



European Defence Fund

Guide for applicants

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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 2021 calls for proposals of the European Defence Fund (EDF).

Reference documents

A comprehensive list of reference documents (including EDF Regulation, EDF work programmes and submission templates) can be found on the [Funding & Tenders Portal](#) and on [this DG DEFIS web page](#).

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:

DEFIS-EDF-PROPOSALS@ec.europa.eu.

Be aware that we may not be able to answer before the deadline for submission of the proposals to questions received after 1 December 2021 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 will publish FAQ on the *Funding & Tenders Portal*. Please consult the portal regularly for updates and publications.

HISTORY OF CHANGES		
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INTRODUCTION

This *Guide for applicants* is designed to help the applicants fill out the *Submission form* related to EDF 2021 calls for proposals. Please note that a separate *Guidance on How to complete your Ethics self-assessment* is also available.

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 for the preparation of budget in actual costs grants

Appendix 3: Eligible costs for the preparation of budget for lump sums grants

It is recommended to read this *Guide for applicants* together with the *Submission form*¹ related to EDF 2021 calls and the *2021 calls for proposals and conditions*².

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.

¹ Submission forms can be found [here](#) before the opening of the calls, but keep in mind that the final forms to be filled in and submitted will be available in the submission module in the [Funding and Tenders portal](#) once the calls are open.

² A standalone document with all EDF 2021 call texts and conditions for the calls is available [here](#).

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

1. Context and reference documents

The European Defence Fund (EDF) is an EU programme managed by the European Commission for the period 2021-2027, implemented through annual work programmes and calls for proposals, aiming at supporting collaborative research and development of defence technologies and products throughout the Union. It continues and enhance the efforts initiated under the Preparatory Action on Defence Research (PADR – 2017-2019) and the European Defence Industrial Development Programme (EDIDP – 2019-2020)

The EDF is based on the [EDF Regulation³](#), adopted in April 2021 by the European Parliament and the Council of the European Union and defining the rules under which Union funding can be awarded to recipients under the EDF.

Following the adoption of the EDF Regulation, the Commission finalised, in close cooperation with the Member States, the [annual work programme for the year 2021](#) defining the categories of actions for which calls for proposals will be published in 2021. This work programme was adopted by the Commission on 30 June 2021. In order to kick-start large-scale and ambitious capability development projects while ensuring broad thematic coverage of other promising topics, the 2021 EDF budget of €930 million has been complemented with a ‘top-up’ of €290 million from the 2022 EDF budget, which required to anticipate and adopt, at the same time as the work programme for the year 2021, the [first part of the work programme for the year 2022](#).

Following the adoption of the EDF work programmes, 23 calls for proposals have been published on 30 June 2021.

This *Guide for applicants* aims at guiding ‘applicants’ that wish to prepare and submit an application in reply to the EDF 2021 calls for proposals.

Before reading this document, it is recommended that ‘applicants’ **carefully read the EDF [2021 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 *2021 calls for proposals and conditions for the calls*);
- know the deadline for submission of the proposal (see section 3.1 of the *2021 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 *2021 calls for proposals and conditions for the calls*);
 - o **the exclusion grounds** (see section 3.2.4 of the *2021 calls for proposals and conditions for the calls*);

³ Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092.

- **the eligibility criteria** (see section 3.2.5 of the *2021 calls for proposals and conditions for the calls*), which are different for research actions and development actions and may be specific to some of the calls;
- **the ethics assessment** (see section 3.2.6 of the *2021 calls for proposals and conditions for the calls*)
- **the selection criteria**, *i.e.* financial and operational capacity requirements (see section 3.2.7 of the *2021 calls for proposals and conditions for the calls*);
- **the award criteria and scoring** (see section 3.2.8 of the *2021 calls for proposals and conditions for the calls*).

It is also recommended that ‘applicants’ **have the 2021 Submission form and its eight (8) annexes⁴ 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 EDF [Model Grant Agreements](#) once available in order to understand how EU grants general provisions and EDF specific provisions will be reflected in the EDF ‘Grant agreements’.

2. Keep you informed and connected

‘Applicants’ will need to form an eligible ‘consortium’ to submit a proposal. To help them in this endeavour, **awareness and matchmaking events** may be organised at Union level or at Member States’ level. It is important that prospective ‘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.

3. New features compared to the precursor programmes PADR and EDIDP

Most of the provisions of the EDF Regulation are based on the EDIDP ones. However the EDF comes with updated and additional features compared to the EDIDP, some being partially inherited from the PADR.

First, **the EDF is covering both Research and Development**. In practice, each EDF call for proposals is either a call for Research actions or a call for Development actions. You will identify this based on the call ID: a call ID ending with ‘D’ is for Development actions, a call ID ending with ‘R’ or ‘RDIS’ is for Research actions.

As reflected in the *2021 EDF calls for proposals and conditions for the calls* (see Sections 3.2.5.1 and 3.2.8) and in the *Submission form*, be aware that Development actions need to meet two additional **eligibility conditions** and are subject to two additional **award criteria** compared to Research actions.

⁴ Submission forms can be found [here](#) before the opening of the calls, but keep in mind that the final forms to be filled in and submitted will be available in the submission module in the [Funding and Tenders portal](#) once the calls are open.

Besides, the **weighting** of the award criteria is different for Research and Development actions (see Section 3.2.8 of the *2021 calls for proposals and conditions for the calls*)

In addition, please note that:

- for the disruptive Research actions (calls EDF-2021-DIS-RDIS and EDF-2021-OPEN-RDIS), the eligibility condition regarding the size of the consortium differs from the one applicable to the other calls;
- specific additional eligibility conditions apply to the open calls focused on SMEs (EDF-2021-OPEN-R and EDF-2021-OPEN-D) and to actions requiring access to Galileo PRS information (such as for those resulting from the topic EDF-2021-SPACE-D-SGNS).

Second, in addition to the entities established in the Union, **legal entities established in Norway are also eligible to the fund**, subject to the same eligibility conditions as the entities established in the Union. The participation of Norway is however pending the adoption of the Council Decision on the position to be adopted on behalf of the European Union, within the EEA Joint Committee concerning an amendment to Protocol 31 to the EEA Agreement, on cooperation in specific fields outside of the four freedoms (European Defence Fund), which should take place during summer 2021.

Third, the **list of eligible activities** for Research actions is different from the list of eligible activities for Development actions.

Activities		Eligibility	
		Research action	Development action
(a)	Activities that aim to create, underpin and improve knowledge, products and technologies, including disruptive technologies for defence, which can achieve significant effects in the area of defence (generating knowledge)	Yes	No
(b)	Activities that aim to increase interoperability and resilience, including secured production and exchange of data, to master critical defence technologies, to strengthen the security of supply or to enable the effective exploitation of results for defence products and technologies (integrating knowledge)	Yes	Yes
(c)	Studies, such as feasibility studies to explore the feasibility of new or upgraded products, technologies, processes, services and solutions (studies)	Yes	Yes
(d)	The design of a defence product, tangible or intangible component or technology as well as the definition of the technical specifications on which such a design has been developed, including any partial tests for risk reduction in an industrial or representative environment (design)	Yes	Yes
(e)	The system prototyping of a defence product, tangible or intangible component or technology (prototyping)	No	Yes
(f)	The testing of a defence product, tangible or intangible component or technology (testing)	No	Yes

Activities		Eligibility	
		Research action	Development action
(g)	The qualification of a defence product, tangible or intangible component or technology (qualification)	No	Yes
(h)	The certification of a defence product, tangible or intangible component or technology (certification)	No	Yes
(i)	The development of technologies or assets increasing efficiency across the life cycle of defence products and technologies (increasing efficiency)	No	Yes

Fourth, the **EU funding rates** differ between Research actions and Development actions. Whereas the funding rate applicable to Research actions is systematically of 100% of the eligible costs for each eligible activity, the funding rate for Development actions vary from 20% to 100% of the eligible costs of the eligible activity, depending on the eligible activity concerned and the applicable bonus (PESCO bonus, SME bonus or mid-cap bonus). Be also aware that, compared to the EDIDP, the maximum EU funding rate for Testing, Qualification and Certification is capped to 80% (including bonus).

Activities		EU funding rates		
		Research action	Development action	
			Baseline	Maximum ⁵
(a)	activities that aim to create, underpin and improve knowledge, products and technologies, including disruptive technologies for defence, which can achieve significant effects in the area of defence (generating knowledge)	100% of eligible costs	<i>Not applicable</i>	
(b)	activities that aim to increase interoperability and resilience, including secured production and exchange of data, to master critical defence technologies, to strengthen the security of supply or to enable the effective exploitation of results for defence products and technologies (integrating knowledge)	100% of eligible costs	65% of eligible costs	Up to 100% of eligible costs
(c)	studies, such as feasibility studies to explore the feasibility of new or upgraded products, technologies, processes, services and solutions (studies)	100% of eligible costs	90% of eligible costs	Up to 100% of eligible costs
(d)	the design of a defence product, tangible or intangible component or technology as well as the definition of the technical specifications on which such a design has been developed, including any partial tests for risk reduction in an industrial or representative environment (design)	100% of eligible costs	65% of eligible costs	Up to 100% of eligible costs

⁵ Funding rate including maximum applicable bonus.

Activities		EU funding rates		
		Research action	Development action	
			Baseline	Maximum ⁵
(e)	the system prototyping of a defence product, tangible or intangible component or technology (prototyping)	<i>Not applicable</i>	20% of eligible costs	Up to 55% of eligible costs
(f)	the testing of a defence product, tangible or intangible component or technology (testing)	<i>Not applicable</i>	45% of eligible costs	Up to 80% of eligible costs
(g)	the qualification of a defence product, tangible or intangible component or technology (qualification)	<i>Not applicable</i>	70% of eligible costs	Up to 80% of eligible costs
(h)	the certification of a defence product, tangible or intangible component or technology (certification)	<i>Not applicable</i>	70% of eligible costs	Up to 80% of eligible costs
(i)	the development of technologies or assets increasing efficiency across the life cycle of defence products and technologies (increasing efficiency)	<i>Not applicable</i>	65% of eligible costs	Up to 100% of eligible costs

Fifth, all proposals will be subject to an **ethics** screening and, where needed, to an ethics assessment. This requires that all applicants fill in an Ethics Issues Table as part of an ethics self-assessment (see Section 2 of Part A sup of the *Submission form*).

Sixth, all the calls will lead to actions implemented through **actual costs** grants, with the exception of the calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D which will lead to actions implemented through **lump sums** grants. Two different model grant agreements (MGA) will therefore be used accordingly: an actual costs MGA and a lump sums MGA.

Compared to actual costs, lump sums allow significantly reduced administrative burden for the beneficiaries during the execution of the grant, but require a more in-depth *ex ante* assessment of the estimated costs of the project (hence more detailed budget information in Annex 2 to the *Submission form* and more information requested for the operational capacity).

Seventh, each applicant can select between two regimes for its **indirect costs**: a 25% flat-rate (as in PADR or EDIDP) or actual indirect costs (subject to the provision of additional supporting documents). The applicability of this alternative to the calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D is subject to the conditions that will be defined in the authorising decision for the use of lump sums in the EDF.

Eight, **proposals will have to be submitted online directly through the Funding and Tender portal**, once the calls are open (9 September 2021) and before the submission deadline (9 December 2021, 17:00 CET). Be aware that the Part A of the *Submission form* will have to be filled in directly online, whereas all other forms (Part A sup, including its eight annexes, and Part B) will have to be downloaded from the portal, filled in offline and, once completed, submitted online, together with all relevant supporting documents, on the Funding & Tender portal, as a single zip archive with a size

of less than 100 MB (see Section 3.2.3 of the *2021 calls for proposals and conditions for the calls* and Chapter 3 of this *Guide for applicants* for more information).

To start filling-in Part A and to be able to download the final Part A sup, annexes and Part B forms, you will need to press the “Start submission” button (which will only be available from 9 September 2012 on). In-between, up-to-date submission forms will be available [here](#).

Ninth, some of the Annexes to the *Submission form* are taking the form of “**macro-enabled**” **excel files** (Annex 1 & 2, Annex 6 and Annex 8). This is an attempt to make these forms more user-friendly while being able to handle the relative complexity of the EDF Regulation. In order to have these files work properly, you need first to save them on your computer (it may not work if you execute them from the zip archive) and to enable the macro (request the help of your IT administrator if needed)⁶. **It is highly advised that you test and familiarise with these files as soon as possible to avoid last minute problems during the submission process.** If you encounter any troubles in using these forms, please contact us and explain your problem at the following email address: DEFIS-EDF-PROPOSALS@ec.europa.eu.

Last, the notion of “**linked third party**” has been replaced by the notion of ‘**affiliated entity**’ in order to be fully consistent with the wording provided in article 187 of the EU Financial Regulation⁷ (but the two notions refer to the same type of participants).

The notion of “**non-SME partner**” introduced under EDIDP 2020 for the SME call has been removed. Indeed, this notion was hardly ever used in EDIDP while introducing unnecessary complexity for the EDF since non-SMEs can already participate to some extent, in the calls EDF-2021-OPEN-R and EDF-2021-OPEN-D as ‘subcontractors’⁸ or ‘associated partners’⁹ and, in the case of the call EDF-2021-OPEN-R, as ‘research organisations’¹⁰.

4. Basic principles regarding EDF calls for proposals

Each EDF 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, except for the call EDF-2021-NAVAL-R where an indicative budget is provided for each of the two topics of the call. Where there is only one topic addressed by the call, the ceiling per proposal is set to the budget of the call, except for the three open calls (EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D) where a ceiling per proposal is set to 4 M€. This means that your proposal against one topic can request Union financial support up to the full budget of the call except for the call EDF-2021-NAVAL-R where you can request support up to the budget defined for the topic and for the open calls where you can request support up to 4 M€.

⁶ Access to the VBA code is password protected, but you are invited to trust the originator of it which is the European Commission.

⁷ [Regulation \(EU, Euratom\) 2018/1046](#) of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

⁸ To the limit of 30% of the eligible costs allocated to the subcontracted member of the consortium or affiliated entity.

⁹ Without receiving EDF funding.

¹⁰ If they are eligible to this status (see Section 5 of Chapter 1) and in the limit of 40% of the costs allocated to the consortium.

Each topic description inside the call is organised into five sections: specific challenge, scope, ‘targeted activities’, functional requirements and expected impact. **Unless otherwise specified in the corresponding sections of the topic, the scope and ‘targeted activities’ as described in the 2021 calls for proposals and conditions for the calls must be fully addressed and covered by your proposal in order to be eligible¹¹.** Compliance with other sections, and in particular with the functional requirements will be taken into account during the evaluation of your proposal against the award criteria (see Section 3.2.8 of the *2021 calls for proposals and conditions for the calls*) but is not considered as eliminatory.

Where a call text is mentioning in its “targeted activities” section: “not excluding possible upstream and downstream activities eligible for Research or Development actions”, these “downstream and upstream activities” must be understood as optional. **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 precisely, see the examples provided at ‘targeted activities’ in Appendix 1 of this *Guide for applicants*.

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 different proposals, 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 and to withdraw the other one(s).

Proposals answering to EDF calls will have to be submitted through the *Funding & Tenders Portal* (see previous section). **If your proposal contains classified information**, you must contact the Commission at the following email address (DEFIS-EDF-PROPOSALS@ec.europa.eu) well before the final date for submission of the call, in order to arrange the delivery of the classified part of your proposal. The expedition of this classified part must be dated before the submission deadline.

5. Register on the Funding & Tender Portal

All ‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’, as well as any other participant listed in Annexes 1&2 which is an ‘SME’ or a ‘mid-cap’, 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’, ‘affiliated entities’, ‘subcontractors involved in the action’, ‘SME’ and ‘mid-cap’, please refer to Appendix 1 to this *Guide for applicants*.

¹¹ Proposals must cover the ‘targeted activities’ as they are defined in the section ‘targeted activities’ of the call topic you are applying for (“The proposals must cover...”).

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 again.**

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 Annex 8 to the *Submission form* (to know if they are a ‘mid-cap’ according to the definition provided in the EDF 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 relate to the current financial year (or, if not available yet, to the previous one)**.

In the context of the EDF, the size of the organisation (‘SME’ and ‘mid-cap’) is particularly important for the evaluation of ‘applicants’ proposal against award criterion 5 (see section 3.2.8 of the *2021 calls for proposals and conditions for the calls*), **for ‘applicants’ claiming the ‘SME’ and/or ‘mid-cap’ bonus** (see section 3.3.3 of the *2021 calls for proposals and conditions for the calls*) and **for the open calls focused on ‘SMEs’** (EDF-2021-OPEN-R and EDF-2021-OPEN-D).

When registering their legal entity, ‘applicants’ claiming to be **‘research organisations’** should not forget to declare this status. This is particularly important for the ‘applicants’ to the call EDF-2021-OPEN-R where the consortium (except for the role of the coordinator) is open to non-SMEs being ‘research organisations’, up to the limit of 40% of the eligible costs allocated to the consortium.

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 entities;
- for the **validation of ‘SME’ or ‘mid-cap’ status** (where applicable);
- for the **validation of the ‘research organisation’ status** (where applicable);
- for the **validation of the financial capacity of the ‘applicants’ and ‘affiliated entities’** (see section 3.2.7 of the *2021 calls for proposals and conditions for the calls*). These participants will have to provide financial statements for the last two financial years for which the accounts of their organisation were closed¹².

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.

¹² 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).

Validity of the ‘SME’ or ‘mid-cap’ status over time

Independently of the result of the self-assessment performed by a participant, the Commission reserves the right to perform a full validation based on actual documents. Such full validation may take place during the evaluation of the proposal, during the grant agreement preparation and/or during the implementation of the action. Once this full validation is performed and the status validated, it will be considered valid 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 32.3.1 b of the *Model Grant Agreement*).

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

General guidance

The EDF *Submission form* for 2021 calls is composed of:

- **one simplified form to be filled in online**
 - o **Part A** – Administrative form (web-based form)

This web-based form will be accessible directly on e-Grants only once the calls are open (9 September 2021). In-between, a pdf illustrative file can be found [here](#).

- **several additional forms to be filled in offline**
 - o **Part A sup** – Supplementary information (Word file);

This form is a supplement to Part A. The need for such supplementary information is linked to the fact that e-Grants is currently not providing all the features needed for the implementation of the European Defence Fund. This situation may evolve in the coming years.

- o **eight annexes:**
 - **Annex 1** – Increase in the funding rate (bonus) and quantitative assessment of eligible costs allocated to SMEs and mid-caps established in the Union or in associated countries (macro-enabled Excel file common with Annex 2);
 - **Annex 2** – Budget table (macro-enabled Excel file common with Annex 1); Annex 2 contains an **appendix** (Word file with an Excel file template inside) that ‘applicants’ or ‘affiliated’ opting for actual indirect costs need to fill in, sign and submit with their proposal;
 - **Annex 3** – Declaration on honour for applicants and affiliated entities (Word file);
 - **Annex 4** – Pre-existing information (background information) linked to non-associated third countries or non-associated third-country entities (Word file);
 - **Annex 5** – Industry-related information on applicants, affiliated entities and subcontractors having a direct contractual relationship with an applicant (Excel file);
 - **Annex 6** – Declaration of Ownership and Control (macro-enabled Excel file);
 - **Annex 7** – Description of infrastructure, facilities, assets and resources used for the purpose of the action – Operational capacity (Word file);
 - **Annex 8** – Mid-cap self-assessment form (macro-enabled Excel file).

Excel files (Annexes 1, 2, 5, 6 and 8) have protected cells: you will only be allowed to modify the coloured cells which are not protected. In case you encounter any issue with these Excel files, you are kindly requested to contact the European Commission and explain your problem at the following email address: DEFIS-EDF-PROPOSALS@ec.europa.eu.

- o **Part B** – Description of the action.

Part B is the place where you need to describe your proposal. This part is subject to a page limit.

The final version of Part A sup, including the eight annexes, and Part B will be available for download (click on “Download Part B”) on the Submission service module once the calls are open (9 September 2021). In-between, up-to-date forms can be found [here](#).

Unless otherwise stipulated in the *Submission form*, all parts of the *Submission form*, including the eight annexes, need to be duly completed as requested. Annexes 1 to 8 are fully part of Part A sup. You will need to fill in and provide all of them, keeping in mind that only Annex 5 is not compulsory for the evaluation of your proposal and that Annex 8 has to be filled in only by participants claiming the mid-cap status.

- Supporting documents

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 *2021 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.

The *Submission form*, including its annexes, already contains guidance (text in blue) to assist the ‘applicants’ in filling out the forms. **Applicants are invited to remove this guidance in the submitted proposal in order to ease the reading of the 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** — do not 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, and answers to basic questions: *e.g.* who does what and what is the associated cost.
- **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 the implementation of 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.
- **submitted on-time** – to avoid system congestion or system incompatibility issues, it is highly recommended that you submit your proposal at the latest 48 hours before the deadline, keeping in mind that you can submit the proposal as many times as you wish up until the deadline. Each new submitted version will replace the previous one.

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*.

Part A – Administrative data

You will need to fill out this web-based form directly online once the calls are open (9 September 2021). To start this process, you will have to click on “Start submission” in the page of the topic you are applying for. Once you have started the process, you can save your application at any stage of the process and resume at any time before the submission deadline.

All relevant guidance to fill in Part A can be found [here](#), keeping in mind that the configuration of the module will be specific to EDF calls (not all fields mentioned in the guidance might be implemented).

Indeed, Part A for EDF will be limited to general information regarding your proposal, including a declaration of honour for the coordinator, to information regarding the ‘applicants’, ‘affiliated entities’ (if any) and ‘associated partners’ (if any), and to a simplified budget table.

1. General information regarding your proposal

Please take note of the **proposal number** (also referred to as “proposal ID” in the *2021 calls for proposals and conditions for the calls* and in the *Submission forms*) that will be attributed to you since this number will be needed in other forms (Part A sup, annexes, Part B). You will also need to duplicate your **proposal acronym** in other forms.

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 a duration beyond 48 months should be duly justified and substantiated, in Part B of the proposal, against the content and objectives of the proposed action. 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 topic.

The abstract of your proposal 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 make sure that at least this abstract is in English. Be aware that an executive summary (maximum 3 pages) of your proposal will also be requested in Part B – Section 6 to provide evaluators with an overview of the content of your proposal, helping them to enter into the matter.

Fixed keywords: In the preparation of your proposal, you are requested to select associated keywords from a predefined list. It is of the utmost importance that you select all the relevant keywords that correspond to your proposal.

