



FREQUENTLY ASKED QUESTIONS ON FINANCIAL SUPPORT TO THIRD PARTIES (FSTP) WITHIN EU COOPERATION

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This document should not be considered as representative of the European Commission's official position.

This document does not have a legal standing and should be read in combination with the EU Financial Regulation, secondary implementing acts, and most recent instructive guidance issued by the European Commission.

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1. DEFINITION AND ADDED VALUE OF FINANCIAL SUPPORT TO THIRD PARTIES

1.1 What is Financial support to third parties (FSTP)?

Financial support to third parties (FSTP) is a funding mechanism through which EU grant beneficiaries (including co-beneficiaries and affiliated entities) use their project budgets to fund other entities in order to help achieve objectives of the action.

FSTP can be allocated to either individuals, e.g. refugees, civil society activists, human rights defenders, or to groups of individuals, e.g. CSOs, community-based or grassroots organisations, or local authorities. A “third party” is, by definition, anyone not directly involved in the grant: neither the contracting authority nor the beneficiary (including coordinator, co-beneficiaries if any or affiliated entities if any).

FSTP is often considered an efficient tool for reaching smaller or more remote beneficiaries, which would otherwise not be able to benefit from EU support. Indeed, the INTPA Companion describes it as “an efficient and easy tool for the achievement of the purpose of the action”. In a project grant, FSTP is an activity, and should be described in the Description of the Action, as well as budgeted, like other project activities.

1.2 Are there different types of FSTP?

Formally, no, the EU financial regulations do not provide for categorisation of different types of FSTP.

In practice, however, FSTP can be quite diverse given the variety of potential recipients, amounts provided, duration, and type of actions supported. EU grant beneficiaries may, therefore, decide to adjust their practice based on the nature of the FSTP provided. In this regard, the INTPA Companion notably introduces the notion of conditions.

A conditional FSTP is linked to implementing a given activity or achieving a result. For instance, financial support is provided to a local CSO to train lawyers in strategic litigation. In such a case, payment of the FSTP will be conditional upon the actual implementation of the training.

In contrast, an unconditional FSTP is not linked to implementing a given activity or achieving a result. Its only purpose is to help the recipient (e.g. allowance to refugees, support for human rights defenders at risk, etc.).

When applying to a call for proposal, applicants should always refer to the guidelines for grant applicants, which may contain some specific instructions, conditions or limitations on how FSTP can be used (see next chapter of this FAQ).

1.3 Why is FSTP increasingly important for the EU?

Support for local civil society actors, whether to individuals or organisations, is a key priority for the European Union across its current programmes. The Multiannual Indicative Programme 2021-2027 for Civil Society Organisations notably aims at providing

support for “a broad range of local civil society actors (including and prioritising, but not limited to, women and youth organizations, grass-root, community-based and rural organisations)”, while seeking to “contribute to creating an enabling environment for civil society and the capacity of civil society actors to uphold and respond to changes in such environments”.

The Thematic Programme on Human Rights and Democracy notably sets out in its multiannual indicative programme 2021-2027, as its priority 1, the protection and empowerment of individuals, with the aim “to protect and empower Human Rights Defenders and civil society to continue with their work in spite of threats and spearhead positive changes”.

1.4 Why should my organisation use FSTP?

Managing a grant that includes an FSTP component is like having an extra tool in your toolbox to achieve the objectives of the action. It may not be suitable for all actions, and organisations should properly know how to best handle FSTP. However, when workable, it can allow for more efficient, sustainable, and greater impact in situations that entail relying on and/or supporting local actors.

Civil society organisations often benefit from the work of local actors or partners to jointly achieve objectives. FSTP can enable engaging with local actors and building lasting partnerships, supporting and building up organisations which are not at capacity (yet) to fundraise from a larger donor like the EU.

Furthermore, in the form of FSTP, organisations implementing EU grants can benefit from additional financial resources to provide direct support to their beneficiary target groups, such as refugees, activists, journalists, survivors of torture and ill-treatment.

In addition, FSTP may be a mandatory requirement in some EU calls for proposals (see next chapter). Knowing how to best use FSTP may, therefore, open new funding opportunities to civil society organisations.

