Basic Principles and Regulations of the *German Federal Budget Code* (Bundeshaushaltsordnung, BHO) Regarding Grants for the Promotion of Projects (2016)

1. General Information on Grants

Grants are funds provided to entities external to the German federal administration for the fulfilment of certain purposes in which the Federal Government has a particular interest (§23 BHO). The funding agreement represents the conclusion of a beneficial administrative act between the grant provider and the grant recipient, in which all conditions, including the type of funding, are clearly stipulated. Both the *General Incidental Provisions on Grants for the Promotion of Projects* (Allgemeine Nebenbestimmungen für Zuwendungen zur Projektförderung (ANBest-P)) of § 44 BHO as well as the *Special Incidental Provisions of the Federal Foreign Office* (Besondere Nebenbestimmungen des Auswärtigen Amts (BNBest-AA)) comprise constituent parts of the funding agreement. Both sets of provisions set forth binding regulations regarding the expenditure and documentation of the use of funds.

- The grant represents an allocation of funding that shall be spent solely for the purpose designated in the funding agreement.
- The funds shall be utilised in a cost-effective and thrifty manner (§ 7 BHO).
- Project-related expenditures must be clearly distinguishable from the overall budget of the grant recipient. It is recommended that the grant recipient establishes a separate bank account to administer the grant; however, it should be noted that banking fees are not covered by the grant.
- A distinction is made between:
  a) **Project funding**, which involves grants that cover expenses for individual projects whose content and duration are clearly delimited, and
  b) **Institutional funding**, which enables an institution to cover its overall expenses and which is usually provided for a period of several years.
- Funding for projects and measures is limited to one financial year (principle of annuity). It is possible for successful projects and measures to receive subsequent funding, but not for more than two consecutive years; in addition, a separate application must be submitted for each financial year.

The following types of funding are eligible:

a) Limited funding in the form of

- **Partial funding** encompasses a fixed percentage, with an overall upper limit of overall expenses or particular types of expenses as set forth in the financial plan. These funds must be utilised simultaneously with the grant recipient’s own resources, on a proportional basis.
- **Deficit funding** covers a shortfall in the grant recipient’s own resources and can be claimed only after the grant recipient has utilised its own earmarked funds or funds provided by other parties.
- **Fixed-sum funding** must be utilised simultaneously with the grant recipient’s own resources, on a proportional basis.

b) Full funding

- **Full funding** covers total project expenses up to an upper limit.
2. Funding Disbursements and Expenditures

Grants are awarded only upon submission of a formal application. This application must be submitted in written form and must include:

- a description of the project,
- an explanation of the objective and necessity of the project,
- a detailed financial plan (an overview of expected project-related expenditures and income as own funds, third party funds, etc.), and
- a human resources plan (job chart).

All project-related income, as well as the grant recipient’s own earmarked resources, are to be used as means to cover project-related expenses. The financial plan, which serves as the basis for funding agreement, is binding. Actual expenditures on individual budget items may exceed the originally approved financial plan by up to 20 percent without notifying the grant provider, provided that these expenses are balanced out by reduced expenditures on other budget items, so that total expenditures do not exceed the approved financial plan. If it becomes apparent in the course of the project that expenditures on individual budget items will exceed the approved financial plan by over 20 percent, an amendment to the original application must be submitted to the grant provider immediately. This amendment must explain the financial deviation and enclose a correspondingly amended financial plan. This amended financial plan will then serve as the basis for an amended funding agreement and is once again binding. Deviations that exceed 20 percent must also be balanced out by reduced expenditures on other budget items. Reductions in project-related income must also be balanced out by reductions in expenditures, in order to prevent shortfalls in resources. Grant recipients shall request disbursements of funding that can be expended within six weeks.

3. Subsequent Reductions in Expenditures, Changes in Funding

If, after a grant is awarded, total expenditures are reduced or additional sources of funding become available, the grant recipient must notify the grant provider immediately. The grant is then reduced by a corresponding amount as follows:

- proportionally, in case of partial funding,
- by the full difference, in case of deficit funding or full funding.

