possibility only if it is planned that the person works exclusively on the action during a long and continuous period of time. If there are any doubts, a record of actual hours worked should be kept (*e.g. time-sheets*).

'Exclusive work' means that the person carried out NO OTHER activities for the beneficiary than those of the action.

Intermittent (*i.e.* sporadic or random) periods of ‘exclusive’ dedication can NOT be subject of a declaration. If a person worked randomly for the action after an uninterrupted time-period covered by a declaration, time-sheets are needed for the period of random work.

Example: *The person worked for the action exclusively from 15/02 to 31/05 and then worked again in the action some days in July and October and the full month of November. The declaration will cover the period from 15/02 to 31/05 and time records must be kept for the time the person worked for the action in July, October and November.*

If a person worked under different regimes during the reporting period (exclusive and non-exclusive), the declaration may be used ONLY for a period of exclusive work. The other months must be recorded with time-sheets.

If there were several periods of exclusive work during one reporting period, the beneficiary may choose to use the declaration for the longest one (and use the monthly time-sheets for the others).

The declaration must be **dated** and **signed** by the person concerned AND the supervisor.

- keep **time records**.

Best practice: If the person works exclusively for the action during a *full financial year*, it is strongly recommended that the beneficiary signs the ‘declaration on exclusive work for the action’ (even if the person keeps time records). In this way, the declaration can serve as evidence that the person worked for the action all her/his annual productive hours.

For **persons who do NOT work exclusively for the action**, the beneficiaries must:

- show the actual hours worked, with reliable **time records** (*i.e.* time-sheets) either on paper or in a computer-based time recording system.

Time records must be dated and signed at least monthly by the person working for the action and his/her supervisor.

If the time recording system is computer-based, the signatures may be electronic (*i.e.* linking the electronic identity data (*e.g.* a password and user name) to the electronic validation data, with a documented and secure process for managing user rights and an auditable log of all electronic transactions).


Time records should include, as a minimum:

- the title and number of the action, as specified in the *Grant agreement*;
- the beneficiary’s full name, as specified in the *Grant agreement*;
- the full name, date and signature of the person working for the action;
- the number of hours worked for the action in the period covered by the time record;
- the supervisor’s full name and signature;
- a reference to the action tasks or work packages of Annexe 1 to the signed *Grant agreement*, to which the person has contributed by the reported working hours.

Information included in time-sheets must match records of annual leave, sick leave, other leaves and work-related travel.

A template for time-sheets with these minimum requirements is available [here](#). This template is not mandatory; beneficiaries may use their own model, provided that it fulfils the minimum conditions and it contains at least the information detailed above.

If time records are not reliable, the Commission may exceptionally accept **alternative evidence** if it proves the number of hours worked on the action with a similar (or at least satisfactory) level of assurance (assessed against generally-accepted audit standards).

 The Commission has full discretion to accept or refuse the alternative evidence and there is no entitlement to it. Beneficiaries that rely on alternative evidence bear the **full risk** of refusal and rejection of costs by the Commission.

Examples of possible alternative evidence (non-exhaustive list): travel documents proving participation in a project meeting (boarding pass, obliterated travel ticket, hotel invoice, etc.); agenda and minutes of the meeting; attendance lists; working papers; laboratory log books; professional/personal diaries; documents related to presentations; scientific publications; correspondence such as letters, notes, memos, emails; etc.

The auditors will use the following three criteria to assess how credible the alternative evidence is:

1. Clear identification of the person concerned;
2. Clear link to the project under scrutiny;
3. Possibility to quantify time spent on project-related tasks.

Alternative evidence will only be accepted if these three criteria are met.

Example (acceptable alternative evidence):

A researcher submits the following email as alternative evidence: 'I hereby send you the results of the analysis of project XYZ that I have been working on for the last two weeks.'

Criterion 1 is met – the sender of the email is the person concerned

Criterion 2 is met – the project is identified as XYZ

Criterion 3 is met – the time is quantified: two weeks

Example (not acceptable alternative evidence):

A beneficiary submits the following email as alternative evidence: 'I hereby send you the results of the analysis recently carried out by my team.'

Criterion 1 is not met – it is unclear who the person concerned is; the team members and their contributions are unknown

Criterion 2 is not met: the project name is not mentioned

Criterion 3 is not met – the time is not quantified

1.9.7. Records of (linked) third parties

The beneficiaries must ensure that **linked third parties** comply with the same obligations in terms of keeping appropriate and sufficient evidence.

Example: *Linked third parties that carry out work themselves must document all their costs in the same way the beneficiaries do. However, it is the beneficiary who must keep the original financial statements and the certificates on financial statements of the linked third parties.*

The beneficiaries must also keep appropriate and sufficient evidence related to **subcontractors and providers** with a direct contractual relationship with a beneficiary.