2. BEFORE CONSIDERING IMPLEMENTING FINANCIAL SUPPORT TO THIRD PARTIES

2.1 Can my organisation use FSTP in all EU supported actions?

Not all EU calls for proposals allow for the use of FSTP.

When applying to a call for proposal, organisations should carefully read the application guidelines which state whether FSTP “may, shall or may not” be integrated in the application.

When FSTP is authorised under a given call, applicants are strongly encouraged to assess how this mechanism could support achieving the action’s objectives. The management of FSTP requires a solid institutional capacity from the EU grant’s beneficiaries, as they must conduct their own granting cycle and process and demonstrate due diligence

with EU rules and regulations. Its use may effectively make EU grant beneficiaries into donors, so they should be conscious of the implications for their relationships with local organisations and the authorities.

The EU may require FSTP to be a mandatory component in a call for proposals and even set a minimum percentage of the budget of the action to be allocated to this component. Specific conditions or restrictions can also be set in the application guidelines, such as defining eligibility criteria for FSTP recipients, the type of activities that can be implemented through FSTP, or amounts.

2.2 Is there any prerequisite for my organisation to implement FSTP?

As long as FSTP is authorised within a call for proposals (see previous question), there is no formal prerequisite for an organisation to be eligible to implement FSTP within an EU grant.

However, organisations that wish to implement FSTP should consider the following elements prior to applying:

- **Relevance:** The first question an organisation should consider is how the FSTP component integrates into the action and how relevant is it for achieving the objectives.
- **Capacity:** Managing FSTP requires EU grant beneficiaries to have sufficient institutional capacity – human and financial resources notably. The lead applicant should be aware that they remain financially responsible towards the EU for the correct use of FSTP and recovery of costs deemed ineligible.
- **Clear agreements and contracts:** EU grant beneficiaries should have – or be able to develop – clear agreements and contracts with the third parties receiving financial support, outlining the terms and conditions of the support, the roles and responsibilities of all parties, and the reporting and monitoring requirements. Before starting FSTP activities, the EU grant beneficiary needs to make sure that the FSTP recipients are aware of all the accompanying obligations (e.g. visibility requirement, record-keeping and financial checks) which are placed upon them.
- **Risk and mitigation planning:** In restrictive environments especially, EU grant applicants are encouraged to develop and incorporate specific risk models associated with providing FSTP into the action's risk and mitigation plan in order to identify, evaluate and address potential critical situations. Furthermore, applicants may consider adding a contingency line in their budget, that might be used, with the EU's formal approval, to respond to crisis or rapidly changing situations.
- **Capacity building and accompaniment:** A key to successful FSTP implementation is respectful cooperation and capacity-building and accompaniment to FSTP recipients, as needed. EU grant beneficiaries should consider providing capacity-building support and accompaniment to the third parties, such as training, mentoring or technical assistance to help them use the financial support effectively and achieve the objectives of the grant. This requires time and resources and should be well assessed, clearly described and integrated in the application and budget of the action.

2.3 What should I be aware of when drafting an application that includes FSTP?

Applicants should be aware that upon successful application, the proposal becomes an integral part of the grant contract ([Annex I, Description of the Action](#)). Therefore, the description of FSTP in this document merits careful attention, as EU grant beneficiaries can be held accountable based on this description during ex-post verifications.

[Guidelines for grant applicants](#) require six key pieces of information relating to FSTP to be included in the description of the action:

- the overall objectives, the specific objective(s) and the outputs (i.e. the results) to be achieved with the financial support;
- the different types of activities eligible for financial support, drawn from a fixed list;
- the types of persons or categories of persons which may receive financial support;
- the criteria for selecting these entities and giving the financial support;
- the criteria for determining the exact amount of financial support for each third entity; and
- the maximum amount which may be given.

The exercise of discretion on FSTP management is prohibited by the EU Financial Regulations ([EU FR, Art 204](#)). Therefore, unless changes are approved by the contracting authority, what applicants define in their Description of the Action based on the list above must be strictly respected throughout the grant implementation. Otherwise, FSTP related expenses may be declared ineligible.