Free keywords: In addition to the fixed keywords, you are given the possibility to enter any words (separated with a semicolon ‘;’) you think define and give extra detail on the content of your proposal (maximum 200 characters including spaces) and particularly in the case of the open calls (EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D).

By selecting the most appropriate keywords that best correspond to the innovation, technology, product proposed as well as to the specific market targeted, you ensure that your proposal is attributed to expert-evaluators who have the most relevant thematic knowledge to evaluate it adequately.

Link with a previous proposal: if your proposal or a very similar one has been submitted in the past two years under EDIDP or other EU programme, you are requested to provide necessary reference to the programme concerned, call and year. If you cannot input the relevant reference, you can leave the field empty and this will not block you to submit your proposal: you will be able to provide this information in Part A sup Section 3 v). This information will be used to speed up the assessment of your organisation against eligibility and selection criteria, and to assess potential double funding.

Declaration of honour: this declaration needs to be acknowledged by the coordinator. In addition to the Declaration of honour in Part A, be aware that the coordinator (and more generally all ‘applicants’ and ‘affiliated entities’) will need to fill in, sign and submit with their proposal additional Declarations of honour as part of Annex 3 to the *Submission form*.

2. Information regarding the ‘applicants’, ‘affiliated entities’ and ‘associated partners’

The list of participants that you will declare here must be limited to the ‘applicants’ (*i.e.* future members of the consortium / beneficiaries), their affiliated entities (if any) and the associated partners (if any). This list and related information (PIC, legal name, short name, place of establishment and status) must be fully consistent with the one provided in Annexes 1 & 2.

You must not (and you will not be able to) add ‘subcontractors’ here. Information regarding ‘subcontractors’ (PIC, legal name, short name, place of establishment and status) will be captured only through Annexes 1 & 2: this will require these ‘subcontractors’ to register on the [participant registration page](#).

3. Simplified budget table

Detailed budget information need to be provided in Annexes 1 & 2 to the *Submission form*.

In order to fill in properly the simplified table of Part A, you need first to fill in Annexes 1 & 2. Indeed, the information that you have to provide in the simplified table of Part A must be limited to and fully consistent with the one provided in the sheet “A2 – Summary per applicant” (column “Requested EU contribution”) of Annex 2 to the *Submission form*.

Part A sup – Supplementary information

Part A sup is designed to collect EDF specific information regarding the eligibility of the action and of the entities involved in the action, regarding ethics and other EDF specific features. It is also designed to collect justifications linked to the budgetary information provided in Annexes 1 & 2.

On a layout perspective, it is expected that the headings of the *Submission form* are safeguarded and managed properly throughout your proposal, so that the navigation pane can be used.

1. 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 *2021 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 of which is already mentioned in this *Guide for applicants*). As specified in Article 9(7) of the EDF 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, ‘beneficiaries’ must inform the Commission immediately, which will assess whether the eligibility criteria continue to be met.

1.1. Applicants, affiliated entities, subcontractors involved in the action

You need to fill in the table with the requested information for each ‘applicant’, ‘affiliated entity’, and ‘subcontractor involved in the action’. Add as many rows as necessary.

Other subcontractors (*i.e.* ‘subcontractors’ that are not ‘subcontractors involved in the action’) do not need to be identified in this section of the *Submission form* since they are not subject to the eligibility check. ‘Associated partners’ will be subject to specific eligibility checks (see Section 1.2 below). However, other ‘subcontractors’¹³ and ‘associated partners’ should be identified in Annexes 1 & 2 (budget) and in Section 8 of Part B (description of work packages).

In addition to the information and answers provided in the table, each ‘applicant’, ‘affiliated entity’ and ‘subcontractor involved in the action’, depending on its answers to the questions, is requested to provide specific evidence (justification in writing 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.

¹³ Such as direct subcontractors of affiliated entities.

Item a) – Legal entities established in the Union or in an associated country and having their ‘executive management structures’ established in the Union or in an associated country.

‘**Legal entity**’ means a legal person created and recognised as such under Union, national or international law, which has legal personality and the capacity to act in its own name, exercise rights and be subject to obligations, or an entity which does not have legal personality as referred to in point (c) of Article 197(2) of the Financial Regulation¹⁴;

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

The territory of the **Union** covers all Member States territories, including their outermost regions. The territory of the **associated countries** is limited to the one of Norway¹⁵.

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

- Place of establishment of the ‘legal entity’: will be assessed based on the information provided by the legal entity on the participants portal;
- Justification that the ‘executive management structures’ of the ‘legal entity’ are established in the Union or in an associated country: any official document, such as extract from the official journal, copy of articles of association, of resolution, decision, **proving that the ‘executive management structures’ of each of the ‘beneficiaries’, ‘affiliated entities’ and ‘subcontractors involved in the action’ are established in the Union or in an associated country.**

Item b) – Infrastructure, facilities, assets and resources used for the purposes of the action supported by the Fund located on the territory of the Union or in an associated country for the entire duration of the action.

The territory of the **Union** covers all Member States territories, including their outermost regions. The territory of the **associated countries** is limited to the one of the Norway¹⁶.

¹⁴ “entities which do not have legal personality under the applicable national law, provided that their representatives have the capacity to undertake legal obligations on behalf of the entities and that the entities offer guarantees for the protection of the financial interests of the Union equivalent to those offered by legal persons. In particular the applicant shall have a financial and operational capacity equivalent to that of a legal person. The representatives of the applicant shall prove that those conditions are satisfied”.

¹⁵ The participation of legal entities established in the Kingdom of Norway is pending the adoption of the Council Decision on the position to be adopted on behalf of the European Union, within the EEA Joint Committee concerning an amendment to Protocol 31 to the EEA Agreement, on cooperation in specific fields outside of the four freedoms (European Defence Fund). This should normally take place during summer 2021.

¹⁶ The participation of legal entities established in the Kingdom of Norway is pending the adoption of the Council Decision on the position to be adopted on behalf of the European Union, within the EEA Joint Committee concerning an amendment to Protocol 31 to the EEA Agreement, on cooperation in specific fields outside of the four freedoms (European Defence Fund). This should normally take place during summer 2021.

Whatever is its answer to question b) in the table, each ‘applicant’, ‘affiliated entity’ and ‘subcontractor involved in the action’ need to provide in Annex 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 Annex 7 in the corresponding section of this *Guide for applicants*).

Please be aware that additional information is requested in Annex 7 for ‘applicants’ and ‘affiliated entities’ in order to assess their operational capacity but also to assess the proposal against award criterion 5 and to collect information needed to report on the EDF performance indicators (see specific guidance for Annex 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’, ‘affiliated entities’ and ‘subcontractors involved in the action’ regarding item b)?

- Annex 7 duly completed for each of the ‘beneficiaries’, ‘affiliated entities’ and ‘subcontractors involved in the action’;
- Additional evidence requested inside Annex 7 where infrastructure, facilities, assets and resources of the ‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’ are located outside the territory of the Union and associated countries.

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

Whatever is their answer to question c) in the table, each ‘applicant’, ‘affiliated entity’ and ‘subcontractor involved in the action’ must duly complete and submit with their proposal a *Declaration of Ownership and Control* (see Annex 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 Annex 6. Information provided in Annex 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 EDF Regulation (see below).

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

In order to be eligible for the programme, all ‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’ must not be subject to ‘control’ by a ‘non-associated third country’ or by a ‘non-associated third-country entity’, as provided by in Article 9(3) of the EDF Regulation.

‘Non-associated third country’ means a country that is not a member of the European Union and which is not an associated country. Norway is the only associated country that has expressed interest in participating in the EDF, and therefore, Iceland and Liechtenstein will be considered as non-associated third countries.

‘Non-associated third-country entity’ means an entity established in a ‘non-associated third country’ or, where it is established in the European Union or in an associated country, having its ‘executive management structures’ in a ‘non-associated third country’ (pursuant to Article 2(24) of the EDF Regulation). Norway is the only associated country that has expressed interest in participating in the

EDF, and therefore, an entity established in Iceland or in Liechtenstein or having its ‘executive management structures’ in Iceland or in Liechtenstein will be considered as a “non-associated third-country entity”.

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

‘Control’ means the ability to exercise a decisive influence on a ‘legal entity’, directly, or indirectly through one or more intermediate ‘legal entities’ (pursuant to Article 2(6) of the EDF Regulation).

When is a ‘legal entity’ subject to ‘control’ by a ‘non-associated third country’ or by a ‘non-associated third-country entity’?

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

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

The fact that the ‘non-associated third country’ or the ‘non-associated 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 ‘legal entity’ is subject to ‘non-associated third country’ or ‘non-associated 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 ‘legal entity’.
- 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 ‘non-associated third country’ or by a ‘non-associated 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 or a national from an associated country 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’, ‘affiliated entities’ and ‘subcontractors involved in the action’ regarding item c)?

- Annex 6 duly completed and signed for each of the ‘beneficiaries’, ‘affiliated entities’ and ‘subcontractors involved in the action’ (see guidance for Annex 6 in this *Guide for applicants*);
- All additional evidence requested inside Annex 6 (see guidance for Annex 6 in this *Guide for applicants*);
- For each of the ‘beneficiaries’, ‘affiliated entities’ and ‘subcontractors involved in the action’ a **graph describing the chain of control of the ‘legal entity’ until the ultimate owners** (see guidance for Annex 6 in this *Guide for applicants* for an illustration of such graph).

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

By derogation from the condition set out in Article 9(3) of the EDF Regulation, a ‘legal entity’ established in the Union or in an associated country and having its ‘executive management structure’ established in the Union or in an associated country can be eligible as a ‘recipient’¹⁷ or as a ‘subcontractor involved in the action’, even if it is controlled by a ‘non-associated third country’ or a ‘non-associated third-country entity’, only if **guarantees approved by the Member State or the associated country in which it is established** are made available to the Commission (as provided by in Article 9(4) of the EDF Regulation).

The guarantees approved, in accordance with its national procedures, by the Member State or associated country in which the ‘legal entity’ is established, **must substantiate**:

1. that the involvement of the ‘legal entity’ in the EDF action will not contravene the security and defence interests of the Union and its Member States;
2. that the involvement of the ‘legal entity’ in the EDF action will not contravene the objectives of EDF (set out in ‘Article 3 of the EDF Regulation’);
3. compliance with the provisions of ‘Articles 20 and 23 of the EDF Regulation’;
4. that measures have been put in place to ensure at least that:
 - a) the ‘non-associated third country’ or ‘non-associated third-country entity’ ‘control’ over the ‘legal entity’ is not exercised in a manner that:
 - restrains or restricts the ‘legal entity’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 ‘non-associated third country’ or by a ‘non-associated 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 ‘non-associated third country’ or by a ‘non-associated third-country entity’; and

¹⁷ Synonym of ‘beneficiary’.

- are not exported outside the Union or associated country nor is access to them from outside the Union granted without the approval of the Member State or associated country in which the ‘legal entity’ is established and in accordance with the objectives of EDF (set out in ‘Article 3 of the EDF Regulation’).

The guarantees approved by the Member State or associated country in which the ‘legal entity’ is established may refer to:

- the ‘legal entity’s ‘executive management structure’ established in the Union or associated country,
- specific governmental rights in the ‘control’ over the ‘legal entity’.

The guarantees cannot simply state that the conditions of the EDF Regulation are fulfilled, but must explain which measures have been put in place, to comply notably with the conditions of Article 9(4) (a), (b) and (c) (see above), as well as of ‘Articles 20 and 23 of the EDF Regulation’.

As established in Recital 16 of the EDF Regulation, Article 9(4) derogation from Article 9(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’, ‘affiliated entity’ and ‘subcontractor involved in the action’, established in the Union or associated country and having its ‘executive management structures’ in the Union or associated country, which is subject to ‘control’ by a ‘non-associated third country’ or ‘non-associated third-country entity’. Such ‘control’ may be acknowledged by the ‘legal entity’ itself or by the Commission, following an assessment based on the information provided by the ‘legal entity’ with Annex 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 ‘non-associated third country’ or ‘non-associated third-country entity’, or that you realise this is the case after having performed a self-assessment using Annex 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 Annex 6¹⁸ to the *Submission form*, arrives to the conclusion that your entity is subject to ‘control’ by a ‘non-associated third country’ or ‘non-associated third-country entity’, you will be requested to provide these guarantees within 25 working days.

If your entity becomes subject to ‘control’ by a ‘non-associated third country’ or ‘non-associated third-country entity’ after your proposal has been selected in the Commission EDF award decision, you must inform the Commission of the change. The Commission will re-assess the eligibility of the entity and potential impact on the project, if any.

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

As regards an ‘applicant’ or an ‘affiliated entity’, 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

¹⁸ And, where needed, the provision of clarifications or additional supporting documents.

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.

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

- List of ‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’ that want to benefit from this derogation;
- Annex 6 duly completed and signed for each of these ‘legal entities’;
- For each of these ‘legal entities’, guarantees, approved by the Member State or associated country in which the ‘legal entity’ is established in accordance with its national procedure, and signed by a national authority, at least at the level of a Director General, empowered to engage the State or associated country.
- The guarantee must detail 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 EDF action;
 - protection mechanism regarding the structure/practices of the company from the non-associated third-country controlling entity or ‘non-associated third country’;
 - instruments to control or approve non-associated third-country investments in the ‘legal entity’;
 - registration and/or authorisation received to operate and work in defence;
 - security agreement, in place between the ‘legal entity’ and the Member State or associated country where it is established, setting the measures (to be) implemented, including security-related obligations of conduct;
 - control, verification and/or audit rights on the ‘legal entity’;
 - mechanisms in place to prevent access to sensitive information by non-associated third-country management structures;
 - protection against loss of sensitive data;
 - security clearance of the management/employees/facilities involved in the action;
 - reporting duties for the ‘legal entity’.

As laid down in the Financial Regulation (Regulation 2018/1046), the Commission could ask for clarifications, and in accordance with Article 9(7) of the EDF Regulation, ‘applicants’ must provide all relevant information necessary for the assessment of the eligibility criteria.

If you deem the information you provide in relation with the derogation too sensitive to be delivered via the ‘coordinator’, you can:

- either provide it as a password-protected archive within the global application and provide the associated password separately at DEFIS-EDF-PROPOSALS-PWD@ec.europa.eu. In such case, please do not forget to mention the name of the encrypted file(s) and the name of the proposal(s) concerned in your email (see Chapter 3 of the *Guide for applicants* for more information);
- or contact the Commission at DEFIS-EDF-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.

1.2. Associated partners

‘Associated partners’ refer to ‘legal entities:

- established outside the territory of the Union and associated countries;
- or
- established on the territory of the Union or associated countries, controlled by a ‘non-associated third country’ or by a ‘non-associated third-country entity’ not claiming or not eligible to the derogation as referred to in Article 9(4) of the EDF Regulation;

with whom a ‘beneficiary’, an ‘affiliated entity’ 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.

According to article 9(6) of the EDF Regulation, the participation of such ‘associated partners’ is subject to specific eligibility assessment, even though the costs of the associated tasks are not eligible to EDF funding.

‘Applicants’ need to answer to question d) to indicate if ‘applicants’, ‘affiliated entities’ or ‘subcontractors involved in the action’ will cooperate with such ‘associated partners’. The answer must be fully consistent with the information provided in Annexes 1 & 2.

In such case, for each of these ‘associated partners’, you need to reply to **questions e), f), g) and h)** 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 e), f), g) and h) for each of the ‘associated partners’;
- Supporting documents describing the mechanisms, procedures or measures in place that justify that the requirements of questions e), f), g) and h) 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 Annex 7 to the *Submission form*.

1.3. Consortium

According to Article 2(4) of the EDF Regulation a “‘consortium’ means a collaborative grouping of applicants or recipients that is subject to an agreement and constituted for the purpose of carrying out an action under the Fund”.

Given that the aim of the EDF is, in particular, to enhance cooperation between ‘legal entities’ across the Union, Article 10(4) of the EDF Regulation lays down that an action must be carried out by ‘legal entities’ cooperating within a consortium of at least three eligible ‘legal entities’ which are established in at least three different Member States or associated countries. At least three of those

eligible ‘legal entities’ established in at least two different Member States or associated countries shall not, during the entire period in which the action is carried out, be controlled, directly or indirectly, by the same legal entity and shall not control each other.

However, article 10(5) of the EDF Regulation allows a derogation for actions relating to disruptive technologies for defence.

You are therefore requested here to answer **questions i) and j)** and to provide the necessary evidence to substantiate your answers. **Be careful that the questions are not the same if you are applying for the calls EDF-2021-DIS-RDIS and EDF-2021-OPEN-RDIS which are relating to disruptive technologies.**

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

- Information provided in Part A of the *Submission form* indicating and proving the country of establishment of each of the members of the ‘consortium’ (‘applicants’);
- For all calls except EDF-2021-DIS-RDIS and EDF-2021-OPEN-RDIS: Legal name and PIC number of at least three members of the ‘consortium’ from at least two different Member States or associated countries and which are not controlled, directly or indirectly, by the same ‘legal entity’ or do not ‘control’ each other;
- For the calls EDF-2021-DIS-RDIS and EDF-2021-OPEN-RDIS: Legal name and PIC number of at least two members of the ‘consortium’ from at least two different Member States or associated countries and which are not controlled, directly or indirectly, by the same ‘legal entity’ or do not ‘control’ each other;
- Annex 6 duly completed and signed for each of the members of the ‘consortium’ (‘applicants’).

Please refer to Chapter 4 of this *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*’.

1.4. 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 k) to o)** if you are applying for a call for research actions (call ID ending with R or RDIS)

or

- **questions k) to r)** if you are applying for a call for development actions (call ID ending with D)

and provide the associated evidence as required.

Item k) – Compliance with the objectives of the Fund, scope and targeted activities

The **objectives of the Fund** are provided in ‘Article 3 of the EDF Regulation’. If it is obvious that your proposal is not contributing to any of these objectives or is even going against them, the Commission reserves the right to declare your proposal ineligible and reject it on that basis.

The **scope and targeted activities** are specified in the call topic text you are applying for. You need to comply with the text provided in these sections in order for your proposal to be eligible, keeping in mind that some flexibility is offered where another verb than “must” is used.

Item I) – Development of products and technologies, the use, development or production of which is prohibited by applicable 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. Please note that the treaties listed below may only be ratified by some Member States and may not reflect Customary International Law:

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 (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 Non-Proliferation of Nuclear Weapons (1968) Treaty on the Prohibition of Nuclear Weapons (2017) ¹⁹

¹⁹ Entry into force as of 22 January 2021. Signed and ratified by 3 out of 27 Member States: Austria, Malta and Ireland.

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 basis²⁰.

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](#)
- [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 m) – Lethal autonomous weapons without the possibility for meaningful human control over selection and engagement decisions when carrying out strikes against humans

The EDF Regulation lays down a specific eligibility condition regarding the development of LAWS (lethal autonomous weapon systems). Question m) is therefore used to identify quickly if your proposal may be concerned by this kind of development and if it falls under the derogation allowed in the EDF Regulation (*i.e.* early warning systems or countermeasures for defensive purposes).

Should the answer to any of these questions be YES, you need to provide additional information in the Ethics Issues Table (see Section 2 of Part A sup of the *Submission form*).

²⁰ <https://ihl-databases.icrc.org/customary-ihl/eng/docs/home>.

Items n) and o) – ‘Non-associated third country’ or ‘non-associated third-country entity’ restriction on pre-existing information needed to carry out the action. ‘Non-associated third country’ or ‘non-associated 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 ‘non-associated third country’ or by a ‘non-associated third-country entity’, directly, or indirectly through one or more intermediate ‘legal entities’.

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 ‘non-associated third country’ or by a ‘non-associated third-country entity’, directly, or indirectly through one or more intermediate ‘legal entities’, 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 Annex 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)?

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

Only applications for Development actions need to address Items p) to r).

Item p) – 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 (*i.e.* where the EU requested

contribution is less than the total eligible costs of the action or costs of the ‘associated partners’ (if any)).

This information must be consistent with the figures provided in Annex 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 or associated countries**, 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)). The signatory must be a legally appointed representative having the authority to sign such document.

Make sure that the level of signature of these supporting documents is appropriate to commit the co-financer: supporting documents may otherwise be rejected.

Such evidence does not need to be provided for each eligible ‘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 q) – Harmonised defence capability 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 “harmonised defence capability requirements jointly agreed by at least two Member States or associated countries”** (e.g. Letter of Declaration, signed by at least two Member States or associated countries, common defence requirements described in an agreement (MoU or *ad hoc*) signed between the participating Member States or associated countries).

It is compulsory that the supporting document is either a single document signed by all the Member States and associated countries concerned, or that the different supporting documents refer precisely to the other Member States or associated countries.

The supporting documents should be signed at the level of the (Deputy) National Armament Director, (Deputy) Director general or equivalent in the participating Member States or associated countries.

Letter issued by International Organisations or other Regional/International bodies (e.g. NATO Centre of Excellence, Agencies, EU Agencies) will not be considered as satisfactory evidence.

Item r) – Common technical specifications and intention to procure for ‘prototyping’, ‘testing’, ‘qualification’ and ‘certification’.

If your proposal is covering ‘prototyping’, ‘testing’, ‘qualification’ or ‘certification’ ‘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 r)?

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

It is compulsory that the supporting document is either a single document signed by all the Member States and associated countries concerned, or that the different supporting documents refer precisely to the other Member States or associated countries.

The supporting documents should be signed at the level of the (Deputy) National Armament Director,

(Deputy) Direct general or equivalent in the participating Member States or associated countries.

Letter issued by International Organisations or other Regional/International bodies (e.g. NATO Centre of Excellence, Agencies, EU Agencies) will not be considered as satisfactory evidence.

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

Regarding the harmonised capability requirements and the common technical specifications (see item q) and r) 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 harmonised capability requirements) and/or ‘design’ phase (for common technical specifications). In such case, a document proving that at least two Member States or associated countries intend to jointly agree on harmonised capability 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 harmonised capability requirements and the common technical specifications?

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

The level of signature for this document has to be the same as described above for harmonised capability requirements and common technical specifications.

Please, be aware that the fulfilment of the eligibility criteria regarding harmonisation of capability requirements and commonality of 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 harmonisation of the capability requirements and commonality of the technical specifications.

1.5. Additional eligibility conditions for specific calls

Items s) and t) in this section apply specifically to the calls (EDF-2021-OPEN-D and EDF-2021-OPEN-R) and aim at raising awareness of the members of the applying consortium (and in particular of the coordinator of the consortium) about the additional requirements that need to be fulfilled in order to be eligible for funding. If you are not applying to any of these calls, move directly to item u).