4. Use of Funds in Detail

4.1 Human Resources Expenses

- The prohibition against unwarranted financial enrichment (Besserstellungsverbot) applies to human resources expenses, i.e. project-related employees shall not receive salaries or honoraria in excess of those received by comparable federal employees according to the salary scale for German public service employees (Tarifvertrag für den öffentlichen Dienst, TVöD).
- As a rule, regular staff cannot be funded by grants. Service or freelance contracts are permissible, as employment contracts are limited to the period of funding.
- Project-related work performed by regular staff may be eligible for funding in exceptional cases. In such cases, however, the statement of accounts must provide exact details and proof of the number of hours worked and salary paid, i.e. (1) the accounting or bookkeeping department must produce separate documentation of salary payments for project-related working hours, and (2) the employee must keep a separate record of project-related hours worked. If the grant recipient chooses to enter into such an exceptional case, certified documentation of the employment relationship must be included in the Final Report for each affected employee.
- A payroll record shall be created for each project-related employee.

4.2 Travel Expenses
- Travel expenses shall be accounted for in accordance with the Federal Travel Expenses Code (Bundesreisekostengesetz, BRKG) and the Ordinance on Official Travel Abroad (Auslandstravekostenverordnung, ARV). Each traveller must submit a travel expense report that contains the following information: name of traveller, reason for the trip, exact dates and times of departure and arrival, and details on meals and accommodation received free of charge (this affects the calculation of per diem allowances).
- Travellers shall use public transportation wherever possible. The use of private automobiles is permitted only in justified exceptional cases.
- Rental cars or taxis may be used only under specific and justifiable circumstances. Reasons for the use of taxis must be provided in writing.

4.3 per diem
- The per diem for business travels to foreign countries, lasting less than one calendar day (24 hours), is the following:
  - 80 per cent if the absence lasts less than 24 hours but more than 8 hours
  - 80 per cent for the arrival and departure day if the employee stayed out of his residence on this, a subsequent or preceding day; this applies regardless of the duration of the absence.
- If meals are provided to the business traveller free of charge, the per diem for the whole calendar day is reduced as follows
  - Breakfast by 20 per cent
  - Luncheon by 40 per cent
  - Dinner by 40 per cent
- If the business traveller stays at the same venue for more than 14 days (without outward and return travel) the per diem is reduced by 10 per cent from the 15th day onward.
- For countries not listed in the overview “Foreign Country per diem and accommodation costs” the rate stated for Luxembourg is applicable.

4.4 Administrative Expenses, “Lump Sum” Funding of Administrative Expenses
- Administrative expenses eligible for funding include office materials, postage, communications, etc. They can be funded either individually or in a “lump sum” form.
- “Lump sum” funding of administrative expenses consists of a maximum of 8 percent of the grant provided. On request, appropriate receipts have to be submitted.

4.5 Awarding of Contracts, Purchased Items
- The Conditions Concerning Contracts for Supplies and Services (Vergabe- und Vertragsordnung für Leistungen, VOL) must be observed in the awarding of contracts.
• For orders and contracts amounting to up to 500 EUR (without value-added tax) an ascertainment of price may be done by phone or by comparing prices in the internet. For orders and contracts amounting from 500.01 up to 1,000 EUR (without value-added tax) three offers of compromise in written form must be obtained. Name of supplier and/or company and price must be given. Three written offers must be obtained for all orders and contracts amounting to more than 1,000.01 EUR. A call for tenders for all orders and contracts over 10,000 EUR is always necessary.

• In accordance with the principle of cost-effectiveness, the proposed number of items to be purchased (as stipulated in the grant application) is binding; thus the quantity of items purchased must coincide with the quantity proposed in the grant application. If, subsequent to the awarding of a grant, it becomes necessary to purchase additional items not listed in the application, the grant recipient must submit an amendment to the original application.

• Unless otherwise provided in the funding agreement, items purchased by the grant recipient with grant funds remain the property of the grant provider (Administrative Regulation to § 44 BHO No. 4.2.3).