2.4 Whose financial responsibility is FSTP?

EU grant beneficiaries are responsible for ensuring that the financial support provided to third parties is used for its intended purpose and complies with EU regulations and core contractual obligations.

Grant beneficiaries must demonstrate to the contracting authority that the funds are used in line with the grant agreement, including by FSTP recipients. If the FSTP related costs are declared ineligible, the contracting authority will claim them from the grant beneficiaries, not from FSTP recipients, who are not party to the main grant agreement established by the contracting authority.

3. GOOD PRACTICES ON IMPLEMENTING FINANCIAL SUPPORT TO THIRD PARTIES

[A collection of good practices paper](#) was developed in 2021 with the support of DG NEAR and contains much valuable information for both NEAR and INTPA actions. We strongly recommend this reading as a complement to the present FAQ.

3.1 How can my organisation select FSTP recipients?

EU grant beneficiaries are, in principle, free to decide how they will select the FSTP recipient and following which criteria. These must, however, be detailed in the Description of the Action at the application stage. Once this description has been annexed to the

signed grant contract it is no longer possible for the EU grant beneficiaries to change their selection practices, without risking costs being declared ineligible due to discretionary actions.

This means that, for instance, if EU grant beneficiaries have mentioned in the Description of the Action that FSTP will be solely granted through open and public calls for proposals, they cannot decide to proceed with a direct granting or a closed process instead.

As a general rule, a competitive process – open or closed – for the selection of FSTP recipients is generally good practice. Likewise, constituting an evaluation committee within the EU grant beneficiary(ies) to assess and evaluate the FSTP applications is strongly encouraged. The selection process should always be documented in writing, and can include terms of reference, application documents, evaluation documents, minutes of the evaluation committee, etc.

3.2 Are there specific eligibility requirements for FSTP recipients?

The application guidelines for a call for proposals published by the EU may introduce specific eligibility requirements for FSTP recipients, for instance the type of actors to be supported (e.g. grassroots groups, community-based organisations, etc.) or their legal form (e.g. formally registered or not).

In the project description, as required by the application guidelines, the applicants themselves must furthermore specify “the type of persons or categories of persons which may receive financial support”.

3.3 Are FSTP recipients subject to the same rules as the EU grant beneficiary?

No. Unlike the EU grant beneficiary and co-beneficiaries of the action, FSTP recipients are, by definition, not a party to the grant contract established with the EU contracting authority. They are not necessarily subject to the whole range of conditions and requirements of the grant contract.

In practice, this leaves a certain margin to EU grant beneficiaries to apply their own requirements when managing FSTP. They may simplify the grant management for the FSTP recipients. These requirements must be consistent with what has been included in the Description of the Action and do not allow the exercise of discretion.

Given the flexibility provided by the grant contract with regard to FSTP, it is strongly recommended for the beneficiary to devise and adopt written rules on the award and on the obligations pertaining to the third parties in receipt of financial support. Such rules will be adapted to the nature or the type of FSTP actions.

This does not mean that FSTP should not follow certain standards, nor that FSTP recipients should not abide by some of the EU rules and principles. In this regard, article 10.9 of the [general conditions applicable to EU-financed contracts for external actions](#) (version 2021.1), states that:

“To the extent relevant, the [EU grant] beneficiary(ies) shall ensure that the conditions applicable to them under Articles 3 [on Liability], 4.1-4.4 [on Conflict of Interest and Code of Conduct], 6 [on Visibility] and 16 [on Accounts and Technical and Financial Checks] of these general conditions are also applicable to third parties awarded financial support.”

Assessing to which extent those conditions should apply to third parties receiving financial support is up to the EU grant beneficiary to assess and justify, preferably in the Description of the Action. Guidance is provided in the [INTPA Companion](#), suggesting which of the articles mentioned above should apply to FSTP recipients and stresses that “FSTP should be conceived in such a way as to be an efficient and easy tool for the achievement of the purpose of the action”. It is important to underline that the INTPA Companion is not legally binding and must be read as a guidance document.

3.4 Must my organisation collect from FSTP recipients and keep all supporting documents, such as invoices, payslips, receipts, etc.?

It depends on the conditions your organisation has set for FSTP recipients – ideally detailed in the Description of the Action.

