



Estonia
Latvia
Russia

ENPI cross border
cooperation programme



part-financed by
the European Union

united by borders

Seminar for Auditor
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Eligibility of costs

Joint Technical Secretariat

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General remarks on eligible costs

Implementing Rules (EC regulation 951/2007)

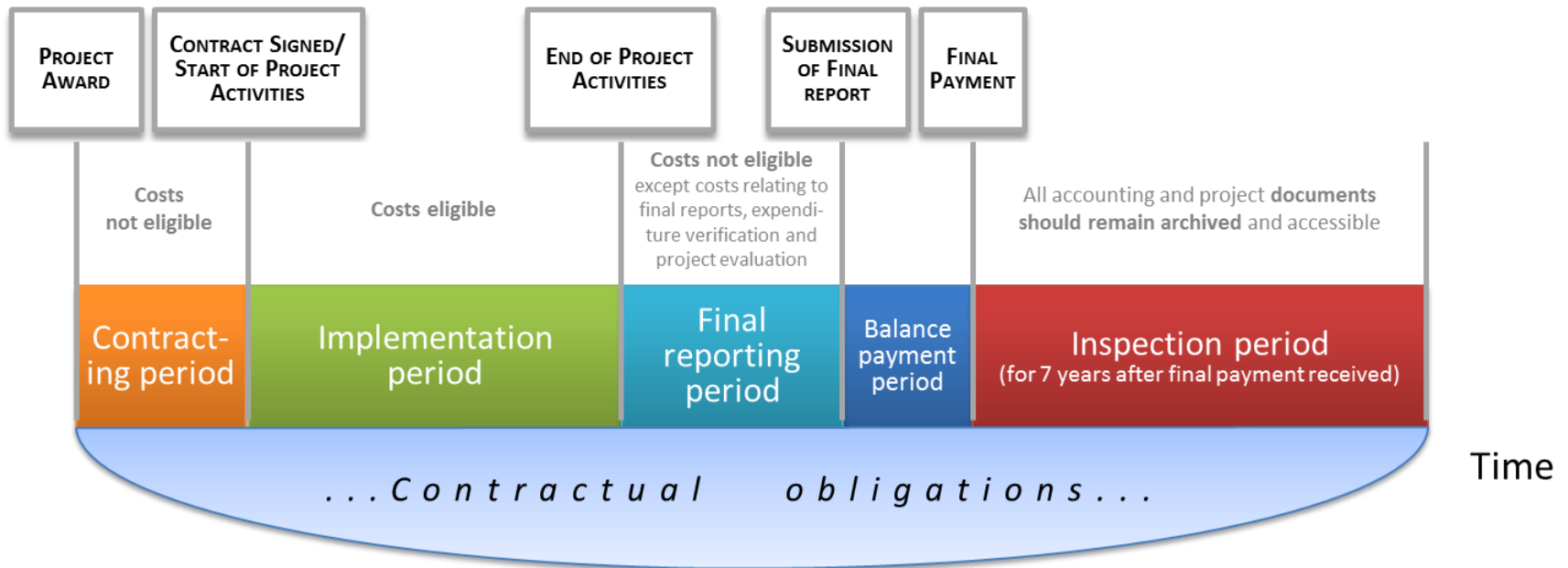
Article 36

Eligible costs at projects level

1. Expenditure for each project shall be incurred during the period of execution of each relevant contract.
2. Eligible costs, non-eligible costs and the possibility of contributions in kind at project level shall be described in the contracts concluded with the beneficiaries or contractors.



Eligibility time-line



General remarks on eligible costs

PraG 6.1.1.

“The grant is expressed by ways of a percentage and a maximum amount of the eligible costs of the action actually incurred by the Beneficiary.” Lump sums or flat-rates are accepted in some cases.

PraG 6.4.10.3

“The Community finances a specific percentage of the total eligible costs rather cost is lower than anticipated, the grant will be reduced proportionately.”

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Types of eligible costs

The types of costs considered as eligible, defined in Article 14 of the "General Conditions" are:

Eligible direct costs

Costs must comply with the provisions of Article 14.1 & 14.2. an indicative list of supporting documents can be found in article 16.3

Contingency reserve

Not exceeding 5% of the direct eligible costs. It may be used only with the prior authorisation of the contracting authority.

Eligible indirect costs (overheads)

Flat-rate funding set at not more than 7% of the total eligible direct costs.