• Items with a net value exceeding EUR 410.00 must be inventoried. This involves the creation of an inventory list, in table form, that includes the following information: consecutive number, inventory number, date of purchase, quantity of item purchased, type of item purchased, unit price, total price, location respectively date and reason of dispatch.

4.6 Vorsteuer

• Grant recipients must inform the grant provider if they are entitled to input tax deductions (Vorsteuerabzug). If applicable, input tax payments and deductions shall be itemised separately.

4.7 Reservation of Rights

In cases where funding is provided for publications, the grant recipient is required

• to make copies of grant-funded publications available free of charge,
• to grant rights of use where property rights are in effect, and
• to permit the use of results of scientific and academic studies.

5. Grant Recipient’s Duty to Provide Information

Grant recipients are required to inform the grant provider immediately in the following cases:

• if funding for the same project has been applied for or received from other sources,
• if alterations of the approved financial plan will be necessary,
• if individual budget items deviate more than 20 percent,
• if project objectives, or consequential circumstances relating to the implementation of the project, change or cease to apply,
• if it becomes apparent that the project objective cannot be achieved,
• if disbursements of funding cannot be expended within six weeks,
• if, during the course of the project, any inventoried items are no longer being used by the grant recipient,
• if insolvency proceedings are pending against the grant recipient.
6. Final Report on Expenditure of Funds

The final report on expenditure of funds ("Final Report") consists of a summary report (part A) and a statement of accounts that includes original receipts (part B). The deadline for submitting the Final Report is determined in the funding agreement.

- The **summary report** shall discuss in detail the expenditure of granted funds (including expenditures above or below the approved financial plan), the implementation of the project, and the achieved results of the project.
- The **statement of accounts** shall list all income and expenditures in chronological order in accordance with the structure of the financial plan. The statement of accounts must include and prove all project-related income (including grants, funding from other sources, and own resources) and expenditures. The statement as well as the summary report should be made available in an electronic version.
- The grant recipient has to certify by legal signature that the expenditures were necessary, the endeavour has been conducted economically and that the entries in the statements are consistent with books and receipts.

**Original receipts** must be kept as follows:

- All receipts must provide information on the item purchased and the reason for payment (generic descriptions such as “expenses” are not permitted).
- All receipts must be numbered in accordance with the structure of the financial plan.
- Receipts which are not in German, English or French need to be translated to show at least their substantial content in either German or English.
- All receipts must contain authorised signatures certifying material/mathematical accuracy.
- All expenditures in foreign currencies must be accompanied by official proof of the rate of exchange (e.g. bank receipt, newspaper clipping, internet printout, etc.).
- All receipts must be kept in an orderly manner; small receipts should be affixed to sheets of standard paper size.

7. Auditing of Funding-related Records

- The grant provider reserves the right to request the submission of accounting records, receipts, and other business documents, and/or to appoint external experts to audit such items.
- The grant recipient must provide access to the required documents and must provide all necessary information.

8. Revocation of Funding

In accordance with § 49 and § 49a of the *German Administrative Procedures Act* (Verwaltungsverfahrensgesetz, VwVfG), the funding agreement may be revoked or become inoperative under the following conditions:

- if the funding objective was not achieved,
- if the expenditure of funding did not correspond with the stated purpose of funding,
- if incorrect or incomplete information was provided,
- if circumstances arise that render funding unnecessary (e.g. reductions in expenditures subsequent to the funding agreement, changes in financing, etc.),
• if conditions are unfulfilled or are not fulfilled by the stipulated deadline,
• if incidental provisions are violated, or
• if the grant recipient fails to fulfil its duty to provide information in a timely manner.

If any of the above conditions occurs, interest shall be charged on the amount to be reimbursed.
• Unused funds must be returned immediately to the grand provider. The methods and deadlines for repayment stipulated in the funding agreement are binding upon the grant recipient.
• Accrued interest on credit balances must also be repaid immediately to the grant provider.
• Late repayments shall be subject to interest payable on arrears.