Item s) consortia applying for the call EDF-2021-OPEN-D

The call EDF-2021-OPEN-D is dedicated to ‘SMEs’, therefore all members of the applying consortia must be ‘SMEs’. **A proposal will not be eligible for EDF funding if one of the members of the**

applying consortium appears not to be an SME. It is highly recommended that the coordinator of the consortium takes all necessary measures to make sure that all members of the consortium have thoroughly²¹ performed the SME self-assessment using requested valid data (see item w) of *the Submission form* and Chapter 1 section 5 of this *Guide for Applicants*).

Item t) consortia applying for the call EDF-2021-OPEN-R

The call EDF-2021-OPEN-R is dedicated to SMEs and research organisations, therefore all members of the applying consortia must be SMEs or research organisations. In addition the coordinator of the consortium must be an SME. **A proposal will not be eligible for EDF funding if the coordinator is not an SME or if one of the members of the applying consortium appears not to be an SME nor a research organisation.** It is highly recommended that the coordinator of the consortium takes all necessary measures to make sure it is an SME and that all members of the consortium have thoroughly²² performed the SME self-assessment using requested valid data or fall under the definition of a research organisation (see items w) and y) of *the Submission form* and Chapter 1 section 5 of this *Guide for Applicants*).

Item u) access and handling of Galileo PRS information to carry out the action

Since **access to Galileo PRS information is strictly regulated**²³, participants ('applicants', 'affiliated entities' or 'subcontractors involved in the action') requiring access to such information to carry out their proposed action, as it is the case for the topic EDF-2021-SPACE-D-SNGS but could also be the case for calls EDF-2021-OPEN-X, need to make sure that the relevant authorisations to execute the activity are in place. Each participant concerned need to provide the corresponding confirmation issued by the Competent PRS Authority designated by the Member State in the territory where this participant is established.

The proposal will not be eligible to EDF funding if these participants fail to prove that they have the required authorisations and credentials.

2. Ethics Issues Table

As stated in Article 7 of the EDF Regulation, ethics is an integral part of the EDF programme. In order to prepare an ethics-compliant proposal, you should answer the questions in the ethics issues table in the submission form. The [Guidance on Ethics](#) helps you answering the questions and consider all the issues to take into account. **Please use the latest version of the guidance: v2.0 dated 13 July 2021.**

²¹ In particular, the applicants will very carefully consider the provisions related to the consolidation of figures from partner and linked enterprises.

²² In particular, the applicants will very carefully consider the provisions related to the consolidation of figures from partner and linked enterprises.

²³ [See decision No 1104/2011/EU of the European Parliament and of the Council on the rules for access to the public regulated service provided by the global navigation satellite system established under the Galileo programme.](#)

3. Other questions

Question v) is a supplement to the question already included in Part A of the Submission form. Contrary to Part A, it allows to refer to previous proposals not necessarily submitted online (as it was the case for the EDIDP) from 2018 to 2021.

Questions w) to y) are designed to make sure that participants claiming a specific status (SME, mid-cap, research organisation) have performed the necessary self-assessments and provided the necessary supporting documents based on valid data. As already stated in Section 5 Chapter 1 of the Guide for Applicants, this is important for several reasons:

- eligibility of the consortium to some specific calls (see questions s) and t));
- evaluation of the proposal against the award criterion 5 (see Section 7 of Part B);
- for development actions only: calculation of the SME or mid-cap bonus (see Annexes 1 & 2).

For the definition of SME, mid-cap and research organisation, please refer to Appendix 1 of this *Guide for Applicants*.

4. Budget

This “simplified” budget section has been designed to provide additional justifications while avoiding unnecessary duplication compared to the information to be provided in Annexes 1 & 2 to the *Submission form*.

4.1. Percentage of subcontracting per applicant

As mentioned in Section 5 of Appendix 2 and Section 3 of Appendix 3 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’ and ‘affiliated entities’.

The table included in this section recaps the percentage of each ‘applicant’s/affiliated entity’s estimated eligible costs that is to be subcontracted. Please fill in the column “Percentage of subcontracting per applicant/affiliated entity (%)” with the values automatically calculated in the corresponding column of the sheet “A2 - Summary per applicant” of Annexes 1 & 2 to the *Submission form*. Information should be fully consistent with the one of Annexes 1 & 2. You may add as many rows as necessary to include the information for all the members of the ‘consortium’ and their ‘affiliated entity(ies)’ (if any). Use the ID and short names as provided in Annexes 1 & 2.

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’ and ‘affiliated entity’, why the ‘subcontractor(s)’ is/are not member(s) of the ‘consortium’, what specific characteristics of the action leads to subcontract above 30%, etc. Please be aware that for the calls EDF-2021-OPEN-R and EDF-2021-OPEN-D, subcontracting of more than 30% of the total eligible costs of any ‘applicant’ or affiliated entity will lead to the rejection of the proposal.

4.2. Percentage of direct cost for travel/subsistence and other direct costs per applicant

‘Applicants’ or ‘affiliated entities’ whose eligible direct costs for the categories “travel and subsistence” and “other direct costs” jointly represent more than 15% of their direct personnel costs are requested to provide a justification.

The table included in this section recaps the percentage of each ‘applicant’s/affiliated entity’s estimated direct personnel costs that are budgeted for “travel and subsistence” and “other direct costs”. Please fill in the column “Percentage of direct cost for travel/subsistence and other direct costs per applicant/affiliated entity (%)” with the values automatically calculated in the corresponding column of the sheet “A2 - Summary per applicant” of Annexes 1 & 2 to the *Submission form*. Information should be fully consistent with the one of Annexes 1 & 2. You may add as many rows as necessary to include the information for all the members of the ‘consortium’ and their ‘affiliated entity(ies)’ (if any). Use the ID and short names as provided in Annexes 1 & 2.

In case this percentage represents more than 15% of the direct personnel costs, you are requested to provide a justification of this situation, e.g. what specific characteristics of the action leads to such situation. For the calls implemented through lump sums (EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R, EDF-2021-OPEN-D) make sure that the justification provided is consistent with the descriptions of those costs included in the sheets “A2 – *short name of entity concerned*” and, if necessary, further elaborate on that basis.

For the other calls, you are also requested to provide, whatever the value of the percentage (i.e. even if it is below 15%), the number of travels that have been budgeted in the values provided in Annexes 1 & 2.

Annexes

Annexes 1 & 2 – Participation of SMEs and mid-caps & Budget tables

Nota: Annexes 1 & 2 take the form of a single macro-enabled Excel file that has been designed to be as user friendly and scalable as possible. **In order to have this file work properly, you need first to save it on your computer (it may not work if you try to run it from a zip archive) and to enable the macros.** Please contact your IT service if you don't have the necessary credential to do so by yourself. **You are invited to test and familiarise with Annexes 1 & 2 as soon as possible in order to avoid last minute problems.** If you experience any trouble using this file, please contact us promptly at the following email address: DEFIS-EDF-PROPOSALS@ec.europa.eu.

Nota 2: **Before you start filling Annexe 1 & 2, you need all participants ('applicants', affiliated entities' and 'subcontractors')** to register their organisation on the [participant registration page](#) to get a PIC number and, where relevant, to perform an SME self-assessment.

Nota 3: **You will need to fill in Annexes 1 & 2 before being able to fill in properly the budget table of Part A and the section 4 of Part A sup.**

Annex 1 aims at collecting and computing information regarding the participation of SMEs and mid-caps in your project, which is important both for the assessment of your proposal against award criterion 5 and, for development actions, for the determination of the applicable SME and/or mid-cap bonus. Annex 1 is also used to collect information about subcontractors for the calls implemented via "actual costs" grant agreements (all calls except EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D).

Annex 2 aims at collecting all costs' estimations for your project. **The level of detail of the information collected is different for the calls implemented via "actual costs" grant agreements and for the calls implemented via "lump sums" grant agreements** (EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D). This is linked to the fact that calls implemented via lump sums require more in-depth *ex-ante* verification of the participants' estimated costs in order to allow a lighter implementation during the action (no need to provide records of costs incurred for payments) and are not subject to *ex-post* audits. On the contrary, calls implemented via actual costs require lighter *ex-ante* verification of the participants estimated costs but heavier checks during the implementation of the action and are subject to *ex-post* audits.

Since Annex 1 and Annex 2 are interdependent and need their layout to be adjusted depending on various parameters (*e.g.* research or development call; actual costs / lump sums; number of participants; number of work packages; regime for the indirect costs for each applicant / affiliated entity, *etc.*), we have decided to provide 'applicants' with a single macro-enabled file able to generate the right Annex 1 and Annex 2, while:

- checking consistency of the data provided (some checks are implemented and performed by the macro, but this does not substitute to your own checks and to all applicable eligibility conditions);
- avoiding duplication of information (which often leads to errors);

- automatizing the computation of figures (e.g. to simplify calculation of various bonuses and avoid errors).

Sheet INSTRUCTION: You are invited to follow the guidance provided in the INSTRUCTION sheet which will guide you through the different steps that you need to perform. You only have 2 steps for all calls except the calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D for which you have 3 steps. The first step is common to all calls and aims at collecting all the information needed to properly define the layout for Annex 1 and for Annex 2.

Once you have completed Annexes 1&2, you will need to press the “validation & export” button: this will first perform some completeness and consistency checks and, if the validation is successful, export the file in various formats (.xlsm, .xlsx and .pdf). **You will need to provide the .xlsx and .pdf files with your application.**

You will find below specific guidance for each of the sheets that need to be filled in as part of Step 1.

Sheet “Call & Topic”: you need first to select the call you are applying for and then only the call topic you are applying for. The acronym of the proposal must not contain any special character as it will be used in the filename at the end of the process.

Sheet “Participants”: you can add ‘beneficiaries’²⁴ and ‘associated partners’ by clicking the corresponding buttons. Once you have added a ‘beneficiary’, you can add ‘affiliated entities’ and/or ‘subcontractors’ to this ‘beneficiary’. Once you have added an ‘affiliated entity’, you can add ‘subcontractors’ to this ‘affiliated entity’. An ID is automatically given to each added participant: you will have to refer to these ID in the Part B of the *Submission form*. **The first ‘beneficiary’ added has to be the ‘coordinator of the consortium’:** he will be identified as such in the column ID: BE1 (COO).

Ba aware that some of the fields implement “data validation” features (e.g. PIC number, drop-down menu for place of establishment and size of the entity). In addition, some values may be restricted depending on the call you are applying for (e.g. EDF-2021-OPEN-D, where beneficiaries can only be SMEs).

It is important that the size of the entity that you indicate in this sheet (SME, mid-cap, other) correspond to the result of your self-assessment (see Chapter 1 Section 5 of this *Guide for applicants*) and/or validation by REA services. This doesn’t apply to the ‘associated partners’.

Remarks:

- it is not possible to declare ‘subcontractors of subcontractors’.
- a ‘beneficiary’ or ‘affiliated entity’ will be able to declare subcontracting costs even if no subcontractor is listed in the Sheet “Participants” for this ‘beneficiary’ or ‘affiliated entity’. This is to handle situations where subcontractors would not be known at the time of the submission of the proposal. However, all tasks subcontracted should be clearly identified in Part B (Section 8) of the *Submission form*.

²⁴ In this section of the *Guide for applicants* and in the Annexes 1 & 2, ‘beneficiary’ must be understood as “potential future beneficiary’ or ‘member of the consortium’. At the stage of the application, these ‘beneficiaries’ are the ‘applicants’.

Sheet “Activities & WP”: you are requested to list here all the work packages that describe the work to be performed. You can add work packages (WP) by clicking the corresponding button. Each WP must be allocated an ‘eligible activity’, the list of which depends on the Research or Development nature of the call you are applying for (see Chapter 1 Section 3 of this *Guide for applicants*).

As you will see, WP1 is by default considered as “Studies”.

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

For the purpose of the EDF, 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 Annexes 1 & 2 to the *Submission form*).

Make sure that the list of WP you define here is fully consistent with the one provided in Section 8 of Part B of the *Submission form*. Make also sure that you are covering, with those WP, all the targeted activities defined in the call topic text.

Sheet “Indirect costs”: EDF allows each ‘beneficiary’ and ‘affiliated entity’ to decide which regime to apply for its indirect costs between:

- a **25% flat rate** of total direct eligible costs of the action, excluding direct eligible costs of subcontracting and support to third parties and any unit costs or lump sums which include indirect costs
- **actual indirect costs**, provided that they are determined in accordance with the recipient’s usual cost accounting practices accepted by national authorities for comparable activities in the defence domain, in accordance with Article 185 of the Financial Regulation, and that they have been communicated to the Commission by the recipient.

Before being able to select the opted regime for each ‘applicant’ and ‘affiliated entity’, you need to import the list by clicking on the corresponding button.

Be aware that the ability to opt for actual indirect costs in the case of the calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D is subject to the conditions that will be defined in the authorising decision for the use of lump sums in the EDF. As you will notice, this option is therefore not implemented in Annexes 1 & 2 for the time being.

When opting for the actual indirect costs, the ‘applicants’ or ‘affiliated entities’ concerned will have to provide their **total indirect costs for the entire action** in the sheet “A2 – Summary per applicant” and these costs **will automatically be distributed on a *pro-rata* basis on the various activities covered by the proposal** (based on the direct eligible costs of this ‘applicant’ or ‘affiliated entity’ for these activities). You will see the result in the sheet “A2 – Summary per activity”.

If an ‘applicant’ or ‘affiliated entity’ opts for actual indirect costs, be aware that this entity will have to provide with the application additional supporting documents (see Appendix of Annexes 1&2, including the correspondence table, duly completed and signed and guidance provided in

Appendix 2 Section 9.9.6 of this *Guide for applicants*). The total actual indirect costs for the entire action provided in Annexes 1 & 2 need to be fully consistent with the values of these documents.

Sheet “PESCO”: Article 13(3)(a) of the EDF Regulation lays down that “an action developed in the context of a project of the [Permanent Structured Cooperation](#), as established by [Council Decision \(CFSP\) 2017/2315\(25\)](#), may benefit from a funding rate increased by an additional 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 the question in the sheet 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.

You will find below guidance for each of the sheets that need to be filled in as part of Step 2.

Important remarks:

The budget tables of Step 2 (and Step 3) 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 6 of the ‘Grant agreement’ and in Appendix 2 and Appendix 3 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 provided in the budget tables will be taken into account for the evaluation of your proposal (cost efficiency).

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, the budget tables of Annex 2 to the *Submission form* will, after final review during the ‘Grant agreement preparation’ (GAP), become Annex 2 to the signed ‘Grant agreement’.

In the case of calls implemented via “actual costs” grants, you will have to provide information in the blue cells of the following sheets:

- **“A2 – Summary per activity”**. This is the sheet where each ‘applicant’ and ‘affiliated entity’ needs to declare their estimated budget per cost category for each of the activities covered by the proposal. This is also where they need to indicate the EU contribution they request for each of the activities. For more information about the cost categories, please refer to the table below and to Appendix 2 to this *Guide for applicants*.
- **“A2 – Summary per applicant”**, only if one of the ‘applicants’ or ‘affiliated entities’ has opted for actual indirect costs. Such ‘applicants’ and ‘affiliated entities’ will have to indicate here their total actual indirect costs for the entire action. For more information about actual indirect costs, please refer to section 7 of Appendix 2 to this *Guide for applicants*.

- **“A1 – [activity x]”**, only if an ‘applicant’ or an ‘affiliated entity’ has declared subcontractors in the sheet “Participants”. The value subcontracted to these declared subcontractors will need to be indicated in this sheet.

Sheets without a blue tab are provided for information and do not require your inputs.

In the case of calls implemented via “lump sum” grants, you will have to provide information in the blue cells of the following sheets:

- **“A2 – [shortname of applicant/affiliated entity]”**. Each ‘applicant’ and ‘affiliated entity’ needs to provide detailed budget estimate per cost category and per WP. For more information about the cost categories, please refer to the table below.
- **“A2 – [shortname of associated partner]”**. Each ‘associated partner’ needs to provide a budget estimate per WP.

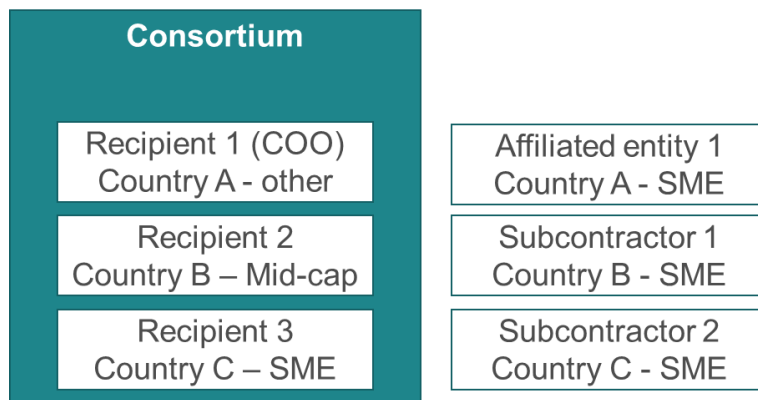
You will find below guidance for each of the sheets that need to be filled in as part of Step 3.

In the case of calls implemented via “lump sum” grants, you will have to provide information in the blue cells of the following sheets:

- **“A2 – Summary per WP”**. Each ‘applicant’ and ‘affiliated entity’ needs to provide the EU requested contribution per WP.

Sheets without a blue tab are provided for information and do not require your inputs.

Nota 5: in the sheets **A1– [activity x]** and **A1 – Summary award**, you will notice that different definitions are used for the notion of ‘cross-border SME’ for the purpose of the calculation of the bonus and for the purpose of the quantitative assessment of the award criterion 5²⁵. You can refer to the definitions in Appendix 1 for more information. The impact of this difference is illustrated below:



Subcontractor 1 is a ‘cross-border SME for the purpose of the award’, but is not a ‘cross-border SME for the purpose of the bonus’.

Remark: each activity covered by a research action benefits from a baseline funding rate of 100%. The bonus system described below only applies to development actions.

²⁵ The EDF award criterion 5 has both a quantitative and qualitative dimension.

What are the funding rates applicable under the EDF?

Section 3.3 of the *2021 calls for proposals and conditions for the calls* set out the baseline funding rates applicable to each of the eligible ‘activities’ (see table in Section 3.3.2), the applicable bonuses (see table in Section 3.3.3) and explains how the total funding rate is calculated and associated maximum values (see table in Section 3.3.4). 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’.

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

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 or in associated countries, 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](#)²⁶.

'Cross-border SMEs' (for the purpose of the bonus) means 'SMEs' which are established in Member States or in associated countries other than those in which the 'legal entities' in the 'consortium' that are not 'SMEs' are established.

'Non cross-border SMEs' (for the purpose of the bonus) means 'SMEs' which are established in the same Member States or associated countries as the 'legal entities' in the 'consortium' that are not 'SMEs'.

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 the definition of SME (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 to the fact that:

- **for the call EDF-2021-OPEN-D** 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 consortium will automatically be eligible to the maximum possible bonus of 35% for all the 'activities';
- **for the call EDF-2021-OPEN-R**, depending on the place of establishment of the 'research organisations' involved, some members of the 'consortium' may not be considered as 'cross-border SMEs'. As a consequence, the proposal may not be eligible to the maximum possible bonus of 35% for all the 'activities'.

²⁶ 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

‘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 or in ‘associated countries’, 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 employs a maximum of 3 000 persons, where the headcount of staff 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 Annex 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 Annex 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 Annex 1 & 2?

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 Annex 1&2 to the *Submission form*. **‘SMEs’ and ‘mid-caps’ participating as ‘beneficiaries’ and ‘affiliated entities’ as well as their ‘direct subcontractors’ can be taken into account in this Annex for the calculation of the bonus.**

Only declared and listed ‘SMEs’ and ‘mid-caps’ participation in each ‘activity’ covered by your proposal will be taken into account for the calculation of the bonus (and for the assessment against the award criterion 5).

The payment up to the bonus amount may however only take place once the information on the effective participation of the 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 report²⁷. For

²⁷ 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

this purpose, the report(s) to be provided during the implementation of the action must include information equivalent to the one provided in Annex 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, for actual costs grants:

- changes of ‘subcontractors’ 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 Annex 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.* 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.

For lump sum grants, beneficiaries do not need to keep records nor to report incurred costs and this assessment will be done on the basis of the work completed by the ‘SMEs’ and ‘mid-caps’ involved in the action. If the granting authority considers that the work carried out by these entities was significantly reduced compared to the proposal, the maximum grant amount might be reduced.

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*.

Example of calculation of the bonus for an action (calculation is automatically implemented in Annexes 1&2):

Let's assume a proposed development 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 and associated countries in which the 'legal entities' 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 or associated countries other than those in which the 'legal entities' 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 or associated countries 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).

Table of cost categories relevant for the sheets “A2 – Summary per activity” and “A2 – Summary per applicant” (more detailed explanation and guidance can be found in Appendix 2 to this *Guide for applicants*.)

Cost category	Description
A	Direct personnel costs:
A.1	Employees (or equivalent).
A.2	Natural persons under direct contract and seconded persons.
A.3	‘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’ or ‘affiliated entity’ <i>Indicate costs for subcontracted action tasks.</i>
E	Other direct costs
E.1	Equipment
E.2	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>
F	Indirect costs <i>Automatically calculated:</i> - at the indirect cost flat-rate of 25% set out in Article 15(1) of the EDF Regulation - or based on the total actual indirect costs declared and certified for the entire action as set out in Article 15(2) of the EDF Regulation. <i>Applicants or affiliated entities opting for actual indirect costs will have to provide additional supporting documents (Appendix to Annexes 1&2, including its correspondence table, duly completed and signed). Please refer to Section 9.9.6 of Appendix 2 to this Guide for applicants for more information.</i> <i>The applicability of the actual indirect costs for the calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D is subject to the conditions that will be defined in the authorising decision for the use of lump sums in the EDF.</i>
Total eligible costs <i>Automatically calculated. Sum of all eligible costs.</i>	
Baseline funding rate <i>Automatically calculated. Value depend on the eligible ‘activity’ considered. See Section 3.3.2 of the 2021 calls for proposals and conditions for the calls.</i>	

[Only for development actions]²⁸ - Increased funding rate (applicable bonuses) <i>Automatically calculated based on the information provided in other sheets.</i>
Maximum eligible funding rate % <i>Automatically calculated. It is the sum of baseline funding rate plus increase funding rate (applicable bonuses).</i>
Maximum eligible EU contribution <i>Automatically calculated. Total eligible cost multiplied by maximum eligible funding rate %. This represents the maximum Union financial support that you could theoretically claim under EDF.</i>
Requested EU contribution <i>Amount to be requested per ‘activity’ (or per WP for lump sum calls). It must be equal to or lower than the maximum eligible EU contribution. <u>In addition, the total requested EU contribution for the whole ‘consortium’ and for the whole action cannot exceed the budget indicated in the call (will be displayed in red in such case).</u></i>
Requested EU funding rate <i>Automatically calculated and provided for information.</i>
Additional information: estimated costs of ‘associated partners’ <i>Indicate costs of action tasks allocated to ‘associated partners’.</i>

Additional information for the sheet “A2 – Summary per applicant”

Percentage of subcontracting <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 4.1 of Part A sup of the Submission form and a justification provided if they are above 30%. Keep in mind that for the calls EDF-2021-OPEN-R and EDF-2021-OPEN-D, the percentage cannot be higher than 30%.</i>
Percentage of other direct costs <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. These values need to be reported in section 4.2 of Part A sup of the Submission form and a justification provided if they are above 15%.</i>

More detailed explanation and guidance on the different budget categories can be found in Appendix 2 and Appendix 3 to this *Guide for applicants*.