Examples: *The beneficiaries must keep evidence showing that subcontractors fulfilled their obligations in terms of the visibility of EU funding. Alternatively, they may ensure that the subcontractors keep this evidence.*

APPENDIX 3: LIST OF RECORDS AND SUPPORTING DOCUMENTS PER COST CATEGORY


Personnel costs

All staff categories

- The total cost of the employee (comprising actual salary, statutory social security charges and other statutory costs included in the remuneration) and the amount allocated to the project;
- Proof of regular salaries (salary grids) in your organisation.


Staff working exclusively on the project


- Their existing contract with the beneficiary;
- Assignment letter, specifying their tasks, a reference to the project and the duration of their allocation to it;
- Declaration on exclusive work;
- Monthly salary slips;
- Proof of payment.

 Such staff must be registered in the beneficiary's payroll and accounting system. Timesheets are NOT required.

Staff allocated partly to the project


- Their existing contract with the beneficiary;
- Timesheets (or equivalent time-recording system) ;
- Salary slips;
- Proof of payment;
- Calculation of the daily rate requested.


 Such staff must be registered in the beneficiary's payroll and accounting system.

 Timesheets are mandatory.

Natural persons with direct contract (non-permanent staff)

- Direct contract with the beneficiary with description of tasks, the duration of the contract, working time and remuneration;
- Timesheets (or equivalent time-recording system);
- Invoices stating tasks performed, date, number of hours worked and amount to be paid;
- Proof of payment.

 The calculation of the eligible costs for such persons follows the same rules as for employees (*i.e.* daily or monthly rate, depending on part-time or exclusive work on the action — except if the signed *Grant agreement* explicitly allows for calculation on the basis not of time spent, but deliverables). The daily rate must be calculated according to the rules laid down in the *Grant agreement*.

 If the person does not work exclusively for the project, timesheets are mandatory.

Travel & subsistence costs

Travel costs

- Copies of tickets (airplane, train, bus, *etc.*), including boarding passes when applicable;

- Copies of invoices for flight or rail tickets (if bought online, a confirmation email is acceptable, providing it states the price paid);
- Travel by car: reimbursement claim, explanation of the reimbursement calculation, copy of the internal reimbursement policy, if available (maximum of the equivalent first-class rail fare);
- Proof of payment;
- Attendance list signed by the participants (for meetings and conferences).

Subsistence costs

- Expenses claim form indicating place, date and time — signed and dated by the employee and the organisation authorising the expenditure (employer);
- Proof of accommodation (hotel invoice);
- Copies of all receipts related to food and beverages, local transport and other expenses;
- Attendance list signed by the employees;
- Proof the employee was reimbursed for their claimed costs.

If per diems (applying the beneficiary's usual policy):

- Copy of the beneficiary's internal policy;
- Reimbursement claim;
- Attendance list signed by employees;
- Proof of reimbursement of the claimed costs to the employee.

Direct costs of subcontracting (with subcontractors with a direct contractual relationship with a beneficiary)

- Invoice;
- Documentation of the procedure used to award contracts: copies of bids received, records related to the award process (comparisons of individual bids, minutes of meetings, etc.);
- Proof of payment;
- Subcontracting agreement.


The subcontracting agreement (with subcontractors with a direct contractual relationship with a beneficiary) should include the following terms:

- goods/service to be provided and links with the project (it is advisable to include a reference to the project);
- start and end dates;
- price to be paid (breakdown and description of the costs);
- detailed description of the tasks/work schedule/completion phases;
- detailed description of the costs on which the price is based;
- payment arrangements (one or more advance payments, staggered payments, etc.);
- clauses/penalties for non-performance or late completion.

Equipment


- Copies of invoices stating when the equipment was purchased and delivered;
- Proof of payment;

- Calculation of the amount requested;
- Internal rules on depreciation.

 Invoices related to the purchase of goods or equipment must bear the grant reference, date of purchase and delivery. Invoices for services must also specify the date(s) the services were provided.

Other goods & services

- Invoice, stating the following:
 - editing — type/name of the publication and number of pages/words;
 - translations — title of the publication/document, translated languages (from-to) and number of pages/words;
 - printing — type/title of the publication, number of pages and number of copies;
 - conferences — detailed calculations of the relevant costs, *e.g.*:
 - for *room rental* — number of participants, number of days/hours of the stay;
 - for *interpreting services* — cost per interpreter per day, languages involved).
- Procedure used to award contracts:
 - Copies of price offers requested, including the description of the good or service to be provided;
 - Copies of bids received;
 - Records related to the award procedure (comparisons of individual bids, minutes of meetings, *etc.*);
 - Proof of payment.

 Invoices related to the purchase of goods or equipment must bear the grant reference, date of purchase and delivery. Invoices for services must also specify the date(s) the services were provided.

Indirect costs

No supporting documents are required.