The [EU Financial Regulation](#) states under Article 132 on record-keeping that “Recipients shall keep records and supporting documents [...] for five years following the payment of the balance or, in the absence of such payment, the transaction. This period shall be three years where the funding is of an amount lower than or equal to EUR 60 000”.

This article applies first and foremost to the EU grant beneficiary and allows for expenditures to be verified by the EU after the grant is completed. Such conditions are also reflected under Article 16.7 of the [General Conditions](#), and in article 16.9 which provides a list of what should be considered records, accounting and supporting documents.

Regarding specifically what should apply or not in terms of supporting documents for FSTP recipients, the INTPA Companion (v15.0, June 2023) provides the following guidance:

“The supporting documents for FS [i.e FSTP] depend on the purpose of the FS, the type of FS chosen (unit costs, lump-sum, flat-rate, reimbursement of actual incurred costs etc.) as explained in the description of the action.

As a general indication this should include the agreement or contract, and proof that the funds have been received and that the activity for which the FS is given (in cases where the FS is linked to a specific activity) has been implemented.

Any other supporting document as agreed in the contract is acceptable; it does not necessarily have to be the usual ‘grant’ supporting documents (invoices, pay slips, etc), since the same cost eligibility rules

that cover beneficiaries do not necessarily apply [...].

It is strongly recommended to describe this in detail as much as possible in the contract, so that at the end of the action or reporting period the contracting authority is satisfied and, the beneficiaries and affiliated entities, do not subsequently have problems with auditors”.

It is, therefore, important that EU grant beneficiaries consider the most relevant reporting requirements that should apply to their FSTP recipient. To reduce their own financial risk, they should ensure that such requirements are clearly stated in written agreements or contracts signed with FSTP recipients and are in line with what was stated in the Description of the Action.

3.5 Can my organisation use simplified budgeting and reporting options within its FSTP?

As we have seen in previous questions, the EU grant beneficiary has a certain level of margin to set its own rules and processes regarding FSTP management and should be encouraged to consider existing EU tools and mechanisms as an inspiration if they can provide added value to the FSTP management.

Output-based simplified cost options (i.e. lump sums or unit costs) could be considered a useful and efficient tool to mobilise with FSTP recipients. The EU grant beneficiary should, however, ensure their coherent and consistent use and demonstrate a solid ex-ante cost-assessment process to justify the expenses being reported upon such options.

Using something similar to EU's output-based simplified cost options could be a way to avoid asking for the usual accounting supporting documents (e.g. invoices, payslips, etc.), but rather focus on results, outputs and deliverables. For instance, for the organisation of a conference, one could imagine the FSTP recipient submitting the event budget as a lump sum, combining various costs such as transportation of participants, venue rental, meals, communications costs and even staff costs for its coordination. In such an example, reporting could be based solely on the proof of the output, i.e. that the conference was successfully held, but not on separate invoices for each incurred cost. However, please consider that such costs assessed *ex-ante* constitute an upper limit for reporting (e.g. a conference budgeted with a lump sum of EUR 10 000 cannot be reported at a higher cost). Authorising FSTP recipients to report higher costs than agreed upon may constitute a discretionary decision by the beneficiary and result in costs being declared ineligible. Beneficiaries are encouraged to have clear written procedures on how FSTP agreements and related budgets may be amended and ideally refer to such procedures in the Description of the Action.

Rules and guidance on simplified costs options, which can assist EU grant beneficiaries in replicating such budgeting and reporting options, are available in the [EU Financial Regulations](#), as well as in the [PRAG](#), in the INTPA Companion and in [Annex K](#) of the standard grant contract.

4. MAIN CHALLENGES WHEN PROVIDING FINANCIAL SUPPORT TO THIRD PARTIES IN RESTRICTIVE ENVIRONMENTS

4.1 Can my organisation use alternative ways of disbursing the funds to FSTP recipients, e.g. if bank transfers are not possible?

Yes, the EU does not exclusively require funding to be disbursed via bank transfer. The alternative ways of disbursing funds should, however, enable tracking of the transfer and be in line with applicable laws.