²⁸ Research actions benefitting from a baseline funding rate of 100% of the total eligible costs.

Annex 3 – Declaration on honour for applicants and affiliated entities

Each ‘applicant’ (including the ‘coordinator’) and ‘affiliated entity’ needs to read, sign and submit Annex 3 with their proposal. Be careful that texts are different for the ‘coordinator’, for the ‘applicants’ and for the ‘affiliated entities’. **The coordinator will have to sign two declarations using Annex 3: one as the ‘coordinator’ and one as an ‘applicant’.**

Attention of the ‘applicants’ and ‘affiliated entities’ 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.

All declarations must be signed by a legally appointed representative of the ‘applicants’ and ‘affiliated entities’.

The Annex 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’ (including the ‘coordinator’) and ‘affiliated entities’ will be requested to update and sign such declarations on honour before the signature of the ‘*Grant agreement*’.

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

This annex will be used to assess the eligibility of the proposed action against Article 10(2) and, to some extent, ‘Article 20(3) or Article 23(2) of the EDF Regulation’. It must substantiate the answers to questions n) and o) of Part A sup of the *Submission form*.

It is designed to identify the background information originating from ‘non-associated third countries’ or ‘non-associated third-country entities’ (including the one brought by ‘associated partners’, if any) needed to carry out the action. **You must demonstrate in this Annex 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 and 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 20(3) or Article 23(2)’, additional evidence may be requested by the Commission services during the evaluation of your proposal (see Part A sup, Section 1.4 item o) of this *Guide for applicants*).

Annex 5 – Industry-related information on applicants, affiliated entities and subcontractors having a direct contractual relationship with an applicant

The European Commission is gathering industry-related information in order to fulfil a number of requirements: to monitor, report, and to evaluate whether the European Defence Fund has achieved its objectives; to map EU dependencies on the most sensitive ecosystems, including the Aerospace and Defence Ecosystem, in order to formulate new policy measures with a potential to address strategic dependencies; and, to sustain the EU Observatory of Critical Technologies that is set to provide regular monitoring and analysis of critical technologies, their potential applications, value chains, research and testing infrastructure, and existing gaps and dependencies, as a basis for developing technology roadmaps to launch flagship projects, using all relevant funding instruments.

Disclaimer

The information that you will provide in this Annex 5 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 and the selection and award procedure in accordance with Article 11, and 12 of the Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092.

Why do we need to collect this information?

The European Commission is gathering industry-related information in order to fulfil the requirements put upon the Commission:

- To monitor, report, and to evaluate whether the European Defence Fund has achieved its objectives in line with the Articles 3²⁹, 28, and 29³⁰ of the Regulation (EU) 2021/697;
- To map EU's dependencies in the most sensitive ecosystems, including the Aerospace and Defence (ASD) Ecosystem, in order to formulate new policy measures with a potential to address strategic dependencies, in line with the Commission Staff Working Document SWD(2021) 352;³¹

²⁹ *"The general objective of the Fund is to foster the competitiveness, efficiency and innovation capacity of the European defence technological and industrial base (EDTIB) throughout the Union, **which contributes to the Union strategic autonomy and its freedom of action**, by supporting collaborative actions and cross-border cooperation between legal entities throughout the Union, in particular SMEs and mid-caps, as well as by **strengthening and improving the agility of both defence supply and value chains**, widening cross-border cooperation between legal entities and fostering the better exploitation of the industrial potential of innovation, research and technological development, at each stage of the industrial life cycle of defence products and technologies. [emphasis added]." The Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092, Article 3. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0697>.*

³⁰ Para. 3 states that *"The final evaluation report shall: (a) include the results of the implementation and, to the extent possible, **the impact of the Fund**; (b) build on relevant consultations of Member States and associated countries and key stakeholders and shall in particular assess progress made towards the achievement of the objectives set out in Article 3;(c) **help to identify where the Union is dependent on third countries for the development of defence products and technologies** [emphasis added]"*. Ibid., Article 29.

³¹ See the Commission Staff Working Document SWD(2021) 352 final of 5 May 2021 Strategic dependencies and capacities, Accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery. Available at <https://ec.europa.eu/info/sites/default/files/strategic-dependencies-capacities.pdf>.

- To sustain the EU Observatory of Critical Technologies that is set to provide regular monitoring and analysis of critical technologies, their potential applications, value chains, research and testing infrastructure, and existing gaps and dependencies, as a basis for developing technology roadmaps to launch flagship projects, using all relevant funding instruments, in line with the Communication for the Commission COM(2021)³²; and,
- To support the industry policy-related work of the Directorate-General for Defence Industry and Space (DG DEFIS), which leads the Commission’s activities in the Defence Industry and Space sector, and is in charge of upholding the competitiveness and innovation of the European Defence industry by ensuring the evolution of an able European Defence Technological and Industrial Base (EDTIB).

Who is asked to provide this information?

All legal entities that are ‘applicants’, ‘affiliated entities’, and subcontractors with a direct contractual relationship with an ‘applicant’ or ‘affiliated entity’ for the purpose of the action, are kindly invited to provide the information requested.

How is this information to be provided?

In Annex 5, you are invited to provide for each legal entity (one Annex 5 per entity) information on your role in the supply chain, information about main areas of your products and services, and on related key enabling technologies, key skills and competences, and critical raw materials, all when applicable. The tables, many with predefined fields and drop-down menus, are there to facilitate you filling-in this information. For most of the information sought there is space for up to five, sometimes ten, possible answers (entries), making clear that the Commission is looking for main and not exhaustive information. Should the need arise from your side to add more information, please feel free to do so by adding additional line(s)³³.

The metadata related to key enabling technologies, key skills and competences, and critical raw materials, used in Annex 5 is based on publicly available information. Together with the remaining information, it is used to measure the level of magnitude of these elements in entity’s daily operation and to assess their potential impact in terms of criticality (defined in terms of availability of alternative sources, *i.e.* other entities) and vulnerability (defined in terms of dependency on key inputs to develop entity’s products/services) of respective value chains that are part of the European Defence Technological and Industrial Base (EDTIB).

The requested information is to be linked to entity’s situation and competence as a whole, and ideally should not be limited to the focus of the action. If it is too difficult to provide this information on entity’s situation and competence as a whole, and you would prefer to provide information limited to the focus of the action only, please indicate it on the first page of the spreadsheet (Cover Page).

³² See the Communication for the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions COM(2021) 70 final of 22 February 2021, Action Plan on synergies between civil, defence and space industries. Available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM:2021:70:FIN>.

³³ Unprotected the sheet concerned to do so. No password will be requested.

Please bear in mind that the more comprehensive and complete replies the Commission receives from you the better equipped and prepared the Commission will be to meet above-mentioned tasking and to support industry within current and future Commission's activities and programmes.

How will this information be treated?

All information received from you through Annex 5 will be treated by the European Commission members in accordance with the provisions of Article 339 of the TFEU³⁴.

³⁴ *"The members of the institutions of the Union, the members of committees, and the officials and other servants of the Union shall be required, even after their duties have ceased, not to disclose information of the kind covered by the obligation of professional secrecy, in particular information about undertakings, their business relations or their cost components."* Consolidated Version of the Treaty of the Functioning of the European Union, Official Journal of the European Union, C 326/46, 26 October 2010. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12012E/TXT>.

Annex 6 – Declaration of ownership and control

The information that you will provide in this Annex will be used by the Commission to assess if your entity is subject or not to ‘control’ by a ‘non-associated third country’ or by a ‘non-associated third-country entity’ (see Part A sup, Section 1.1 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 ‘legal entity’ or do not ‘control’ each other (see Part A sup, Section 1.3 of this *Guide for applicants*).

Please, be aware that following the information that you will provide in this Annex 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 ‘non-associated third country’ or a ‘non-associated third-country entity’, you will be requested to provide guarantees approved by the Member State or associated country in which you are established as detailed in Part A sup Section 1.1 of this *Guide for applicants* (“Derogation from the requirement of not being subject to ‘control’ by a ‘non-associated third country’ or by a ‘non-associated 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 Annex may help ‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’ to run a self-assessment and to anticipate their potential ‘control’ by a ‘non-associated third country’ or by a ‘non-associated third-country entity’ and the necessary supporting documents that may be requested.

Nota: all the information you will provide inside or in relation with Annex 6 will be treated according to Article 339 of the TFEU³⁵. 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 Annex 6 too sensitive to be delivered via the ‘coordinator’, you can:

- either provide it as a password-protected³⁶ zip archive within the global application³⁷ and provide the associated password separately at the following email address: DEFIS-EDF-PROPOSALS-PWD@ec.europa.eu. In such case, please do not forget to mention the name of the encrypted zip archive and the name of the proposal(s) concerned in your email;
- or contact the Commission at DEFIS-EDF-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.

³⁵ Article 339 of the TFEU: “*The members of the institutions of the Union, the members of committees, and the officials and other servants of the Union shall be required, even after their duties have ceased, not to disclose information of the kind covered by the obligation of professional secrecy, in particular information about undertakings, their business relations or their cost components.*”

³⁶ Use AES-256 encryption method. You can use free and open-source software such as 7-zip to do so.

³⁷ *i.e.* as a password-protected zip archive inside the single password-protected master zip archive containing Part A sup, Part B, the eight Annexes and all other supporting documents.

Nota 2: Annex 6 is a macro-enabled Excel file. This “novelty” compared to the EDIDP is an attempt to implement basic validation checks (e.g. completeness, format of some data) regarding the information provided. It also allows to attach supporting documents directly in the Excel file in order to ease further exploitation. It is recommended to use .pdf attachments (even though Word attachments are also possible). Do not worry if, once a file is attached, a “strange” icon is displayed: this is “normal”. Once you have completed Annex 6, you will need to press the validation button: this will first perform some completeness and format checks and, if the validation is successful, export the file in various formats (.xlsm, .xlsx and .pdf). **You will need to provide the .xlsx and .pdf files with your application. Please verify that the attachments are properly accessible from the saved .xlsx file before submitting your application.** This export at the end of the process is without prejudice to your ability to save intermediate drafts of the file using the usual “save as” Excel function: just make sure you are saving the file as .xlsm in order to allow further use of the macros. If you encounter any issue with the use of Annex 6, please contact us at DEFIS-EDF-PROPOSALS@ec.europa.eu.

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

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

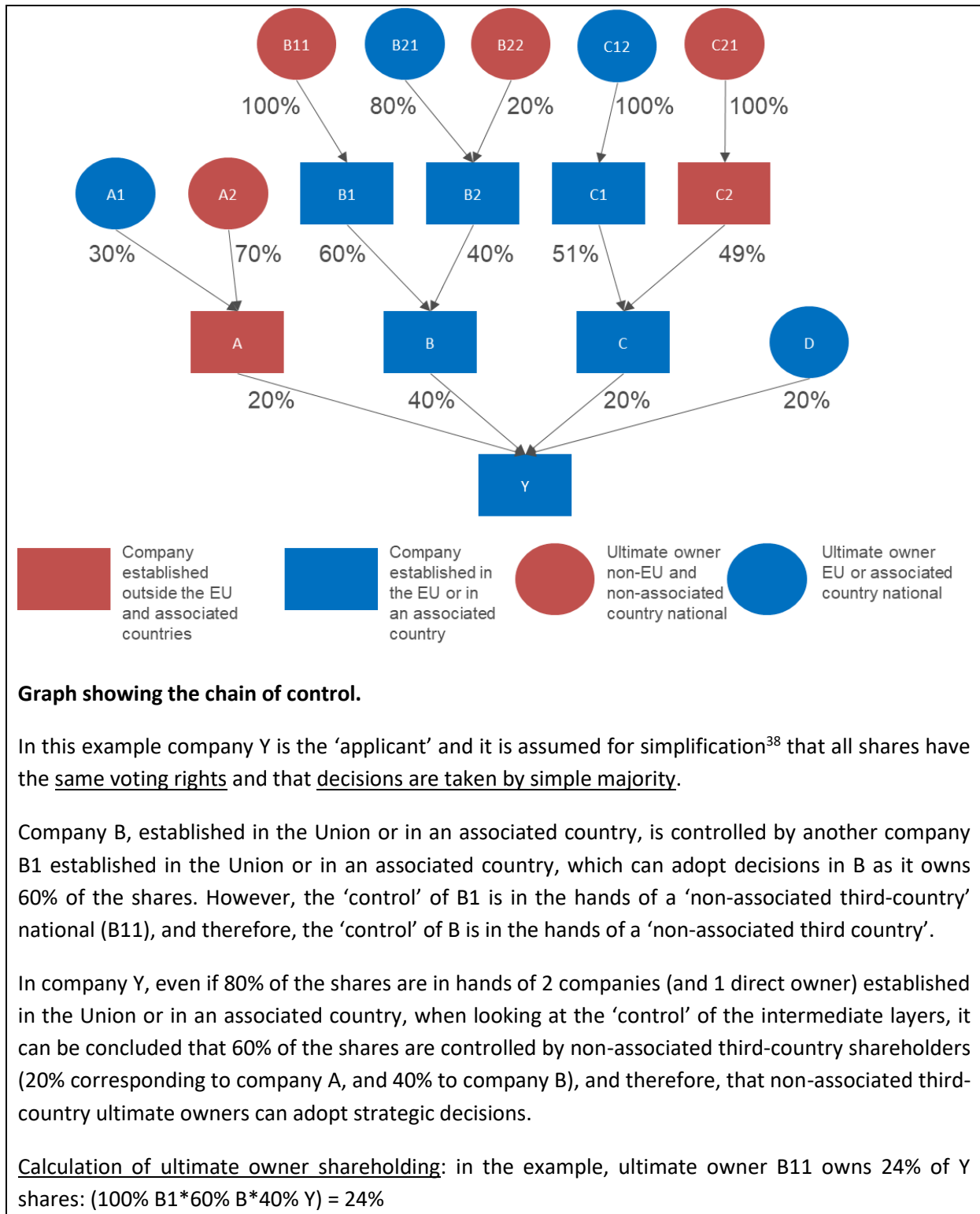
- The ‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’ need to provide all information in the tables regarding their entity, headquarters and listed, subsidiary or controlled company;
- Report/minutes of the last three shareholders meetings when the company is a listed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

‘Control’ must be assessed following these indications:

- a) When the ‘legal entity’ 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 or associated countries’ nationals, it is concluded that the ‘legal entity’ is not subject to ‘control’ by a non-associated third-country individual;
 - If there are non-associated third-country individuals among the shareholders, their ability to exercise ‘control’ has to be assessed as explained below.
- b) When the ‘legal entity’ is **indirectly owned** by the ultimate owners, several ownership layers can exist between the ‘legal entity’ shareholders 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 non-associated third-country individual or ‘non-associated third-country entity’ controlling that intermediate layer, up to the ultimate owners of all the layers involved;

- 'legal entities' must therefore assess, all along the chain of control of their entity until the ultimate owners, that there is no 'control' of the 'legal entity' by 'non-associated third countries' or 'non-associated third-country entities' (see graph below);
 - In cases where shareholding is widely spread, and one or several 'non-associated third-countries' 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 'legal entity' must be identified.
- c) If the 'legal entity' 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, the 'legal entity' is only 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 shareholders' general meeting 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 possibility to exercise) 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 'legal entity' 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 'legal entity'.



³⁸ 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.

How is ‘control’ by a ‘non-associated third country’ or ‘non-associated third-country entity’ assessed?

‘Legal entities’ need to assess the ‘control’ by a **non-associated** 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 non-associated 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 non-associated 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 non-associated 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 or associated countries’ shareholder(s).

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

- The ‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’ 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 ‘legal entity’;
- 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 non-associated third-country ‘control’ of each intermediate layer, up to the ultimate owner, according to the graph describing the chain of control of the ‘legal entity’ (see Part A Section 1.1 item c) of this *Guide for applicants*);
- Copy of ID card or passport of the ultimate owner(s).

b) Corporate governance

When a ‘non-associated third country’ or ‘non-associated third-country entity’ has the possibility to veto decisions proposed by the EU or associated countries’ shareholders or members, it exercises decisive influence. The assessment the ‘legal entity’ 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 ‘non-associated third country’ or by a ‘non-associated third-country entity’.

For this purpose, the ‘legal entity’ has to identify at what level (which are the bodies) are the strategic business decisions taken within the ‘legal entity’; 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 they 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 Annex 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 ‘legal entities’, or may take the form of a joint venture, or purchase and sale of goods between the non-associated third-country shareholder and the ‘legal entity’. To the extent that the ‘legal entity’ is dependent on such cooperation with the non-associated third-country shareholders, the latter could gain strategic influence over the former. A non-associated third-country customer or supplier might exercise the same dependence, even if it is not a shareholder, in cases of long-term supply or by agreements that allow it to decide on the commercial strategy.

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

- Information on companies or individuals of ‘non-associated third countries’ that have a contractual relationship with the ‘legal entity’ which can give them ‘control’ over it. If this commercial relationship is with a company or individual of the ‘non-associated 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 non-associated 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 ‘legal entity’ is financially dependent on the contribution from the non-associated third-country shareholder. Due to this financial dependence, the non-associated third-country shareholder is in a position to obtain concessions in strategic areas, even though legally the EU or associated country shareholder would have the means to refuse such concession. To assess the degree of financial dependence, it needs to be assessed whether the non-associated third-

country shareholder contributed to the financing of the ‘legal entity’ 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 Annex 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 non-associated third-country or non-associated 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 Annex 6 all the information about any other means, process or link ultimately conferring ‘control’ to a ‘non-associated third country’ or ‘non-associated third-country entity’.

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

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

Annex 6 has to be signed by a legally appointed representative 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.

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

The objective of Annex 7 to the *Submission form* is manifold:

- a) to provide the information needed to assess eligibility of each ‘applicant’, ‘affiliated entity’ and ‘subcontractor involved in the action’ regarding the infrastructure, facilities, assets and resources used for the purpose of the action (section 3.2.5.2 a) of the *2021 calls for proposals and conditions for the calls*);
- b) to provide the information needed to assess the operational capacity of each ‘applicant’ and ‘affiliated entity’ (see section 3.2.7.2 of the *2021 calls for proposals and conditions for the calls*);
- c) to provide information needed to assess your proposal against some aspects of the award criterion 5;
- d) to collect information needed to report on the EDF performance indicators.

Regarding point a), **all infrastructure, facilities, assets and resources, which will be used for the implementation of the action** by each ‘beneficiary’, ‘affiliated entity’ and ‘subcontractor involved in the action’, **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 Annex 7, in the consideration that the ‘work packages’ you are involved in may imply the handling of classified information (see Part B Sections 6 and 8 of the *Submission form*).

Attention is drawn to the fact that, in order to be eligible for EDF funding, all the infrastructure, facilities, assets and resources of the ‘beneficiaries’, ‘affiliated entities’ and ‘subcontractors involved in the action’ 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) or of an associated country 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 and of associated countries is however possible, but not eligible for funding**, provided that:

- these infrastructure, facilities, assets and resources are those of the ‘beneficiaries’, ‘affiliated entities’ and ‘subcontractors involved in the action’ and that you **justify that there is no competitive substitute available in the Union or in an associated country**. 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 EDF (see ‘Article 3 of the EDF Regulation’), and must not entail restriction or control by a ‘non-associated third country’ or by a ‘non-associated 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 EDF (see ‘Article 3 of the EDF Regulation’), and does not entail restriction or control by a ‘non-associated third country’ or by a ‘non-associated third-country entity’ on the ‘results’ of the action. In addition, there must be no

unauthorised access by a ‘non-associated third country’ or other ‘non-associated 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 Annex 7 for the ‘associated partners’ but they might be requested to do so** (see Part A sup, Section 1.2 of this *Guide for applicants*)

Regarding point b), the ‘applicants’ and ‘affiliated entities’ 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’.

In the specific case of the calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D, which will lead to actions implemented via lump sum grants, applicants are in addition requested to provide more detailed information about the team that is going to perform the action (CV, description of tasks that each member of the team will perform). Make sure you respect the page limits mentioned in the Annex.

Regarding point c), ‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’ are requested to provide information about past and on-going cooperation established for projects in the same field. This will be taken into account when assessing the proposal against award criterion 5 where the notion of “creation of new cross-border cooperation” has to be considered.

Regarding point d), ‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’ are requested to answer two YES/NO questions. One is about the need to use background information resulting from previously funded PADR or EDIDP action in order to carry out the proposed action. The other is about their background in the field of defence before 1 January 2021.

Annex 8 – Mid-cap self-assessment form

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

Middle-capitalisation companies (‘mid-caps’)

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

This Annex must be filled in and provided not only for Development actions where ‘applicants’ intend to claim the ‘mid-cap’ bonus (see section 3.3.3 of the *2021 calls for proposals and conditions for the calls* and guidance in Annex 1 to this *Guide for applicants*), but also for the assessment of both Research actions and Developments actions against award criterion 5.

‘Mid-caps’ participating as ‘beneficiaries’ and ‘affiliated entities’ as well as their direct subcontractors can be taken into account and are therefore invited to fill in this Annex.

Nota: Be aware that your entity will not be considered 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.