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Main eligibility rules

In order to be eligible, costs have to be:

- Shown in the approved Full Application Form
- Comply with the visibility requirements
- Necessary for the implementation of the project
- Identifiable and verifiable, in particular being recorded in the accounting records
- Incurred in compliance with the relevant procurement procedures
- Reasonable, justified and comply with the requirements of sound financial management



Main budgetary principles

The project budget has to be in line with the principles of economy, efficiency and effectiveness

- ❑ **The principle of economy** requires that the resources used by the institution for the pursuit of its activities shall be made in due time, in appropriate quantity and quality and at the best price
- ❑ **The principle of efficiency** is concerned with the best relationship between resources employed and results achieved
- ❑ **The principle of effectiveness** is concerned with attaining the specific objectives set and achieving the intended results



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BH1 - Human resources

Salary of the Partner's staff

- ❑ Staff assigned directly to the project.
- ❑ Based on an employment (labour) contract.
- ❑ Includes employment taxes, social security charges, health insurance and other remuneration related costs due in the respective country.
- ❑ Supported by time-sheets



BH2 - Travel costs

Travel costs for staff and participants (nor external experts from BH5)

- flight, train and bus tickets (economy class),
- fuel for a car, rent of vehicle for travel,
- visa and travel insurance costs,
- accommodation (hotel expenses),
- local transportation within the place of mission.



BH2 - Travel costs

- ❑ Subsistence costs may be paid directly to travel agencies (i.e. the hotel) or to the persons (reimbursement sheets or pay slips);
- ❑ Costs may not exceed those normally borne by the Beneficiary or partner;
- ❑ Any flat-rate for the subsistence (Daily allowance, per diems) must be in accordance with national legislation and not exceed the rates set out in the project budget and published by the European Commission at the time of signing the contract.

http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm



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BH3 - Equipment and supplies

The purchase or rental of equipment and supplies(new or used)

- ❑ It is specifically needed for the purposes of the project.
- ❑ The costs have to correspond to market rates.
- ❑ Related services, such as transportation or installation are also eligible.
- ❑ All equipment must be procured according to the national legislation.
- ❑ Every co-financed piece of equipment must comply with the information and publicity rules.



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BH4 - Direct local office costs

Costs of the local office in case a separate office is rented for the needs of the project

(not headquarters of the beneficiary and partners, which has to be financed through the administrative costs)

- ❑ Office running and transport costs (rent or lending of a car used by the project on daily base)
- ❑ The activity reports have to indicate which is the staff working in the local office and its tasks have to correspond to its cost. The cost has to be reasonable and according to the principle of efficiency.
- ❑ Rent of a separate office is rather exceptional and its need has to be clearly justified.



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BH5 - Other costs and external services

- ❑ All services/works sub-contracted to an external service provider based on the applicable public procurement procedure, such as:
 - ❑ Audit
 - ❑ Visibility activities
 - ❑ Bank services
 - ❑ External experts
 - ❑ Other services

NB! The Beneficiary and the project partner(s) as well as associates are not allowed to sub-contract each other



BH6 - Infrastructure

- ❑ Works and services related to construction, renovation, installation of infrastructure as well as supervision costs (according to national legislation).
- ❑ Investments co-financed by the Programme should be aimed at public use during the project implementation, i.e. their use can not be limited only to the partners of the project
- ❑ Relevant project partner has to be the owner of the land and/or have the building rights on the land
- ❑ Visibility rules should be observed on the site



Administrative costs

- ❑ Indirect administrative costs are related to office running for the purposes of the project (electricity, heating, consumables, Internet costs...)
- ❑ Indirect costs are eligible if they do not include costs assigned to another heading of the budget
- ❑ The flat rate does not need to be supported by accounting documents



In-kind

Unpaid voluntary work

- essential to the project
- based on a written agreement
- proved by timesheets indicating the hours worked for the project and signed by the volunteer and his/her supervisor
- minimum monthly or hourly official national net salary level is followed when calculating the value of in-kind contribution

Using own premises

- organisation's order must state general rent cost for the premises.

NB! In-kind contribution can be max 10% from the project budget and not exceed own funds of the partner

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Contingency reserve

The contingency reserve can only be used in case of unforeseeable circumstances and with the written authorisation of the Joint Managing Authority.



10% rule

Up to 10% of the project's total budget can be spent for implementation of the project soft activities outside the Programme area:

- ❑ Costs have to be clearly indicated, specified and justified in reports



Double financing

- ❑ No single project and activity may be financed by more than one European Community grant
- ❑ The project activities duplicated those already financed from any EU fund, international, national, regional and/or local funds are not eligible as this is considered double-financing



Ineligible costs

- Debts and provisions for losses or debts
- Interest owed
- Items already financed in another framework (double financing)
- Purchases of land or buildings
- Currency exchange losses
- Taxes (except employment taxes, social security charges), including recoverable VAT
- Credits (loans) to third parties
- Fines, financial penalties and expenses of litigation



JTS contacts

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