For instance, payments in cash are possible, provided that the EU grant beneficiary can demonstrate through a bank withdrawal receipt on one hand and a signed receipt by the FSTP recipient on the other hand, that the payment was effectively made. National and international legal thresholds for managing cash transactions should be observed.

Similarly, payments through formally established money providers, prepaid cards or mobile phones usually provide a record of the transactions, and a solid level of guarantee of due diligence and accountability towards international standards and regulations.

In some challenging contexts, EU grant beneficiaries may have no other choice than to rely on trusted intermediaries (either a natural or a legal person) to disburse funding to FSTP recipients. This may occur when the final recipient does not have a bank account, operates in a very remote area, is under threat, etc. Such indirect transactions may lower the traceability of funds and call into question the eligibility of such expenses. These practices should, therefore, remain exceptional and be discussed and agreed in advance with EU officers in charge of the action. Documenting as much as possible the context that requires to process through an intermediary and collecting written confirmation from the final recipient that the funds were received is recommended.

4.2 Can my organisation directly pay for some expenses on behalf of the FSTP recipients instead of sending them the money?

As of today, there is a risk that such costs could be considered ineligible during expenditure verification if they were to be reported under the FSTP budget line. According to the Terms of Reference for an expenditure verification of a grant contract for external actions of the European Union, expenses must “be incurred by and pertain to the third party”.

Interviews conducted with EU grant beneficiaries show, however, that some were successful in reporting such costs and had to rely on such practices due to various factors (e.g. limitations of what the FSTP recipient could pay for from within their country, urgency of payment, etc.). As a good practice, some EU grant beneficiaries reported integrating into their agreements with FSTP recipients a specific clause on costs to be paid directly on their behalf. This practice remains formally at risk of being declared ineligible and EU grant beneficiaries should always seek advice from their EU point of contact; to the extent possible, it should be foreseen in the Description of the Action.

4.3 Should FSTP recipients always apply the EU visibility requirements, even in challenging environments?

Visibility requirements which apply to the EU grant beneficiaries, are not automatically transferred to the FSTP recipients. They “should apply to the relevant extent” to FSTP recipients, according to Article 10.9 of the [General Conditions](#).

In actions of sensitive nature in a given context (e.g. anti-discrimination and LGBTI actions) or for organisations operating in restrictive environments, the EU visibility requirements might expose both EU grant beneficiaries and FSTP recipients to unwanted risks. For EU grant beneficiaries themselves, the visibility requirements might be waived in agreement with or upon request from the European Commission (see Article 6.1 of the [General Conditions](#)). For FSTP recipients, it is primarily the EU grant beneficiaries’ role to assess and demonstrate whether visibility requirements should be waived. It should, however, be consistent with the Description of the Action and not a discretionary decision. Seeking prior advice on the matter from the EU officer in charge of the grant is always encouraged.

4.4 The situation in our country of operation has drastically changed, and my organisation is considering changing its requirements towards its FSTP recipients. Is this possible?

In case of crisis or rapidly changing situations, especially if FSTP recipients’ safety is at risk, the EU grant beneficiaries may consider changing conditions relating to FSTP, including the nature of the support provided. To avoid a discretionary decision in this regard, the EU grant beneficiaries should in principle request a formal project amendment from the contracting authority and should in any case seek advice from the EU officer in charge of the grant.

In fragile environments, it is advisable to anticipate such possible crisis situations by including relevant mitigation measures in the risk and mitigation plan and planning for sufficient contingency reserve in the budget.

A Human rights-based approach and do-no-harm principle, as well as conflict sensitive approaches, must be emphasised and streamlined through all actions, and may be used to justify modifications.

5. OTHER FREQUENTLY ASKED QUESTIONS

5.1 The FSTP recipient is operating in a different country than my organisation – with a different currency. How should the FSTP recipient report on the exchange rate?

In such cases, several options could be possible, and should be considered in line with EU rules and guidance as well as the EU grant beneficiaries’ usual accounting practices. In all cases, it is advised to specify in the contract signed with the FSTP recipient which conditions should be observed for currency conversion. Established

(“usual accounting”) practice within the grant beneficiary organisation can be very helpful here, see on this below.