Nota 2: Annex 8 is a macro-enabled Excel file. This “novelty” compared to the EDIDP is an attempt to implement basic validation checks (e.g. completeness, format of some data, easy addition of a new section for PARTNER/LINKED enterprise) regarding the information provided. Once you have completed Annex 8, you will need to press the validation button: this will first perform some completeness and format checks and, if the validation is successful, export the file in various formats (.xlsm, .xlsx and .pdf). You will need to provide the .xlsx and .pdf files with your application. This export at the end of the process is without prejudice to your ability to save intermediate drafts of the file using the usual “save as” Excel function: just make sure you are saving the file as .xlsm in order to allow further use of the macros. If you encounter any issue with the use of Annex 6, please contact us at DEFIS-EDF-PROPOSALS@ec.europa.eu.

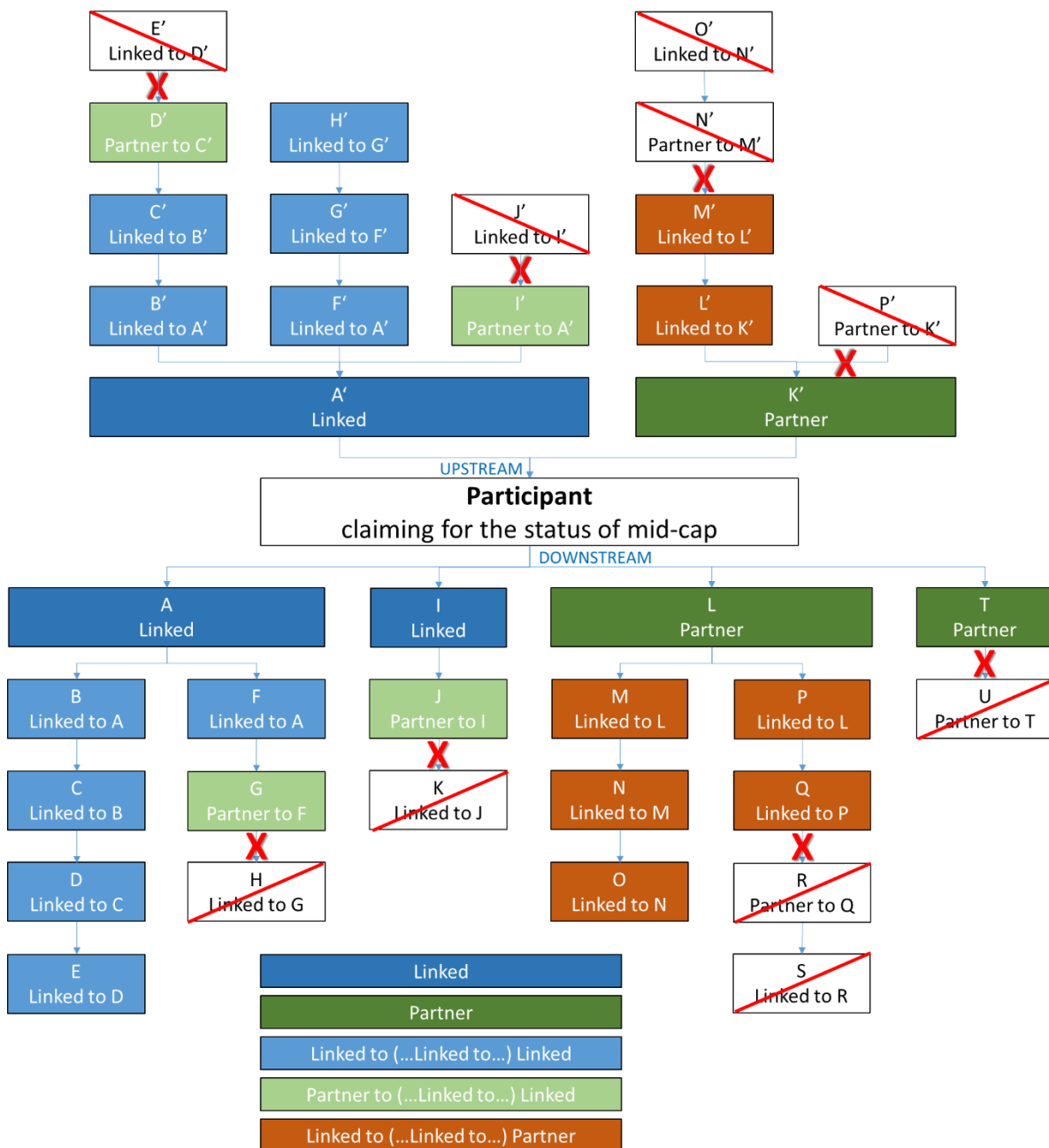
Annex 8 is composed of 2 sheets:

- **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* enterprises.
- **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 self-assessment result indicates MIDCAP, you are considered as a ‘mid-cap’. This is without prejudice to the validation of your status by REA (see below).

Please be aware that you will need to provide information related to *Partner, Linked, Partner (...Linked to...)* to *Linked, Linked to (...Linked to...)* *Partner* and *Linked (...Linked to...)* to *Linked*

enterprises for each branch of the tree of relationships, both upstream and downstream (see graph below for illustration).

- If the branch starts with a *Linked* enterprise, you need to provide such information for all enterprises of the branch up to the first encountered *Partner* enterprise (included) if any, or up to the last encountered *Linked to (...Linked to...)* *Linked* enterprise otherwise (*i.e.* the end of the branch).
- If the branch starts with a *Partner* enterprise, you need to provide such information for all enterprises of the branch up to the second encountered *Partner* enterprise (excluded) if any, or up to the last encountered *Linked to (...Linked to...)* *Partner* enterprise otherwise (*i.e.* the end of the branch).



Graph showing the *Linked*, *Partner*, *Linked to (...Linked to...)* *Linked*, *Linked to (...Linked to...)* *Partner* and *Partner to (...Linked to...)* *Linked* enterprises for which data need to be provided in Annex 8 in

order to aggregate the figures and determine if the Participant is considered as a ‘mid-cap’ or not. **You are encouraged to provide the same kind of graph together with Annex 8 to ease the process.**

Your attention is drawn to the fact that **data used** for the headcount of staff and the financial amounts³⁹ **must relate to the current financial year (or, if not available yet, to the previous one).**

Be aware that following the submission of Annex 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.**

³⁹ Data for the financial amounts are needed to check that you are not an SME (‘mid-caps’ must not be SMEs).

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* for Research actions; 64 pages for both sections 6 and 7 of the *Submission form* for Development actions; 2 pages per ‘work package’ for section 8 of the *Submission form*).

Please keep in mind that pages over these limits 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 contributors⁴⁰, 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 article 27(4) of the EDF Regulation, Member States on whose territory the ‘beneficiaries’ are established 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 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 Commission in accordance with Commission Decision (EU, Euratom) 2015/444 on the security rules

⁴⁰ Pursuant to Article 9.2 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. In-kind contributions must be necessary for the implementation of the action, but in-kind contributors 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-associated third country or by a non-associated third-country entity (directly or indirectly through one or more intermediate ‘legal entities’) 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 ‘Articles 20 and 23 of the EDF Regulation’.

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 3.2.8 of the 2021 calls for proposals and conditions for the calls. Only the main points are reminded below.

Please also note that the weighting of the criteria for computing the final consensus score of a proposal differs for research and development actions. There are no eliminatory thresholds on individual criteria. However, there is a threshold on the final consensus score of the proposals at 10/15, and proposal scoring below the threshold will not be ranked and cannot be funded.

Please refer to the submission form and the section 3.2.8 of the 2021 calls for proposals and conditions for the calls to see which specific aspects will be taken into account for each criterion. Please note that those are different from the award criteria and aspects that applied to the precursor defence programmes PADR and EDIDP. Make sure to address each of the criteria and each of the aspects to the best extent possible.

There are six award criteria:

1. Contribution to excellence or potential of disruption in the defence domain, in particular by showing that the expected results of the proposed action present significant advantages over existing defence products or technologies.

This criterion has double weighting for both research and development actions. Concerning the potential of disruption in the defence domain, please refer to the definition of ‘disruptive technologies for defence’ given in Appendix 1 of this *Guide for Applicants*.

2. Contribution to the innovation and technological development of the European defence industry, in particular by showing that the proposed action includes ground-breaking or novel concepts and approaches, new promising future technological improvements or the application of technologies or concepts previously not applied in defence sector, while avoiding unnecessary duplication.

This criterion has double weighting for research actions and single weighting for development actions.

3. Contribution to the competitiveness of the European defence industry by showing that the proposed action is a demonstrably positive balance of cost-efficiency and effectiveness thus creating new market opportunities across the Union and beyond and accelerating the growth of companies throughout the Union.

This criterion has single weighting for both research and development actions.

4. Contribution to the autonomy of the European Defence Technological Industrial Base (EDTIB), including by increasing the non-dependency on non-Union sources and strengthening security of supply, and to the security and defence interests of the Union in line with the priorities referred to in Article 341.

This criterion has double weighting for development actions and single weighting for research actions. Synergies with PESCO initiatives will not be regarded as a strength in the context of the assessment of this criterion.

5. Contribution to the creation of new cross-border cooperation between legal entities established in Member States or associated countries, in particular SMEs and mid-caps with a substantial participation in the action, as recipients, subcontractors or as other legal entities in the supply chain, and which are established in Member States or associated countries other than those where the legal entities cooperating within a consortium which are not SMEs or mid-caps are established.

This criterion has double weighting for both research and development actions. This criterion will be applied to all Calls.

6. Quality and efficiency of the carrying out the action

This criterion has single weighting for both research and development actions.

And in addition, only for development calls:

7. Contribution to increasing efficiency across the lifecycle of defence products and technologies, including cost-effectiveness and the potential for synergies in the procurement, maintenance and disposal processes.

This criterion has a single weighting.

Please note that, even if your proposal is not covering the activity ‘The development of technologies or assets increasing efficiency across the life cycle of defence products and technologies’, criterion 7 is still an evaluated award criteria for all proposals addressing development actions.

8. Contribution to the further integration of the European defence industry throughout the Union through the demonstration by the recipients that Member States have undertaken to jointly use, own or maintain the final product or technology in a coordinated manner.

This criterion has a single weighting.

Please note that, even if your proposal is not covering activities that require the demonstration of an intent to procure the final product of use the technology in a coordinated manner by Member States or associated countries as an eligibility criteria (activities (e) Prototyping to (h) Certification as per

⁴¹ Article 3 of the EDF regulation: ‘defence capability priorities commonly agreed by Member States within the framework of the Common Foreign and Security Policy (CFSP) and in particular in the context of the CDP. In that regard, regional and international priorities, when they serve the security and defence interests of the Union as determined under the CFSP, and taking into account the need to avoid unnecessary duplication, may also be taken into account, where appropriate, where they do not exclude the possibility of participation of any Member State or associated country.’

article 21(3) of EDF regulation), criterion 8 is still an evaluated award criteria for all proposals addressing development actions.

8. Work packages description

In Section 8 to the *Submission form* you will find the template for the description of each ‘work package’ of your proposed action.

You must provide one table per ‘work package’ (maximum 2 pages per ‘work package’) following the guidance provided in the table template. **Start each new work package on a new page.**

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’, other results not subject to deliverables).

The list of work packages provided in Section 8 must be fully consistent with the list provided in Annexes 1 & 2 (sheet “Activities & WP”) to the *Submission form*, keeping in mind that a proposed action must **consist in at least 2 ‘work packages’** (WP):

- WP1 — ‘general management and coordination of the action’;
- WP2 — implementation of technical activities.

Make sure that there is no more than one eligible ‘activity’ per ‘work package’ and that all targeted ‘activities’ are covered as defined in the call texts. One ‘activity’ can be split into several ‘work packages’ if needed.

For **WP1**, 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 packages’ must not be included in WP1.

For each ‘work package’, you need to provide the following information⁴²:

- its identification number (*i.e.* WP1, WP2, WP3, *etc.*);
- the eligible ‘activity’ covered by the ‘work package’. It must be:
 - one of the eligible ‘activities’ for research actions if you are applying to a research call or one of the eligible ‘activities’ for development actions if you are applying to a development call (see Chapter 1 Section 3 point 3 of this *Guide for applicants*);
 - altogether consistent with the minimum requirements described in the ‘targeted activities’ section of the call topic you are applying for;
- 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;
 - other interdependences with this ‘work package’.

⁴² Make sure this information is fully consistent with the one provided in Annexes 1 & 2.

- 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’, or an ‘affiliated entity’. It cannot be a ‘subcontractor’ or an ‘associated partner’. List the lead participant first (bold and underlined);
- its duration in months, as well as the expected starting month. Please keep in mind that between nine and twelve months may be 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’, ‘deliverables’ and other results not subject to deliverables;
 - to be as specific as possible⁴³;
 - 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.
- information about the subcontractors participating to the ‘work package’:
 - reason for subcontracting;
 - name of the subcontractor(s), if already known;
 - description of tasks subcontracted;
 - estimated budget of these tasks;

Make sure that all subcontracting costs declared in Annexes 1&2 (be it to identified or unknown subcontractors) are reflected by a description of the associated tasks in the relevant work packages. Note that this information is already requested in Annex 2 to the *Submission form* for the calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D which will be implemented through lump sum grants. However it is requested that you provide it here as well (information must be fully consistent in both places).

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

⁴³ In case your proposal is selected for funding, the granting authority may agree with the consortium, during the grant agreement preparation phase, on the reporting conditions of the outputs to be produced under the grant agreement, notably in terms of type and/or level of detail of the information to be submitted to the granting authority and/or to the project manager in case such a project manager was appointed. Such arrangements will be without prejudice to the right of access by the granting authority to any information or outputs of the funded action as established in the grant agreement, in line with the Commission’s obligations to ensure the sound implementation of the budget and to protect the financial interests of the European Union.

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).

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 ‘non-associated third country’ or by a ‘non-associated third-country entity’ – see Section 1.1 item c) of Part A sup in this *Guide for applicants*).

Please provide these supporting 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 documents 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 the operational and financial capacity of the ‘applicants’ and ‘affiliated entities’.**

To support what?	Which evidence or supporting document?	Who/What is concerned?
<u>Eligibility of the participants:</u> place of establishment of the 'legal entity'	will be assessed based on the information provided by the legal entity on the participants portal	'applicants', 'affiliated entities' and 'subcontractors involved in the action'
<u>Eligibility of the participants:</u> executive management structures of the 'legal entity' are established in the Union or in an associated country	any official document, such as extract from the official journal, copy of articles of association, of resolution, decision, proving that the 'executive management structures' of each of the 'beneficiaries', 'affiliated entities' and 'subcontractors involved in the action' are established in the Union or in an associated country	'applicants', 'affiliated entities' and 'subcontractors involved in the action'
<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 or in an associated country for the entire duration of the action	additional evidence requested inside Annex 7 where infrastructure, facilities, assets and resources are located outside the territory of the Union and associated countries to support that: <ul style="list-style-type: none"> - there is no competitive substitutes readily available in the Union or in associated country; - 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 EDF Regulation'; - the use of these assets, infrastructure facilities or resources does not entail the 'results' of the action to be subject to control or restriction by a 'non-associated third country' or by a 'non-associated third-country entity', directly, or indirectly through one or more intermediate 'legal entities', including in terms of technology transfer. 	'applicants', 'affiliated entities' and 'subcontractors involved in the action'

To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the participants:</u> absence of ‘control’ by a ‘non-associated third country’ or ‘non-associated third-country entity’</p>	<ul style="list-style-type: none"> - graph describing the chain of control of the ‘legal entity’ until the ultimate owners (see guidance for Annex 6 in this <i>Guide for applicants</i> for an illustration of such graph); - all additional evidence requested inside Annex 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 non-associated third-country ‘control’ of each intermediate layer, up to the ultimate owner, according to the graph describing the chain of control of the ‘legal entity’ (see Section 1.1 item c) in Part A sup 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 non-associated third-country customers or suppliers (including shareholders if relevant), when they could confer ‘control’ over the company; - (may be requested) in case of non-associated third-country or non-associated 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 ‘non-associated third country’ or ‘non-associated third-country entity’. 	<p>‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’</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 ‘non-associated third country’ or ‘non-associated third-country entity’</p>	<p>guarantees, approved by the Member State or associated country in which the ‘legal entity’ 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 EDF action; - protection mechanism regarding the structure/practices of the company from the non-associated third-country controlling entity or ‘non-associated third country’; - instruments to control or approve non-associated third-country investments in the ‘legal entity’; - registration and/or authorisation received to operate and work in defence; - security agreement, in place between the ‘legal entity’ and the Member State or associated country where it is established, setting the measures (to be) implemented, including security-related obligations of conduct; - control, verification and/or audit rights on the ‘legal entity’; - mechanisms in place to prevent access to sensitive information by non-associated third-country management structures; - protection against loss of sensitive data; - security clearance of the management/employees/facilities involved in the action; - reporting duties for the ‘legal entity’. 	<p>‘applicants’, ‘affiliated entities’ and ‘subcontractors involved in the action’ 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 e), f), g) and h) in Part A sup of the <i>Submission form</i> are met. - (may be requested) information equivalent to the one requested in Annex 7 to the <i>Submission form</i>. 	<p>‘associated partners’</p>

To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the action</u>: co-financing</p>	<ul style="list-style-type: none"> - <u>in the case of co-financing by Member States or associated countries</u>: 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); - <u>in the case of co-financing by other stakeholders</u>: 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)). The signatory must be a legally appointed representative having the authority to sign such document. <p>Make sure that the level of signature of these supporting documents is appropriate to commit the co-financer: supporting documents may otherwise be rejected.</p>	<p>any action which costs are not fully covered by the requested Union financial support</p>

To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the action:</u> harmonised defence capability requirements</p>	<p>supporting document(s) proving that the ‘activities’ will be based on “harmonised defence capability requirements jointly agreed by at least two Member States or associated countries” (e.g. Letter of Declaration, signed by at least two Member States or associated countries, common defence requirements described in an agreement (MoU or <i>ad hoc</i>) signed between the participating Member States or associated countries).</p> <p>It is compulsory that the supporting document is either a single document signed by all the Member States and associated countries concerned, or that the different supporting documents refer precisely to the other Member States or associated countries.</p> <p>The supporting documents should be signed at the level of the (Deputy) National Armament Director, (Deputy) Director general or equivalent in the participating Member States or associated countries.</p> <p>Letter issued by International Organisations or other Regional/International bodies (e.g. NATO Centre of Excellence, Agencies, EU Agencies) will not be considered as satisfactory evidences.</p>	<p>actions covering ‘design’</p>

To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the action:</u> common technical specifications</p>	<p>supporting document(s) proving that the ‘activities’ will be “based on common technical specifications jointly agreed by the Member States or associated countries 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 <i>ad hoc</i> agreement signed by the participating Member States or associated countries, declaring that the proposal is based on common technical specifications).</p> <p>It is compulsory that the supporting document is either a single document signed by all the Member States and associated countries concerned, or that the different supporting documents refer precisely to the other Member States or associated countries.</p> <p>The supporting documents should be signed at the level of the (Deputy) National Armament Director, (Deputy) Director general or equivalent in the participating Member States or associated countries.</p> <p>Letter issued by International Organisations or other Regional/International bodies (e.g. NATO Centre of Excellence, Agencies, EU Agencies) will not be considered as satisfactory evidences.</p>	<p>actions covering any of the following ‘activities’: ‘prototyping’, ‘testing’, ‘qualification’ or ‘certification’</p>

To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the action:</u> harmonised defence capability requirements and/or common technical specifications (flexibility provision)</p>	<p>supporting document proving that at least two Member States or associated countries intend to jointly agree on harmonised defence capability requirements and/or common technical specifications on which the action will be based.</p> <p>The level of signature for this document has to be the same as described above for harmonised capability requirements and common technical specifications.</p>	<p>actions covering:</p> <ul style="list-style-type: none"> - at least ‘studies’ <u>and</u> ‘design’ for the harmonised defence capability 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 harmonised defence capability 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 or associated countries 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 or associated countries, Memorandum of Understanding or <i>ad hoc</i> agreement signed between the participating Member States or associated countries, the procurement contract signed with the respective Member States or associated countries).</p>	<p>actions covering any of the following ‘activities’: ‘prototyping’, ‘testing’, ‘qualification’ or ‘certification’</p>

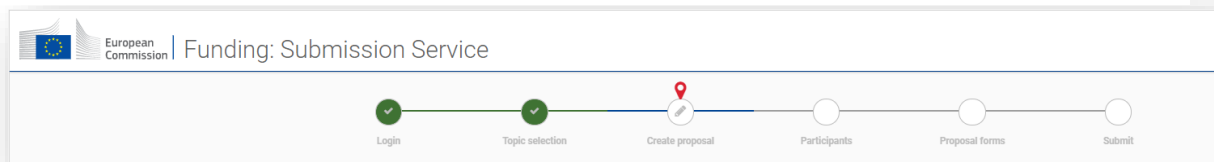
To support what?	Which evidence or supporting document?	Who/What is concerned?
<p><u>Eligibility of the action:</u> absence of control and restrictions over the ‘results’ of the action</p>	<ul style="list-style-type: none"> - (may be requested) justification that the participation of non-associated third-country nationals to the action (within the ‘applicants’, ‘affiliated entities’ or ‘subcontractors involved in the action’) will not lead to restriction or control over the results of the action by a ‘non-associated third country’ or by a ‘non-associated third-country entity’; - (may be requested) justification that the participation of entities established outside the territory of Member States and associated countries or controlled by a ‘non-associated third country’ or by a ‘non-associated third-country entity’ (as ‘associated partners’ or other ‘subcontractors’) will not lead to restriction or control over the ‘results’ of the action by a ‘non-associated third country’ or by a ‘non-associated third-country entity’; - (may be requested) commitment from the country where the ‘associated partner’ is established that this country will not impose control or restriction over the ‘results’ generated by the ‘associated partner’ for the purpose of the action. 	<p>any action</p>
<p><u>Eligibility of actual indirect costs</u></p>	<p>appendix to Annex 1 & 2, duly completed and signed, including the table of correspondence.</p>	<p>each ‘applicant’ or ‘affiliated entity’ opting for the actual indirect costs regime</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 and Chapter 2 of this *Guide for applicants*;
- Part B of the proposal does not exceed the page limits (specified in the Submission form); excess pages will be disregarded.

Proposals must be submitted through the *Funding & Tenders Portal*. In order to do so, you need to click on the “start submission” button⁴⁴ available on the web page of the EDF call topic you are applying for, and to follow the steps indicated in the Submission Service as depicted below.



Note that the completion of Part A to the *Submission form* is part of these steps and will have to be performed online (see Chapter 2 Part A of this *Guide for Applicants*). You will be able to start creating your proposal and save it at any stage between the opening of the call and the submission deadline.

Before the final step, you will be requested to upload a **single encrypted zip archive of maximum 100 MB** containing all the completed *Submission forms* (Part A sup, annexes and Part B) and relevant supporting documents. It is recommended that you use **AES-256 encryption method** (see Picture 2 below). You will have to **send the associated password at DEFIS-EDF-PROPOSALS-PWD@ec.europa.eu before the deadline for submission of the call**. Do not forget to mention in your email the proposal number, the acronym of your proposal and the name of the encrypted file. **To ease the process, it is recommended that the filename of the zip archive contains the acronym of the proposal as well as the proposal number⁴⁵.**

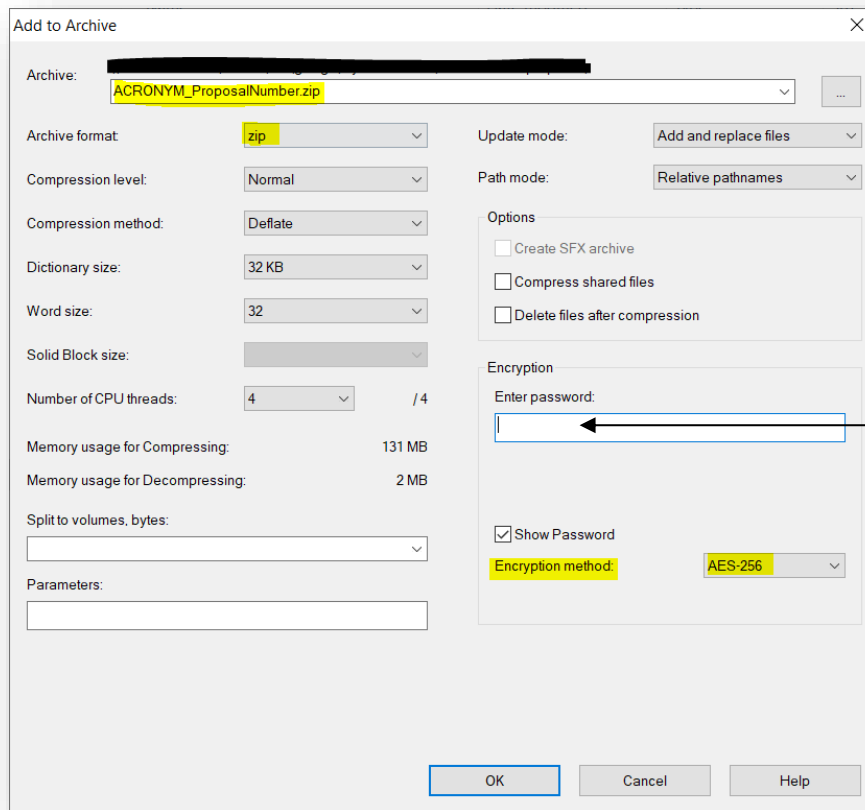
Documents in the zip archive must be named and placed in folders allowing a **rapid identification of their content** and the part/section of the *Submission form* they are referring to (see examples provided in Picture 3 and Picture 4 above).

See illustrations in the Pictures below.

⁴⁴ This button will only be available once the calls are open.

⁴⁵ The proposal number is automatically attributed on the Submission service once you have created a draft application.

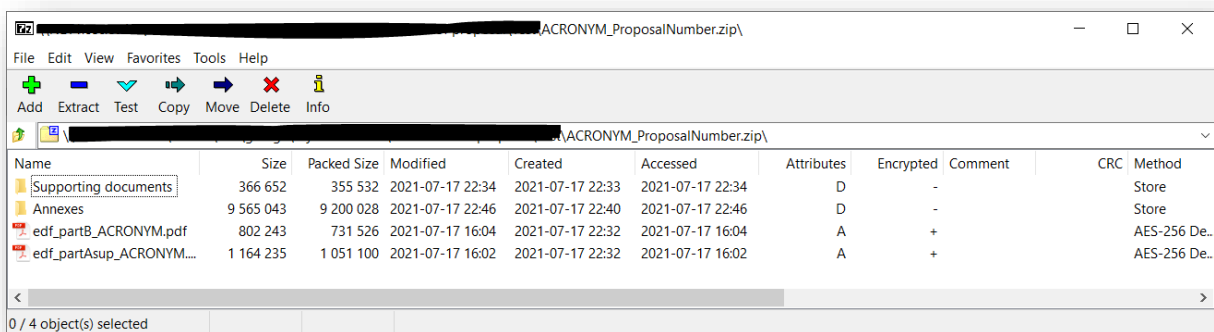
Picture 1: Creation of a AES-256 encrypted zip archive with a filename containing the acronym of the proposal and the proposal number⁴⁶



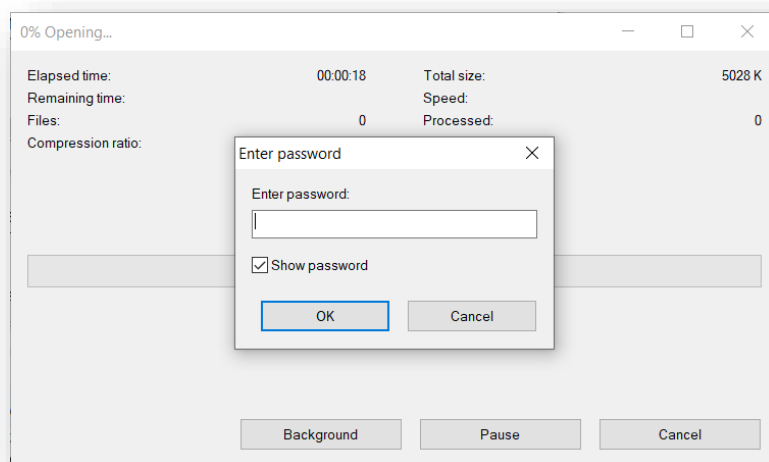
Picture 2: resulting zip archive of less than 100 MB

Name	Date modified	Type	Size
ACRONYM_ProposalNumber	20-07-2021 03:21	zip Archive	11.079 KB

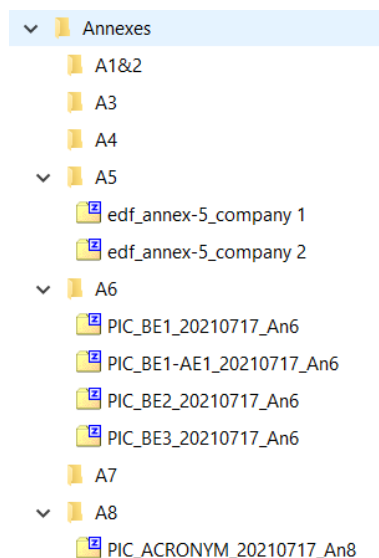
Picture 3: opening of the zip archive, showing a “user friendly” organisation of the application forms (Part A sup, annexes and Part B) and supporting documents



⁴⁶ Illustration based on the use of the free and open source 7-zip software.

Picture 4: Access to content of files is password protected

If some of the participants deem the content of some of the annexes or supporting documents too sensitive to be shared with the coordinator, they may encrypt the annexes or supporting documents concerned inside the zip archive (see example on Picture 5 below), using the same method as described above. In such case, the participants concerned will have to send the associated password(s), together with the acronym of the proposal and the name of the encrypted file, **at DEFIS-EDF-PROPOSALS-PWD@ec.europa.eu before the deadline for submission of the call.**

Picture 5: example where Annexes 5, 6 and 8 have been encrypted by their originators.

As an alternative if the method above is deemed not satisfactory, these participants can contact the Commission at DEFIS-EDF-PROPOSALS@ec.europa.eu well before the final date for submission of the call, in order to arrange the delivery of the annexes or supporting documents concerned.

The proposal must be submitted before the **call deadline** (specified in section 3.1 of the *2021 calls for proposals and conditions for the calls*). If your proposal is submitted after the deadline, it will be considered as inadmissible and will not be subject to the evaluation.

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.

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) and the other proposals will be considered as withdrawn.

We strongly advise you to complete your proposal sufficiently in advance of the deadline, to avoid any last minute problems. If during the final days of the submission process there is a fault in the system, we may decide to postpone the submission deadline accordingly. If you think that the submission of your proposal was not entirely successful due to a technical error on the side of the Commission, the proposal coordinator may lodge a complaint through the IT Helpdesk on the F&T Portal. For the complaint to be admissible, it must be filed within four calendar days following the submission deadline. For more information, see the section on how to lodge a complaint about failed submission on the Electronic Proposal Submission part of the F&T Portal. Directly after submission, the proposal reception date and time are recorded and a confirmation e-mail is sent to the coordinator. If you do not receive this confirmation e-mail the proposal has not been successfully submitted. While you may submit a proposal at any time, proposals are only collected and processed by the EDF call coordination team after the submission deadline. Changes or additions are no longer possible after the submission deadline, unless you are contacted by the Commission services in order to correct obvious clerical errors or provide clarifications.

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.

1. Evaluation process

The evaluation process is designed according to the principles and conditions laid down in Articles 150 and 200 of the Financial Regulation⁴⁷ and Article 26 of the EDF Regulation.

The conditions and criteria are detailed in section 3.2 of the *2021 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 *2021 calls for proposals and conditions for the calls*. Directly after the call submission deadline, submitted proposals will be open and their admissibility will be assessed. Only admissible proposals will be subject to the subsequent steps of the evaluation process. An information and inadmissible report will be submitted electronically to the coordinator.
- **Exclusion criteria** – this assessment will consist in determining if the admissible proposals fall under exclusion grounds (see section 3.2.4 of the *2021 calls for proposals and conditions for the calls*). It is based on the Declarations on Honour provided in the proposal (Annex 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 *2021 calls for proposals and conditions for the calls*. Proposals which fail to meet any of the eligibility criteria will be rejected.
Considering the complexity of some of the eligibility criteria and the principle of proportionality, 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) or that are below the threshold for the award criteria. This will be clearly specified on the information received by the ‘applicants’ at the end of the evaluation.
- **Ethics assessment** – Every proposal is subject to an ethics review and must be completed before the grant agreement can be signed. The review is based on the content of the proposal, with a particular focus on the ethics self-assessment provided by the applicants in Section 2 of the Part A sup of the *Submission form*. The ethics assessment can lead to an ethics clearance, to a conditional ethics clearance or to a request for additional information. Proposals which are considered not to be ethically acceptable will be rejected.
- **Selection criteria** – This includes the assessment of the financial capacity and operational capacity of ‘applicants’ and ‘affiliated entities’. The operational capacity will be assessed based

⁴⁷ 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

on the relevant elements provided in the Part B of the proposals and in the Annex 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 will be assessed according to the award criteria described in section 3.2.7 of the *2021 calls for proposals and conditions for the calls*. The evaluation is carried out by an Evaluation Committee appointed by the Responsible Authorising Officer (RAO), which is assisted by independent experts. The evaluation is organised as follow:
 - A minimum of three independent experts are requested to 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 are organised in order to find a commonly agreed position on scores and comments for the assessed 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 Evaluation Committee appointed by the Responsible Authorising Officer (RAO) meets to discuss all proposals in a call to reach a final consensus on comments and scores for all the applicable 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. The work of the evaluation committee is based on the Consensus Reports prepared by the independent experts as well as inputs provided by the Evaluation Committee members. The outcomes of the Evaluation Committee meeting are recorded in a panel report signed by the Members of the Evaluation Committee.
 - The RAO takes the final award decision on the ground of the 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, ethics, selection and award criteria laid down in the *2021 calls for proposals and conditions for the calls*.

2. 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 services⁴⁸.

3. 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.

4. 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, ethics, selection and/or exclusion criteria;

⁴⁸ 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 *2021 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.

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

The granting authority will invite successful ‘applicants’ to prepare a ‘*Grant agreement*’. Depending on the applied management mode (direct or indirect), the European Union (‘EU’) may be directly represented by the European Commission or a body as referred to in point (c) of Article 62(1) of the Financial Regulation under the powers delegated by the European Commission (indirect management).

‘Applicants’ may usefully refer to the EDF *Model Grant Agreements* (MGA), when available, which reflect EDF and EU grants provisions for “actual costs” grants and “lump sum” grants. Part B of their proposal will be the basis for Annex 1 to the ‘*Grant agreement*’ and Annex 2 to their proposal the basis for Annex 2 to the ‘*Grant Agreement*’.

During this phase, ‘applicants’ and ‘affiliated entities’ 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 applicable security framework for the action (see Sections 3.6 and 3.7 of the *2021 calls for proposals and conditions for the calls*) will need to be put in place during the GAP.

For lump sum grants, the proposed budget submitted by the consortia will be subject to a comprehensive assessment during the evaluation stage to ensure that only eligible costs will be covered by the lump sums. Following this assessment, the granting authority will established the lump sum amounts per work package during the GAP. For this, it may request support documentation and further explanations to the applicant’s budget proposal (see appendix 3).

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 Annex 3 to the *Model Grant Agreement*) attached to the ‘*Grant agreement*’.

The GAP should not last more than three months.

6. **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 Annex 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’).

⚠ Where a ‘project manager’, (see definition in Appendix 1) is appointed, the Commission will consult him on progress made with regard to the action before the payment is executed.

For actual costs grants:

⚠ 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).

For lump sum grants:

⚠️ During and after project implementation, there will be no report of actual costs, and no financial checks, reviews, or audits related to the actual costs underlying the lump sums payment.

⚠️ Checks, reviews, and audits will focus on the technical implementation of the action, in particular on the fulfilment of the conditions for releasing lump sums or on other aspects of the grant agreement.

⚠️ The lump sum amounts will be paid to the coordinator at the end of the reporting periods if the corresponding work packages of the action have been properly implemented in accordance with Annex 1 of the grant agreement (and provided that all other obligations under the grant agreement have been complied with).

⚠️ Lump sums which conditions have not been fully met during a reporting period are not paid, but could be paid in the subsequent reporting period if the conditions are fully met.

⚠️ Lump sums whose conditions are not met in any reporting period are not paid and the grant is reduced by an amount up to the value of the lump sums concerned.

⚠️ Budget flexibility does not apply; changes to the estimated budget (lump sum breakdown) always require an amendment

APPENDIX 1: DEFINITIONS

<p>Applicant</p>	<p>Pursuant to article 2(2) of the EDF Regulation, an <i>‘applicant’ means a ‘legal entity’ that submits an application for support from the Fund after a call for proposals or in accordance with point (e) of the first paragraph of Article 195 of the Financial Regulation⁴⁹.</i></p> <p>Nota:</p> <ul style="list-style-type: none"> - In certain parts of the <i>Submission form</i> and of this <i>Guide for applicants</i>, ‘applicants’ are sometimes referred to as ‘beneficiaries’, ‘recipients’ or members of the ‘consortium’. However, ‘beneficiaries’/‘recipients’ are ‘applicants’ with who a <i>‘Grant agreement’</i> has been signed. - For the eligibility conditions associated to ‘applicants’ for EDF calls, please refer Chapter 2, Part A sup Section 1.1 of this <i>Guide for applicants</i>.
<p>Action</p>	<p>Pursuant to Article 2(11) of the EDF Regulation, a <i>‘research action’ means an action consisting primarily of research activities, in particular applied research and where necessary fundamental research, with the aim of acquiring new knowledge and with an exclusive focus on defence applications;</i></p> <p>Pursuant to Article 2(12) of the EDF Regulation, a <i>‘development action’ means an action consisting of defence-oriented activities primarily in the development phase, covering new defence products or technologies or the upgrading of existing ones, excluding the production or use of weapons;</i></p> <p>Nota:</p> <ul style="list-style-type: none"> - The “research” or “development” nature of an action is fully determined by the nature of the call you are applying for (a research call ID ends with RDIS or R; a development call ID ends with D). - The detailed content of the action (tasks to be performed) must be described in Part B of the <i>Submission form</i> and comply with the call topic description. Part B of your proposal will be later reflected in the signed <i>‘Grant Agreement’</i> (Annex 1) to be performed by the ‘beneficiaries’. - For the eligibility conditions associated to EDF actions, please refer to Chapter 2, Part A sup Section 1.4 of this <i>Guide for applicants</i>.

⁴⁹ Article 195(e) of the Financial Regulation: *“Grants may be awarded without a call for proposals in the case of research and technological development, to bodies identified in the work programme referred to in Article 110, where the basic act expressly provides for that possibility, and on condition that the project does not fall under the scope of a call for proposals;”*

Activities	Phases covered by an eligible proposal under the EDF. They must be one or more of the following:			
	Activities		Eligibility	
			Research action	Development action
	(a)	activities that aim to create, underpin and improve knowledge, products and technologies, including disruptive technologies for defence, which can achieve significant effects in the area of defence (generating knowledge)	Yes	No
	(b)	activities that aim to increase interoperability and resilience, including secured production and exchange of data, to master critical defence technologies, to strengthen the security of supply or to enable the effective exploitation of results for defence products and technologies (integrating knowledge)	Yes	Yes
	(c)	studies, such as feasibility studies to explore the feasibility of new or upgraded products, technologies, processes, services and solutions (studies)	Yes	Yes
	(d)	the design of a defence product, tangible or intangible component or technology as well as the definition of the technical specifications on which such a design has been developed, including any partial tests for risk reduction in an industrial or representative environment (design)	Yes	Yes
	(e)	the system prototyping of a defence product, tangible or intangible component or technology (prototyping)	No	Yes
	(f)	the testing of a defence product, tangible or intangible component or technology (testing)	No	Yes
	(g)	the qualification of a defence product, tangible or intangible component or technology (qualification)	No	Yes
(h)	the certification of a defence product, tangible or intangible component or technology (certification)	No	Yes	
(i)	the development of technologies or assets increasing efficiency across the life cycle of defence products and technologies (increasing efficiency)	No	Yes	

<p>Affiliated entity</p>	<p>Pursuant to Article 187 of the Financial Regulation, ‘affiliated entities’ 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>Nota:</p> <ul style="list-style-type: none"> - For the eligibility conditions associated to ‘affiliated entities’ in the context of the EDF, please refer to Chapter 2, part A sup Section 1.1 of this <i>Guide for applicants</i>.
<p>Article 3 (of the EDF Regulation)</p>	<p style="text-align: center;"><i>Article 3</i> Objectives</p> <ol style="list-style-type: none"> 1. The general objective of the Fund is to foster the competitiveness, efficiency and innovation capacity of the European defence technological and industrial base (EDTIB) throughout the Union, which contributes to the Union strategic autonomy and its freedom of action, by supporting collaborative actions and cross-border cooperation between legal entities throughout the Union, in particular SMEs and mid-caps, as well as by strengthening and improving the agility of both defence supply and value chains, widening cross-border cooperation between legal entities and fostering the better exploitation of the industrial potential of innovation, research and technological development, at each stage of the industrial life cycle of defence products and technologies. 2. The Fund shall have the following specific objectives: <ul style="list-style-type: none"> (a) to support collaborative research that could significantly boost the performance of future capabilities throughout the Union, aiming to maximise innovation and introduce new defence products and technologies, including disruptive technologies for defence, and aiming to make the most efficient use of defence research spending in the Union; (b) to support the collaborative development of defence products and technologies, thus contributing to the greater efficiency of defence spending within the Union, achieving greater economies of scale, reducing the risk of unnecessary duplication and thereby fostering the market uptake of European defence products and technologies and reducing the fragmentation of defence products and technologies throughout the Union, ultimately leading to an increase in the standardisation of defence systems and a greater interoperability between Member States’

	<p>capabilities.</p> <p>Such collaboration shall be consistent with defence capability priorities commonly agreed by Member States within the framework of the Common Foreign and Security Policy (CFSP) and in particular in the context of the CDP.</p> <p>In that regard, regional and international priorities, when they serve the security and defence interests of the Union as determined under the CFSP, and taking into account the need to avoid unnecessary duplication, may also be taken into account, where appropriate, where they do not exclude the possibility of participation of any Member State or associated country.</p>
<p>Article 20(3) and Article 23(2) of the EDF Regulation</p>	<p style="text-align: center;"><i>Article 20(3)</i></p> <p>The results of research actions supported by the Fund shall not be subject to any control or restriction by a non-associated third country or by a non-associated third-country entity, directly, or indirectly through one or more intermediate legal entities, including in terms of technology transfer.</p> <p style="text-align: center;"><i>Article 23(2)</i></p> <p>The results of development actions supported by the Fund shall not be subject to any control or restriction by non-associated third countries or by non-associated third-country entities, directly, or indirectly through one or more intermediate legal entities, including in terms of technology transfer.</p>
<p>Associated countries</p>	<p>Pursuant to Article 5 of the EDF Regulation, ‘associated countries’ refer to <i>“members of the European Free Trade Association which are members of the EEA, in accordance with the conditions laid down in the Agreement on the European Economic Area”</i>.</p> <p>Nota:</p> <ul style="list-style-type: none"> - In practice, Norway is the only associated country that has expressed interest in participating in the EDF, and therefore, Iceland and Liechtenstein will be considered as non-associated third countries. - The participation of legal entities established in the Kingdom of Norway is pending the adoption of the Council Decision on the position to be adopted on behalf of the European Union, within the EEA Joint Committee concerning an amendment to Protocol 31 to the EEA Agreement, on cooperation in specific fields outside of the four freedoms (European Defence Fund). This should normally take place during summer 2021.