To comprehensively answer this question, one must, however, look first at the currency conversion rules that apply to the EU grant beneficiary towards the EU.

The EU grant beneficiary must comply with Articles 15.9 and 15.10 of the [General Conditions](#) regarding currency conversion, unless otherwise provided for in the [special conditions](#). Those articles allow the EU grant beneficiaries to use their usual accounting practice for recording expenses in currencies which differ from the grant currency, as long as this follows a set of basic requirements, notably that it should be a written and consistent practice within the organisation. It also sets a standard practice on reporting different currencies against the EU grant currency (generally EUR), by applying the rate at which each pre-financing payment is recorded in the EU grant beneficiary accounts.

For FSTP recipients having to report in a different currency, one option would be to employ the same logic that applies where the EU main beneficiary has its accounting in a given currency and co-beneficiaries or affiliated entities have their accounting in a different currency. The [INTPA Companion](#) provides a specific example under its guidance of Articles 15.9 and 15.10:

“The logic that applies when the coordinator receives funds from the EU also applies to the co-beneficiaries and the affiliated entities when they receive funds from the coordinator. In case where the coordinator and the co-beneficiaries use different currencies, there will be a double conversion using the same rule. For example:

- 1. EUR are converted in e.g. USD by the coordinator’s bank, and reported back in EUR using the rate of exchange at which the EUR transfer was recorded in the coordinator’s account;*
- 2. USD are converted in e.g. RUB or DKK by the co-beneficiaries’ bank, and reported back using the rate of exchange at which the USD transfer was recorded in the bank accounts.”*

The same logic can apply to the FSTP recipients. If the recipient does not have a “usual accounting practice” on currency conversion, it is strongly advised to set specific criteria in the FSTP contract. Please bear in mind that such criteria should be consistent throughout the FSTP managed by the EU grant beneficiaries and leave no margin for discretion.

5.2 Due to a highly volatile exchange rate, an FSTP recipient can no longer pay for all its foreseen expenses with the amount we provided, what can we do?

It can happen that due to unforeseeable events, such as a highly volatile and sudden exchange rate fluctuation, an FSTP recipient is no longer at capacity to implement certain activities, make certain purchases or cover salaries.

To mitigate financial risks, it is important for the EU grant beneficiaries to anticipate and

include in its contractual arrangements with FSTP recipients potential clauses on the matter. Those should allow for a consistent and non-discretionary response.

Based on existing guidance by the [INTPA Companion](#) on how exchange rate fluctuations can impact an EU grant (see notably guidance on Articles 14.7, 15.9 and 15.10), one could imagine:

1. requiring contingency reserves in FSTP budgets, that could be used under certain pre-determined conditions to support the payment of costs which have increased due to exchange rate fluctuation;
2. restructuring the FSTP, by removing or reducing a component, enabling freed funds to cover increased costs of other components.

Another solution – providing extra funding to the FSTP recipient to compensate for the exchange rate fluctuation – should be carefully considered, in light of how the FSTP component has been detailed in the Description of the Action, notably in the selection process and maximum amounts per FSTP beneficiary, to avoid any potential discretionary practice that could lead to ineligibility of costs.

5.3 My organisation must demonstrate a certain percentage of co-financing in our EU grant. Can we ask our FSTP recipient to provide co-financing and account for this in our own reporting to the EU?

Requiring FSTP recipients to provide co-financing is not prohibited within EU rules and if it is sufficiently well documented and processed, it can be accounted for the reporting of the EU grant beneficiary towards the EU. In practice, there are examples of EU grant beneficiaries only requiring co-financing from longer-term or larger funding recipients. For example, it may be appropriate to request co-financing from a CSO which is supported for over 2 years and in the amounts above EUR 100 000, but less so from a CSO which received EUR 10 000 for organising a single conference.

By all means, EU grant beneficiaries should carefully consider such an option, as co-financing generally significantly complicates the grant management from an operational and financial point of view. Furthermore, FSTP is generally meant to provide financial means to actors who may otherwise not be able to fundraise for their actions or needs. Hence, requesting co-financing from such actors may be self-defeating, unless specific capacity-building on fundraising and co-financing management can be provided.