Associated partner	<p>Pursuant to Article 9(6) of the EDF Regulation, an ‘associated partner’ refers to a ‘legal entity’:</p> <ul style="list-style-type: none"> - established outside the territory of Member States or of associated countries or - controlled by a ‘non-associated third country’ or by a ‘non-associated third-country entity’, without having fulfilled the requirements for a derogation on control as referred to in Article 9(4) of the EDF Regulation. <p>with who a ‘beneficiary’, an ‘affiliated entity’ or a ‘subcontractor involved in the action’ cooperates for the purpose of the ‘action’, including by using its assets, infrastructure, facilities and resources.</p> <p>Nota:</p> <ul style="list-style-type: none"> - costs for activities of ‘associated partners’ (Article 9(6) of the EDF Regulation), including their subcontracting and supplying costs, are not eligible costs - For the eligibility conditions associated to ‘associated partners’ in the context of the EDF, please refer to Chapter 2, Part A sup Section 1.2 of this Guide for applicants.
Beneficiary	In this Guide for applicants, ‘beneficiary’ is synonym of ‘recipient’.
Certification	Pursuant to Article 2(10) of the EDF Regulation, ‘certification’ means “ <i>the process by which a national authority certifies that the defence product, tangible or intangible component or technology complies with the applicable regulations</i> ”.
Consortium	<p>Pursuant to Article 2(4) of the EDF Regulation, ‘consortium’ means “<i>a collaborative grouping of applicants or recipients that is subject to an agreement and constituted for the purpose of carrying out an action under the Fund</i>”.</p> <p>Nota:</p> <ul style="list-style-type: none"> - For the eligibility conditions associated to EDF consortia, please refer to Chapter 2, Part A sup Section 1.3 of this <i>Guide for applicants</i>.
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>

<p>Control</p>	<p>Pursuant to Article 2(6) of the EDF Regulation, ‘control’ means <i>“the ability to exercise a decisive influence on a legal entity directly, or indirectly through one or more intermediate legal entities”</i>.</p> <p>Nota:</p> <ul style="list-style-type: none"> - For all conditions regarding ‘control’ of entities in the context of the EDF, please refer to Chapter 2, Part A sup Section 1.1 and Annex 6 of this <i>Guide for applicants</i>.
<p>Coordinator (Consortium coordinator)</p>	<p>Pursuant to Article 2(5) of the EDF Regulation, a ‘coordinator’ means <i>“a legal entity which is a member of a consortium and has been appointed by all the members of the consortium to be the principal point of contact for the purpose of the consortium’s relations with the Commission”</i>.</p> <p>Nota:</p> <ul style="list-style-type: none"> - The ‘coordinator’ will be identified in the ‘Grant agreement’. - As the coordinator has specific responsibilities, he has to sign an additional specific Declaration on Honour (see Chapter 2 Annex 3 of this <i>Guide for applicants</i>.)
<p>Cross-border mid-cap (for award)</p>	<p>Pursuant to Article 12(e) of the EDF Regulation, for the purpose of the award, a ‘cross-border mid-cap’ refers to a ‘mid-cap’ established in a Member State or in an associated country other than those where the legal entities cooperating within the consortium which are not ‘SMEs’ or ‘mid-caps’ are established.</p> <p>Nota:</p> <ul style="list-style-type: none"> - This definition is implemented in Annex 1 & 2 to the <i>Submission form</i>.
<p>Cross-border SME (for award)</p>	<p>Pursuant to Article 12(e) of the EDF Regulation, for the purpose of the award, a ‘cross-border SME’ refers to a ‘SME’ established in a Member State or in an associated country other than those where the legal entities cooperating within the consortium which are not ‘SMEs’ or ‘mid-caps’ are established.</p> <p>Nota:</p> <ul style="list-style-type: none"> - This definition is implemented in Annex 1 & 2 to the <i>Submission form</i>.
<p>Cross-border SME (for bonus)</p>	<p>Pursuant to Article 13(3)(b) of the EDF Regulation, for the purpose of the bonus, a ‘cross-border SME’ refers to a ‘SME’ established in a Member State or in an associated country other than those in which the ‘legal entities’ in the ‘consortium’ that are not ‘SMEs’ are established.</p> <p>Nota:</p> <ul style="list-style-type: none"> - Bonus is only applicable to ‘development actions’. - This definition is different from the one used for the award. - This definition is implemented in Annex 1 & 2 to the <i>Submission form</i>.

<p>Deliverable</p>	<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, <i>etc.</i></p> <p>Nota:</p> <ul style="list-style-type: none"> - In case your proposal is selected for funding, the granting authority may agree with the consortium, during the grant agreement preparation phase, on the reporting conditions of the outputs to be produced under the grant agreement, notably in terms of type and/or level of detail of the information to be submitted to the granting authority and/or to the project manager in case such a project manager was appointed. Such arrangements will be without prejudice to the right of access by the granting authority to any information or outputs of the funded action as established in the grant agreement, in line with the Commission’s obligations to ensure the sound implementation of the budget and to protect the financial interests of the European Union.
<p>Design</p>	<p>Such activity 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> <p>a. The Preliminary Definition aims at:</p> <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 concept together with the preferred technical solutions for this concept; - 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

	<p>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.</p> <ul style="list-style-type: none"> - 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 constituents parts; - detailing the definition of internal and external interfaces; - issuing a preliminary user manual; - 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.
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<p>Disruptive technologies for defence</p>	<p>Pursuant to Article 2(13) of the EDF Regulation, ‘disruptive technology for defence’ means <i>“an enhanced or completely new technology that brings about a radical change, including a paradigm shift in the concept and conduct of defence affairs such as by replacing existing defence technologies or rendering them obsolete”</i>.</p> <p>Nota:</p> <ul style="list-style-type: none"> - This definition will be taken into account in particular when evaluating the proposals submitted under the call EDF-2021-OPEN-RDIS. <p>A ‘disruptive technology’ is a technology inducing a disruption or a paradigm shift, <i>i.e.</i> a radical rather than an incremental change. While the concept equally applies to the civil sector, disruptive technologies <u>for defence</u> are those inducing a paradigm shift in the concepts and conduct of defence affairs.</p> <p>The definition of a disruptive technology for defence reflects that the disruption can occur in different ways: the disruption can be triggered by a completely new technology; it can be triggered by the enhancement of an existing technology that makes it overcome another one; or it can even be triggered by a new combination of existing technologies or by a new usage of existing technologies.</p> <p>The disruptive effect requires that the consequences of a technological novelty are amplified by the context in which it is introduced, as opposed to situations where the novelty shifts the current state of play in a marginal way. It is thus not only the nature of the technology, but also its interplay with the context in which it is used, that makes it disruptive. In a defence context, the disruptive effect will thus only occur if at the same time (1) an application or product implements the novelty, (2) that it answers to a military challenge, and (3) that there exists a concept of use.</p> <p>Disruptive technologies for defence can have a high potential impact. However, they also face a higher risk of failing to deliver up to the level of expectation. The disruptive effect shows only once the technological novelty becomes an application or product. Disruptive technologies are thus often qualified as “high risk, high potential impact”.</p>
<p>Downstream activities</p>	<p>See ‘Targeted activities’.</p>
<p>Executive management structure</p>	<p>Pursuant to Article 2(7) of the EDF Regulation, ‘executive management structure’ means <i>“a body of a legal entity, appointed in accordance with national law, and, where applicable, reporting to the chief executive officer, which is empowered to establish the legal entity’s strategy, objectives and overall direction, and which oversees and monitors management decision-making”</i>.</p> <p>Nota:</p> <ul style="list-style-type: none"> - For the eligibility condition associated to the ‘executive management structure’, please refer to Chapter 2, Part A sup Section 1.1 item a) of this <i>Guide for applicants</i>.

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 (WP1).</p> <p>Costs incurred for these tasks must be declared as ‘studies’ (see Annex 1 & 2 to the <i>Submission form</i> and associated guidance in Chapter 2 of this <i>Guide for applicants</i>).</p>
Generating knowledge	<p>Pursuant to Article 10(3)(a) to the EDF Regulation, ‘generating knowledge’ refers to “<i>activities that aim to create, underpin and improve knowledge, products and technologies, including disruptive technologies for defence, which can achieve significant effects in the area of defence</i>”.</p> <p>This activity corresponds to an early stage of research and development. It covers defence-oriented basic research, also called defence-oriented fundamental research. Oriented basic research is carried out with the expectation that it will produce a broad base of knowledge likely to form the basis of the solution to recognised or expected current or future problems or possibilities (2015 Frascati Manual, paragraph 2.28). Research activities must be oriented towards the defence field of application and have defence products or technologies in view.</p> <p>Pure basic research is not covered by the EDF.</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>Nota:</p> <ul style="list-style-type: none"> - All 2021 EDF calls for proposals (except the calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D) will lead to actions implemented through “actual costs” grant agreements. - The calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D will lead to actions implemented through “lump sum” grant agreements. - ‘Applicants’ are invited to read the EDF Model Grant Agreements in order to understand how EU grants general provisions and EDF specific provisions will be reflected in the EDF ‘<i>Grant agreements</i>’.
Grant agreement preparation (GAP)	<p>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>.</p>

Increasing efficiency	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.
Integrating knowledge	<p>Pursuant to Article 10(3)(b) of the EDF Regulation, ‘integrating knowledge’ refers to <i>“activities that aim to increase interoperability and resilience, including secured production and exchange of data, to master critical defence technologies, to strengthen the security of supply or to enable the effective exploitation of results for defence products and technologies”</i>.</p> <p>This activity corresponds to a later stage of research than ‘generating knowledge’ and includes aspects of the transition towards experimental development. In general, it corresponds to applied research including, where necessary, oriented basic research and elements of experimental development.</p> <p>Activities must be targeting the defence field of application and must primarily be directed towards a specific, practical aim or objective (following the 2015 Frascati Manual, paragraph 2.29).</p>
Legal entity	Pursuant to Article 2(1) of the EDF Regulation, a ‘legal entity’ means <i>“a legal person created and recognised as such under Union, national or international law, which has legal personality and the capacity to act in its own name, exercise rights and be subject to obligations, or an entity which does not have legal personality as referred to in point (c) of Article 197(2) of the Financial Regulation”</i> .
Mid-cap	<p>Pursuant to Article 2(15) of the EDF Regulation, ‘middle-capitalisation company’ or ‘mid-cap’ means <i>“an enterprise that is not a ‘SME’ and that employs a maximum of 3 000 persons, where the headcount of staff is calculated in accordance with Articles 3 to 6 of the Annex to Recommendation 2003/361/EC”</i>.</p> <p>Nota:</p> <ul style="list-style-type: none"> - An entity will not 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. - Entities who want to claim the ‘mid-cap’ status need to perform a mid-cap self-assessment using Annex 8 to the <i>Submission form</i>. For more information, you can usefully refer to the guidance of Annex 8 in Chapter 2 of this <i>Guide for applicants</i>.
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.

<p>Non cross-border mid-cap (for award)</p>	<p>Pursuant to Article 12(e) of the EDF Regulation, for the purpose of the award, a ‘non cross-border mid-cap’ refers to a ‘mid-cap’ established in the same Member State or associated country as one of the ‘legal entities’ in the ‘consortium’ that are not ‘SMEs’ or ‘mid-caps’.</p> <p>Nota:</p> <ul style="list-style-type: none"> - This definition is implemented in Annex 1 & 2 to the <i>Submission form</i>.
<p>Non cross-border SME (for award)</p>	<p>Pursuant to Article 12(e) of the EDF Regulation, for the purpose of the award, a ‘non cross-border SME’ refers to a ‘SME’ established in the same Member State or associated country as one of the ‘legal entities’ in the ‘consortium’ that are not ‘SMEs’ or ‘mid-caps’.</p> <p>Nota:</p> <ul style="list-style-type: none"> - This definition is implemented in Annex 1 & 2 to the <i>Submission form</i>.
<p>Non cross-border SME (for bonus)</p>	<p>Pursuant to Article 13(3)(b) of the EDF Regulation, for the purpose of the bonus, a ‘non cross-border SME’ refers to an ‘SME’ established in the same Member State or associated country as one of the ‘legal entities’ in the ‘consortium’ that are not ‘SMEs’.</p> <p>Nota:</p> <ul style="list-style-type: none"> - Bonus is only applicable to ‘development actions’. - This definition is different from the one used for the award. - This definition is implemented in Annex 1 & 2 to the <i>Submission form</i>.
<p>Participants</p>	<p>‘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’, ‘affiliated entities’, ‘associated partners’ or ‘subcontractors’ participating in the action.</p>
<p>Project manager</p>	<p>Pursuant to Article 2(18) of the EDF Regulation, ‘project manager’ means “<i>a contracting authority established in a Member State or an associated country, appointed by a Member State or an associated country or a group of Member States or associated countries to manage multinational armament projects on an on-going or ad-hoc basis</i>”.</p> <p>Nota:</p> <ul style="list-style-type: none"> - If such a ‘project manager’ is appointed, the Commission will consult him on the progress made with regard to the action before the payment to the ‘coordinator’ is executed.
<p>Prototyping (or system prototyping)</p>	<p>Pursuant to Article 2(8) of the EDF Regulation, ‘system prototype’ means “<i>a model of a product or technology that can demonstrate performance in an operational environment</i>”.</p> <p>‘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 product or technology ready to demonstrate performance in an operational environment.</p>

Qualification	<p>Pursuant to Article 2(9) of the EDF Regulation, ‘qualification’ means <i>“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”</i>.</p> <p>‘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).</p>
Recipient	<p>Pursuant to Article 2(3) of the EDF Regulation, a ‘recipient’ means <i>“a legal entity with which a funding or financing agreement has been signed or to which a funding or financing decision has been notified.”</i></p> <p>Nota:</p> <ul style="list-style-type: none"> - The term ‘beneficiary’ is used as a synonym of ‘recipient’ in this <i>Guide for applicants</i>.
Results (of the action)	<p>Pursuant to Article 2(19) of the EDF Regulation, ‘results’ means <i>“any tangible or intangible effect of a given action, such as data, knowhow or information, whatever its form or nature and whether or not it can be protected, as well as any rights attached to it, including intellectual property rights.”</i></p>
SME	<p>Pursuant to Article 2(14) of the EDF Regulation, ‘small and medium-sized enterprises’ or ‘SMEs’ means <i>“small and medium-sized enterprises as defined in Article 2 of the Annex to Commission Recommendation 2003/361/EC.”</i></p> <p>Nota:</p> <ul style="list-style-type: none"> - Consolidation of the staff numbers and financial amounts must be performed according to Articles 3 to 6 of the Annex to Commission Recommendation 2003/361/EC. - An entity will not 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. - Entities who want to claim the ‘SME’ status need to perform a SME self-assessment from their user account on the participant registration page. For more information, you can usefully refer to Chapter 1 Section 5 of this <i>Guide for applicants</i>.
Studies	<p>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:</p> <ol style="list-style-type: none"> a. Pre-feasibility studies aim at: <ul style="list-style-type: none"> ○ elaborating the capability statement (operational requirements) in terms of identification and characterization of the capability needs, expected performance, dependability and safety goals and capability operating constraints with respect to the physical and operational environment;

	<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: 20px;">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>
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<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>Nota:</p> <ul style="list-style-type: none"> - See Section 4 of Appendix 2 or Section 3 of Appendix 3 for more information about how to budget subcontracting and purchase costs. - In Annex 1 & 2, you will be able to declare direct subcontractors of 'beneficiaries' and 'affiliated entities'. You will also be able to declare subcontracting costs of unknown subcontractors at the time of the submission. However, you will not be able to declare subcontractors of subcontractors.
<p>Subcontractor involved in the action</p>	<p>Pursuant to Article 9(8) of the EDF Regulation, 'subcontractors involved in the action' refers to <i>"subcontractors with a direct contractual relationship to a recipient, other subcontractors to which at least 10 % of the total eligible costs of the action is allocated, and subcontractors which may require access to classified information in order to carry out the action. Subcontractors involved in an action are not members of the consortium"</i>.</p> <p>Nota:</p> <ul style="list-style-type: none"> - 'Subcontractors involved in the action' are a subset of 'subcontractors'. For the eligibility conditions associated to 'subcontractors involved in the action' in the context of EDF, please refer to Chapter 2, Part A sup Section 1.1 of this <i>Guide for applicants</i>.
<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>2021 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. 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 in Example 1 (research action) and Example 2 (development action) below.</p> <p>Example 1 for a research action:</p>

Activities		Research action	
(a)	activities that aim to create, underpin and improve knowledge, products and technologies, including disruptive technologies for defence, which can achieve significant effects in the area of defence (generating knowledge)	Yes	Upstream activity
(b)	activities that aim to increase interoperability and resilience, including secured production and exchange of data, to master critical defence technologies, to strengthen the security of supply or to enable the effective exploitation of results for defence products and technologies (integrating knowledge)	Yes	
(c)	studies, such as feasibility studies to explore the feasibility of new or upgraded products, technologies, processes, services and solutions (studies)	Yes	Targeted activities (as requested in the call topic)
(d)	the design of a defence product, tangible or intangible component or technology as well as the definition of the technical specifications on which such a design has been developed, including any partial tests for risk reduction in an industrial or representative environment (design)	Yes	
Example 2 for a development action:			
Activities		Development action	
(b)	activities that aim to increase interoperability and resilience, including secured production and exchange of data, to master critical defence technologies, to strengthen the security of supply or to enable the effective exploitation of results for defence products and technologies (integrating knowledge)	Yes	Upstream activity
(c)	studies, such as feasibility studies to explore the feasibility of new or upgraded products, technologies, processes, services and solutions (studies)	Yes	
(d)	the design of a defence product, tangible or intangible component or technology as well as the definition of the technical specifications on which such a design has been developed, including any partial tests for risk reduction in an industrial or representative environment (design)	Yes	Targeted activities (as requested in the call)
(e)	the system prototyping of a defence product, tangible or intangible component or technology (prototyping)	Yes	
(f)	the testing of a defence product, tangible or intangible component or technology (testing)	Yes	Downstream activity
(g)	the qualification of a defence product, tangible or intangible component or technology (qualification)	Yes	
(h)	the certification of a defence product, tangible or intangible component or technology (certification)	Yes	
(i)	the development of technologies or assets increasing efficiency across the life cycle of defence products and technologies (increasing efficiency)	Yes	

Testing	'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.
Non-associated third country	Country that is not a member of the European Union nor an associated country.
Non-associated third-country entity	Pursuant to Article 2(24) of the EDF Regulation, a 'non-associated third-country entity' means " <i>a legal entity that is established in a non-associated third country or, where it is established in the Union or in an associated country, that has its 'executive management structures' in a non-associated third country</i> ".
Upstream activities	See 'Targeted activities'.
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 part A sup of the <i>Submission form</i>). Work package 1 (WP1), which must be devoted to the 'general management and coordination of the action', will be considered as of "study" type regarding its funding rate and applicable bonuses (see Annex 1 & 2 to the <i>Submission form</i>).


APPENDIX 2: ELIGIBLE COSTS FOR THE PREPARATION OF BUDGET IN ACTUAL COSTS GRANTS

Unless otherwise specified, references to Articles and Annexes made in this Appendix are those of the **EDF Model Grant Agreement (MGA)** for actual costs grants that will be available on the [Funding & Tenders Portal](#). EDF actual costs 'Grant agreements' will be prepared and signed with the successful applicants on the basis of this MGA.

1. General conditions

1.1. Eligible costs

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

 ONLY eligible costs may be entered into the estimated budget for the action (Annex 2 to the *Submission form*) and declared in the financial statements. The record-keeping and burden of proof for eligibility is on the beneficiaries/affiliated entities. 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.

1.2. 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), with the exception of costs relating to the submission of the final periodic report, which may be incurred afterwards.

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*⁵⁰) 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 affiliated entity) 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 affiliated entity) 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.


⁵⁰ Unless otherwise stipulated in the *Grant agreement*.

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 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 Annex 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* under the conditions laid out in article 5.5 of the MGA.

 Please note also that the Commission does require a formal amendment of the estimated budget (Annex 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 (Annex 1 to the signed *Grant agreement*) needs to be amended).

- **connected to the action as described in Annex 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 20 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 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.

1.3. General eligibility conditions for unit costs

For EDF 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).
- Personnel costs of SMEs’ owners not receiving any salary and other natural person not receiving any salary (category A.3 of Annex 2 to the *Submission form*) according to [Commission Decision C\(2020\) 7115](#).

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

- declared under one of the budget categories set out in Annex 2 (A.3)
- calculated by **multiplying the number of actual units** used to carry out the work or produced **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 which is an SME declares for its owner who does not receive a salary 50 days worked for an action in 2022. If there is an audit, the SME beneficiary must be able to show a record of the number of days worked by the owner for the action.

2. Direct & indirect costs

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.

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).

- ⚠ As a default option indirect costs are automatically declared as a **25% fixed flat-rate** of the eligible direct costs.
- ⚠ As an alternative, applicants may calculate and declare **actual indirect costs** in accordance with applicant’s usual cost accounting practices as long as these are accepted by national authorities for comparable activities in the defence domain (Art 15(2) of the EDF Regulation). This option must be chosen in the application for the whole duration of the project and a **specific form must be filled in** (see Section 9.9.6 of this Appendix).

As a result, there may be beneficiaries using the default 25% fixed rate and beneficiaries using their usual cost accounting practices to determine their indirect costs within the same action.

3. Personnel costs (category A)

What costs?

This budget category covers personnel costs: employees or equivalent (A.1); natural persons under direct contract and seconded persons (A.2); and SME owners and natural persons without a salary (A.3).

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


For employees or equivalent and natural persons under direct contract and seconded persons, 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. In particular, you may include, for each person concerned, the following:

- fixed salary
- fixed complements, if they are unconditional entitlements for the person (*e.g.* family allowance set out in national law, complementary pension plan contributions set out in the collective labour agreement)
- variable complements, *e.g.* bonuses, if:
 - they are paid based on objective conditions set out, at least, in the internal rules of the beneficiary
 - they are paid in a consistent manner, *i.e.* not just for the action supported form the grant, and
 - where applicable, subject to the specific eligibility conditions for supplementary payments (see specific cases below)
- social security contributions (mandatory employer and employee contributions)
- taxes linked to the remuneration (*e.g.* income tax withholding)
- other costs and payments linked to the remuneration if they are justified and registered as personnel costs in accordance with the beneficiary’s usual remuneration practices (*e.g.* benefits in kind like company car made available for the private use, lunch vouchers).

You may NOT include:

- any part of the remuneration which has not been an actual cost for you (for example, salaries reimbursed by a social security scheme or a private insurance in case of long sick leave or maternity leave)
- payments of dividends to employees (profit distribution in the form of dividends)
- variable complements based on commercial targets or fund raising targets (because neither incurred in connection with the work of the action, nor necessary for its implementation)
- arbitrary bonuses (*i.e.* bonuses which are not paid based on objective conditions⁵¹ set out, at least, in the internal rules of the beneficiary or bonuses that are not paid in a consistent manner)
- bonuses that depend on budget availability on the specific project (*e.g.* paid only if there are remaining funds in the budget of a project).

The costs declared 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.*).

⁵¹ ‘Objective conditions’ means conditions which allow to identify who (*e.g.* what category of employees) will receive how much (*e.g.* 5 € extra per hour, 10 % extra salary in each month of full dedication) in what cases (*e.g.* time worked as lead researcher in cooperative projects; an impartial and transparent assessment procedure on performance).

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** (Annex 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 (Annex 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.

Reporting personnel costs during the action (financial statement)

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

Step 1 — Calculate a daily rate per calendar year in the reporting period (January to December):

{actual annual personnel costs for the person
divided by 215}.

Step 2 — In addition, if the reporting period is not aligned with the calendar year, for the months in each (incomplete) calendar year in the reporting period calculate a separate daily rate as follows:

{actual personnel costs of the person incurred over those months
divided by {(215 / 12) (months) x number of months of the calendar year that fall within the reporting period}}

Regarding the number of days worked in the action, it is the sum of the days actually worked for the action, rounded to the nearest half-day, and recorded in the monthly declarations or in your time-recording system (if you have a reliable time recording system where you record, at least, all the actual time worked in the action).

Specific cases

Natural persons with direct contract (non-permanent staff) and seconded persons — 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 12 of the MGA).

Seconded staff — Under EDF 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, (staff specially hired for the grant is eligible);

SME owners and natural person beneficiaries – this budget category (A3) covers persons who are directly owners or co-owners (regardless of their percentage of ownership) of the beneficiary, if the beneficiary is an SME and the person does not receive a salary from the beneficiary. This category also covers beneficiaries who are natural persons. The costs must be calculated, for the SME owner/natural person, in accordance with the methodology set out in [Decision C\(2020\) 7115](#) and Annex 2a of the MGA.

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 9.3 of the MGA) sets the rules for the contracting out of parts of the action (*i.e.* action tasks mentioned in Annex 1 to the signed *Grant*

agreement). 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 categories B 'for travel and subsistence' or E.1 'equipment' or E.2 'other goods and services'. *Equipment* is for assets, while *other goods and services* is for consumables.

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 affiliated entities;
- 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;
- Specify in Part B of the *Submission form* the tasks that will be subcontracted (and explain what value subcontracting will add and why the relevant expertise is not available in your consortium) and show the estimated costs in your estimated budget (Annex 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](#)⁵²), you must abide by the applicable national public procurement rules;
- the bodies mentioned in Article 25 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**;

How to calculate them?

Budgeting subcontracting costs in your proposal (Annex 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 affiliated entity.

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).

The costs you declare must correspond to the price you paid to the subcontractors (including all related taxes; for VAT, see Article 6.2 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.

⁵² 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).

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 affiliated entities under Article 8 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 7 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.

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

6.1. Travel and subsistence 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. However, travel, subsistence and any other costs for EU staff (or elected representatives of the EU Parliament) are not eligible.

How to calculate them?

Budgeting travel & subsistence costs in your proposal (Annex 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 (in line with the description of the action in Part B), for each applicant and affiliated entity.

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.

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 [Decision C\(2021\)35⁵³](#)).

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

⁵³ Commission Decision of 12 January 2021 authorising the use of unit costs for travel, accommodation and subsistence costs under an action or work programme under the 2021-2027 multi-annual financial framework (C(2021)35).

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 EDF.

How to calculate them?

Budgeting equipment costs in your proposal (Annex 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 affiliated entity.

This amount should be a detailed and accurate estimate, based on the depreciation. Only eligible costs should be budgeted. In particular, beneficiaries need to calculate their equipment costs according to the following principles:

- the depreciable amount (purchase price) of the equipment must be allocated on a systematic basis over its useful life (*i.e.* the period during which the equipment is expected to be usable). If the equipment's useful life is more than a year, the beneficiary can NOT charge the total cost of the item in a single year
- depreciated equipment costs can NOT exceed the equipment's purchase price
- if the beneficiary does not use the equipment exclusively for the action, only the portion used on the action may be charged
- the amount of use must be auditable

The beneficiary can NOT charge depreciation for periods before the purchase of the equipment

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.

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 [Guidelines on visibility of EU funding](#) except otherwise provided for in the *Grant agreement*.

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 for the establishment of Certificates of Financial Statement (CFS));
- 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 (Annex 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 affiliated entity.

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 Annex 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 Annex 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 Annex 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.

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 in its [Decision C\(2021\)35](#).

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.

Purchases between beneficiaries — Are in principle not accepted. If a beneficiary needs supplies from another beneficiary, it is the latter beneficiary that should charge them to the action (otherwise there is the risk that the grant is used to charge commercial profit margins). Purchases between

beneficiaries will only be accepted in exceptional and properly justified cases (e.g. beneficiary A is the usual supplier of beneficiary B for a generic consumable that beneficiary B needs for the action).

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 by default calculated with a flat-rate instead of actual costs. This rate — set out in Article 15(1) of the EDF Regulation— 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.

As an alternative, and as envisaged in Article 15(2) of the EDF Regulation, beneficiaries may use their usual cost accounting practices to determine their actual indirect cost, provided that these usual accounting practices are accepted by national authorities for comparable activities in the defence domain. In such case, option must be made in the application for the whole duration of the project and a specific form must be filled in (see Section 9.9.6 of this Appendix).

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 Annex 1 to the signed Grant agreement (description of the action); subcontracting costs not complying with Article 9 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 6.3 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 6 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. Horizon Europe 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 grant⁵⁴, 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.

⁵⁴ 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.

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);

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 for activities that take place on the territory of a 'non-associated third country' (non-associated EU country) pursuant to Article 9(5) of the EDF Regulation;
- costs for activities of 'associated partners' (Article 9(6) of the EDF Regulation), 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 5 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).

9. Keeping records — supporting documentation

9.1. Records and other supporting documentation

The beneficiaries (for affiliated entities, see section 9.8 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 5 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 standards⁵⁵.

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).

⁵⁵ International Standard on Auditing ISA 500 'Audit Evidence'.

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.

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.

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.).*

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.

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.

9.6. Records for personnel costs — Days worked 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 Annex 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

9.7. Records for actual indirect costs

See Section 9.9.6 of this Appendix.

9.8. Records of affiliated entities

The beneficiaries must ensure that **affiliated entities** comply with the same obligations in terms of keeping appropriate and sufficient evidence.

Example: Affiliated entities 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 affiliated entities.

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.


9.9. List of records and supporting documents per cost category

9.9.1. 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.
- 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.

9.9.2. 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.

9.9.3. Direct costs of subcontracting (with subcontractors with a direct contractual relationship with a beneficiary or an affiliated entity)


- 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.


9.9.4. 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.

9.9.5. 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.

9.9.6. Indirect costs

No supporting documents are required when opting for the 25% flat rate.

Applicants which are opting for the actual indirect costs regime in accordance with Article 15(2) of the EDF Regulation must add to the application a **specific form (Appendix, including its correspondence table, to Annexes 1&2 to the Submission form)**⁵⁶. This form enables the Commission to ensure, before the signature of the grant agreement, that the indirect costs calculated by the applicant do not contain ineligible costs within the meaning of Article 186 of the Financial Regulation. Where applicable, adjustments will be made by the Commission for the calculation of the maximum

⁵⁶ If there is no valid specific form in the application, the indirect cost of the project for the applicant will be fixed by the Commission using the 25% flat rate.

grant amount (if the project is awarded, the adjusted methodology will be communicated to the opting applicant during the grant preparation phase).

Content of the specific form (Appendix to Annexes 1&2 to the *Submission form*):

- The first part of the specific form is a description of the usual accounting practices of the applicant for the calculation of the indirect costs of the action. It must be filled and signed by the person responsible for accounting in the applicant's organisation.
- The second part of the specific form must also be filled and signed⁵⁷ by the person responsible for accounting in the applicant's organisation. It shows in a table:
 - On the left side, the calculation of the indirect costs charged by the applicant in the budget of the action **in accordance with the usual accounting practices of the applicant** for similar projects in the defence sector.

This calculation must be certified by the competent national authority in accordance with the provisions of Article 15(2) of EDF Regulation and at the appropriate level (signature of a Director in the competent Ministry or Head of the specific defence audit department);

and,

- on the right side, the presentation of the costs of the action for the applicant as charged in the budget of the action (annex 2 of the application) and **following the presentation required by the EU Financial Regulation** : direct eligible costs within the meaning of the Financial Regulation, actual indirect eligible costs and other ineligible costs.

When filling the second part of the specific form, please exclude from the eligible costs (direct or indirect) the ineligible items referred in Section 8 of this Appendix.

At the end of the action, the opting beneficiary must declare its actual indirect costs calculated following the methodology agreed ex ante (where applicable: adjusted methodology). Its financial statement must be accompanied by a Certificate of Cost Statement (CFS) provided by an external auditor as foreseen in the Model Grant Agreement.

The auditor establishing the CFS will follow the methodology agreed ex-ante to certify the amount of the actual indirect costs. Lastly, the Commission will enjoy the possibility to audit the actual indirect costs following the methodology agreed ex ante.

⁵⁷ The table must be signed by the accounting officer of the opting applicant (without any alteration of the certification formulas).

APPENDIX 3: ELIGIBLE COSTS FOR THE PREPARATION OF BUDGET FOR LUMP SUMS GRANTS

Unless otherwise specified, references to Articles and Annexes made in this Appendix are those of the **EDF Model Grant Agreement (MGA)** for lump sum grants that will be available on the [Funding & Tenders Portal](#). The *Decision authorising the use of lump sums for actions under the European Defence Fund*, which details the methodology and the conditions for establishing the lump sum contributions, will also be available on the Portal. For EDF 2021 calls for proposals, only the calls EDF-2021-DIS-RDIS, EDF-2021-OPEN-RDIS, EDF-2021-OPEN-R and EDF-2021-OPEN-D will be implemented through lump sums.

EDF 'Grant agreements' will be prepared and signed with the successful applicants on the basis of the aforementioned MGA.

1. General and specific eligibility conditions for lump sum contributions

Lump sum contributions are fully paid under EDF Programme if:

- a. They are set out in Annex 2 of the grant agreement
- b. The work packages are completed and the work is properly implemented by the beneficiaries and/or the results are achieved, in accordance with Annex 1 of the grant agreement and during the duration of the action.

Annex 2 of the *Grant agreement* will be established on the basis of Annex 2 to the *Submission form* proposed by the applicants (budget form). Lump sum contributions for EDF may cover only the following categories of eligible costs:

- A. Direct personnel costs, or equivalent including personnel costs, separately for each category of staff (including position and function) and number of staff per category:
 - 1) Employees;
 - 2) Natural persons under direct contract and seconded persons.
 - 3) SME owners not receiving a salary
- B. Direct travel and subsistence costs:
- C. Direct costs of subcontracting
- E. Other direct costs:
 - 1) Equipment (depreciation);
 - 2) Other goods and services.
- F. Indirect costs, with two options:

- i. By default regime as per Article 15(1) of the EDF Regulation: a flat rate of 25 percent of the total direct eligible cost excluding direct cost of subcontracting and financial support to third parties.
- ii. Alternative option as per Article 15(2) of the EDF Regulation: actual indirect costs determined in accordance with applicant's usual cost accounting practices and accepted by national authorities for comparable activities in the defence domain.
The applicability of this option is subject to the conditions that will be defined in the authorising decision for the use of lump sums in the EDF.

Applicants are requested to fill in Annex 2 to the *Submission form* for each category of cost according to the following principles:

- The detailed budget proposal must be based on an approximation of the underlying eligible costs per applicant, per activity type (in accordance with the list in Article 11 of the EDF Regulation) and per Work Package.
- The estimated eligible costs for each work package (and, within each work package, the share assigned to each beneficiary and affiliated entity) must be shown in the proposal via the categories and sub-categories of eligible costs specified above under each Work Package.
- The estimated costs must be connected to the action as described in the proposal (i.e. necessary to achieve the action's objectives). The grant cannot be used to finance activities other than those approved with the proposal (coordination and administration tasks are part of the action).
- The estimated costs must be reasonable, justified and complying 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 excessive).

Applicants will need to provide a declaration of honour signed by the person responsible for accounting confirming that they have followed their usual cost accounting practices for the preparation of the budget.

2. Personnel costs (category A)

What costs?


This budget category covers personnel costs: employees or equivalent (A.1); natural persons under direct contract and seconded persons (A.2); and SME owners and natural persons without a salary (A.3). The personnel costs should correspond to the adequate human resources needed to ensure the successful implementation of the project.


For employees or equivalent and natural persons under direct contract and seconded persons, the costs must be estimated on the basis of actual gross salary or wages plus obligatory social charges and any other statutory costs included in the remuneration. In particular, you may include, for each person concerned, the following:

- fixed salary
- fixed complements, if they are unconditional entitlements for the person (*e.g.* family allowance set out in national law, complementary pension plan contributions set out in the collective labour agreement)
- variable complements, *e.g.* bonuses, if:
 - they are paid based on objective conditions set out, at least, in the internal rules of the applicant
 - they are paid in a consistent manner, i.e. not just for the action supported form the grant, and
 - where applicable, subject to the specific eligibility conditions for supplementary payments (see specific cases below)
- social security contributions (mandatory employer and employee contributions)
- taxes linked to the remuneration (*e.g.* income tax withholding)
- other costs and payments linked to the remuneration if they are justified and registered as personnel costs in accordance with the applicant’s usual remuneration practices (*e.g.* benefits in kind like company car made available for the private use, lunch vouchers).

You may NOT include:

- any part of the remuneration which is not an actual cost for you (for example, salaries reimbursed by a social security scheme or a private insurance in case of long sick leave or maternity leave)
- payments of dividends to employees (profit distribution in the form of dividends)
- variable complements based on commercial targets or fund raising targets (because neither incurred in connection with the work of the action, nor necessary for its implementation)
- arbitrary bonuses (*i.e.* bonuses which are not paid based on objective conditions set out, at least, in the internal rules of the applicant or bonuses that are not paid in a consistent manner)
- bonuses that depend on budget availability on the specific project (*e.g.* paid only if there are remaining funds in the budget of a project).

 The rates estimated for each staff involved in the action must correspond to the **normal remuneration policy** of each beneficiary. 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.

 Applicants can estimate their staff costs using unit costs only in the following cases and under the conditions detailed in Section 1.3 of Appendix 2:

- Staff costs **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 Annex 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 Annex 2 to the *Submission form*) according to [Commission Decision C\(2020\) 7115](#).

How to estimate them?

For the estimated budget, you should indicate for each participant the total amount of staff costs they estimate to be necessary for the project. The budget form must detail personnel costs on an **individual basis for the staff involved in the action as described in Annex 7** to the *Submission form*.

In order to ease the assessment of the staff costs, the level of qualification must be filled in the budget form by selecting the category of the personnel concerned between the following categories:

- Senior engineer
- Junior engineer
- Senior researcher
- Junior researcher
- Project management
- Technical personnel
- Other to be specified

 It is preferable that the staff involved in the action is already recruited/hired by the applicant organisation. However, if the staff involved in the action is not yet recruited/hired in the applicant's organisation at the time of the application, the applicant can use the information from another employee of the same level of qualification and performing similar tasks to estimate their individual staff costs.

Applicants must estimate personnel costs on the basis of a **daily rate** (personnel costs = daily rate x days worked on the action). To calculate the daily rate:

$$\frac{\text{actual annual personnel costs for the person}}{215}$$

In order to take into account inflation over the duration of the action, the amounts obtained can be indexed annually by 2%.

Specific cases

Natural persons with direct contract (non-permanent staff) and seconded persons — Costs for in-house consultants and similar persons (*i.e.* self-employed natural persons) that will 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 will be 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 entered under budget category E.2 'other goods and services'.

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 entered in the budget only if they relate to the costs of project activities which the organisation would not carry out if the project was not undertaken.

SME owners and natural person beneficiaries – this budget category (A3) covers persons who are directly owners or co-owners (regardless of their percentage of ownership) of the applicant, if the applicant is an SME and the person does not receive a salary from the beneficiary. This category also covers beneficiaries who are natural persons. The costs must be calculated, for the SME owner/natural person, in accordance with the methodology set out in [Decision C\(2020\) 7115](#).

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

How to distinguish them?

Purchases cover the procurement of ordinary services, goods or equipment needed to carry out the project while subcontracting refers to contracts for goods, works or services that are part of the action tasks. Therefore, purchases 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 entered in the budget form under a specific budget category (C. 'subcontracting'), purchases must be entered either under categories B 'for travel and subsistence'

E.1 'equipment' or E.2 'other goods and services'. *Equipment* is for assets, while *other goods and services* is for consumables.

4. 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). The following principles apply:

- Applicants 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 affiliated entities;
- 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 calls EDF-2021-OPEN-R and EDF-2021-OPEN-D, 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 and why the relevant expertise is not available in your consortium);

How to estimate them?

You must include in Annex 2 to the *Submission form* a description of the tasks that will be subcontracted to, the name of the subcontractor(s) or the potential subcontractor(s) and the amount of the subcontracted tasks

Specific cases

Subcontracting between beneficiaries is NOT allowed in the same *Grant agreement*.

Subcontracting by beneficiaries to affiliates is NOT allowed.

Coordination tasks of the 'coordinator' (*e.g.* distribution of funds, review of reports and others tasks listed under Article 7 of the *MGA*) can NOT be subcontracted. Other activities of the coordinator may in principle be subcontracted.

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

5.1. Travel and subsistence costs (category B)

What costs?

This budget category covers the travel costs and related subsistence allowances that will be spent during the action.

Travel costs must be estimated on the basis of the market price for the most convenient and economic solution, taking into account the distance, the meeting dates, and the availability of the possible mean of transport (evidence of queries made for the estimate must be kept for further justification).

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

Travel and subsistence costs must be necessary: applicants must envisage all other possible alternatives (video conferences ...) to limit the number of travels to the strict necessary.

How to estimate them?

You should enter in Annex 2 to the *Submission form* a detailed estimation of the amount of travel costs and subsistence costs needed for the project (in line with the description of the action in Part B), for each applicant and affiliated entity, for each individual trip.

These amounts should be a detailed and accurate estimate for each individual trip foreseen in the action, based on the corporate policy, destination, number of people involved, *etc.*

Travel costs

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 consider the cheapest fare.

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

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

Subsistence costs

Estimations for subsistence costs must be:

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

⚠ For travel and subsistence costs, the Commission considers that they are reasonable if they are in line with [Commission Decision C\(2021\)35](#). Costs above the thresholds established in that Commission Decision will be reduced during the GAP.

5.2. Equipment costs (category E.1)

What costs?

Cost under this category concern equipment, which is durable. Goods consumed within a year must be recorded under budget item E2 'Other goods and services'.

If you need to buy/rent *specific equipment* for the project (e.g. audio-visual equipment), the depreciation costs of the equipment can be included in the budget form if you follow these rules:

- Clearly demonstrate why the equipment needs to be purchased, rented or leased for the project.
- Price/cost must be estimated on the basis of offers requested for the implementation of the action, catalogues or on the basis of recent invoices recorded in the accounts of the organisation for similar equipment.
- Include in the budget form 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;
- 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.

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

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

How to estimate them?

You should enter an estimate of the total amount of equipment costs needed for the project, for each applicant and affiliated entity.

This amount should be a detailed and accurate estimate, based on the depreciation. In particular, applicants need to estimate their equipment costs according to the following principles:

- the depreciable amount (purchase price) of the equipment must be allocated on a systematic basis over its useful life (i.e. the period during which the equipment is expected to be usable). If the equipment's useful life is more than a year, the beneficiary can NOT charge the total cost of the item in a single year

- depreciated equipment costs can NOT exceed the equipment's purchase price
- if the beneficiary does not use the equipment exclusively for the action, only the portion used on the action may be entered in the budget form

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).

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

Period of use = maximum 17 months.

Expected usage rate (e.g. equipment used on a half-time basis for the project) = 50%.

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

All items purchased or rented which are exceeding an amount of EUR 5 000 per unit must be detailed individually in the budget form. Similar items can be grouped in a single line with the indication of the number of units grouped.

5.3. 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 can be included in the budget form if they will be exclusively used for the project.

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 included in the budget form 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 cannot be included in the budget form.

 Do not include in the budget form any expenditure for certificates for financial statements (CFS), as these are not required under the lump sum grant agreement.

How to estimate them?

Budgeting other goods & services costs in your proposal (Annex 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 affiliated entity.

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.

All items which are exceeding an amount of EUR 5 000 per unit must be detailed individually in the budget form. Other items can be grouped in a single line with the indication of the number of units grouped.

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.

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.

6. 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 estimate them?

Eligible indirect costs are calculated by default with a flat-rate instead of actual costs. This rate — set out in Article 15(1) of the EDF Regulation— is **25%** of the direct eligible costs (excluding subcontracting).

As an alternative, and as envisaged in Article 15(2) of the EDF Regulation, beneficiaries may use their usual cost accounting practices to estimate their **actual indirect cost**, provided that these usual accounting practices are accepted by national authorities for comparable activities in the defence domain. **The applicability of this alternative is subject to the conditions that will be defined in the authorising decision for the use of lump sums in the EDF.**

7. List of records and supporting documents per cost category

The proposed budget must reflect a fair approximation of the actual costs at termination that are necessary to carry out the action. Therefore applicants must detail the costs that will be disbursed for the implementation of the action on the basis of the amounts entered in their accounts for similar and recent transactions under each item of budget expenditure.

Accordingly, applicants must store and keep the underlying documents that substantiate the amounts declared in the provisional budget. These documents may be checked by the Commission's services during the Grant Agreement Preparation phase (GAP) for establishing the lump sum contributions for the action.

A non-exhaustive list of the potential underlying documents that you may use to substantiate your estimations is provided below:

7.1. Personnel costs

For remunerated employees (category A.1)

- Their existing contract with the applicant
- Salary slips
- Last proof of payment
- Payroll of the organisation

- Detailed calculation used to come to the figure declared for the remuneration of the staff concerned. It must allow a quick reconciliation during the grant agreement preparation

Natural persons with direct contract or seconded persons (category A.2)

- Direct contract with the beneficiary with description of tasks, the duration of the contract, working time and remuneration
- Last proof of payment.

7.2. Direct costs of subcontracting

- Recent offers provided by potential subcontractors for the tasks described
- Recent invoices recorded in the accounts for similar tasks under similar projects
- Description of the procedure used to award subcontracts
- Subcontracting agreement (in case there is a framework contract with the subcontractor)

7.3. Travel & subsistence costs

- Prices offered by transport companies for the concerned trips (printed webpages, mails...)
- Internal guide/policy for staff missions or similar documentation

7.4. Equipment

- Catalogues of providers for standard equipment (market price)
- Recent offers provided by potential sellers/renters
- Recent invoices recorded in the accounts for similar equipment
- Details on the usual accounting practices of the applicant for depreciation of equipment.

7.5. Other goods & services

- Catalogues of providers for standard goods and services (market price),
- recent offers provided by potential sellers/providers,
- Recent invoices recorded in the accounts for similar equipment/services.

7.6. Indirect costs

No supporting documents will be required when using 25% flat rate.

For actual indirect costs, if applicable according to the conditions that will be defined in the authorising decision for the use of lump sums in the EDF, the same supporting documents as for actual costs grants are required (see Section 9.9.6 of Appendix 2 of the *Guide for applicants*).