

Eligibility of Expenditures

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1 General Principles

The principles described below apply mutatis mutandis to any kind of eligible expenditure incurred under the Financial Mechanisms 2014-2021.

In order to be considered eligible, expenditures incurred within the project must satisfy the eligibility criteria laid down in the Programme Implementation Agreement, applicable to expenditures actually incurred by the project promoters and/or project partner(s).

Supporting documents¹ regarding expenditures and audits must be kept either in the form of originals or in versions certified to be in conformity with the originals for a period of **at least six years** following the approval of the Final Project Report (FPR), without prejudice to more stringent national rules.

Expenditure item, expenditure category and budget heading

An expenditure item is one separable expenditure, e.g. an invoice, a person's salary or an office supply. An expenditure category is simply a group of expenditures, e.g. depreciation of equipment, salaries, travel costs. Budget headings are used to group expenditure, e.g. in a programme budget there is a separate budget heading for management cost, and a separate budget heading for each outcome. In a project cost (budget) staff costs are one example of a budget heading.

In order to be eligible, expenditures need to be in accordance with the following subsections.

Incurring between the first and final dates of eligibility:

Expenditures are considered to have been **incurred** when the following conditions are met:

1. The cost has been invoiced
2. The invoice was paid
3. The subject matter¹ was delivered (in case of goods) or performed (in case of services and works)

The **first and final date of eligibility** will be specified in the project contract.

The **first date of eligibility of any pre-defined project** will be no earlier than the date is provided in Programme Implementation Agreement.

The final date of eligibility of project costs funded by the Programme cannot, in any case, be later than April 30th, 2024. Costs incurred after that date are not eligible.

Exceptionally, costs in respect of which an invoice has been issued in the final month of eligibility (April 2024) are also deemed to be incurred within the dates of eligibility if the costs are paid within 30 days of the final date of eligibility.

Examples of eligible and non-eligible costs – final date of eligibility:

The FO is verifying the final financial report for the project with the final eligibility date defined in the project contact: 30 April 2024

Date of the invoice: 29 April 2024

¹Original documents, especially accounting and tax records, or, in exceptional and duly justified cases, certified copies of original documents

Invoice payment date:	30 May 2024 OK
Invoice payment date:	31 August 2024 NOT OK (ineligible costs)
Salaries of staff for the last month of the project which are paid the following month.	OK

Overheads and depreciation of equipment are considered to have been incurred when they are recorded on the accounts of the project promoter and / or project partner.

Connected with the subject of the project contract and indicated in the budget;

An estimation of all the eligible expenditures must be shown in detail in the project **budget**.

One and the same expenditure item reported in one budget heading cannot be reported and reimbursed in any other budget heading.

Project applications should include a detailed estimated budget. At the stage of the project selection, the FO will verify if all the proposed expenditures:

- Fall within the eligible categories as defined in the Programme Implementation Agreement
 - Are **connected with the subject of the project**
 - Are not related to any excluded costs as described in the section 2.3 of this Annex
- Incurring eligible costs cannot exceed amounts in the approved budget. Any justified modifications need to be formalised as soon as possible.
- Proportionate and necessary for the implementation of the project;

Costs must be reasonable and justified. To this effect, each expenditure item should be:

- **Proportionate** to the importance and complexity of the subject-matter of the project
- Strictly and demonstrably **necessary** to achieve objective(s) of the project

Used for the sole purpose of achieving the objective of the project and its expected outcome(s), in a manner consistent with the principles of economy, efficiency and effectiveness;

All the resources shall be used:

- For the **sole purpose of achieving the objective of the project** which means that the only reason why an expenditure item was included in the budget, is its contribution to achieving the objective(s) of the project
- In accordance with the principles of sound financial management, namely in accordance with the **principles of economy, efficiency and effectiveness**



Important:

The inclusion of an expenditure item in a project budget approved by the FO, cannot be considered as a prerequisite of its eligibility. In order for the incurred cost to be considered as eligible, it needs to comply with all the other eligibility criteria and be supported by an invoice, or alternatively by accounting document of equivalent probative value.

Economy can be understood as minimising the costs of resources used for an activity (input) whilst having regard to the appropriate quality. **Efficiency** refers to production or delivery of something without wasting materials, time, or energy. **Cost effectiveness** refers to the degree to which a cost incurred contributes to attaining a specific outcome or goal.

Where new or second-hand equipment is purchased, only the portion of the depreciation corresponding to the duration of the project and the rate of actual use for the purposes of the project may be considered eligible expenditure

Example:

If, in the usual accounting principles of the project promoter and/or project partner, a particular cost is considered as an indirect cost, then it has to be considered also as an indirect cost in the project under the EEA and Norwegian Financial Mechanisms.

When the project promoter and/or project partner needs to introduce changes in order to bring its 'usual' accounting practices in line with other provisions of the project contract and the Regulation (e.g. time recording practices, indirect cost calculations, productive hour's approaches etc.) it is clear that those changes are not only possible but compulsory.

Identifiable and verifiable

To be eligible, the costs must be **identifiable and verifiable**, in particular through being recorded in the accounting records of the project promoter and determined according to the applicable accounting standards and generally accepted accounting principles. Expenditures not documented are not eligible. This means that:

1. There must be an adequate documentation proving that any expenditure is related to the project
2. The project promoter and / or project partner must allow the FO/FMO/EFTA Board of Auditors/Office of the Auditor General of Norway to carry out audits and on-the-spot verifications and to examine supporting documents, accounting documents and any other documents relevant to the financing of the project
3. The supporting documents (e.g. contract, invoice, purchase order) and records must be kept available for inspections and audits for a six-year period following the FO's approval of the Final Project Report. Relevant provisions will be included in projects contacts to guarantee that project promoters/partners comply with this requirement and keep documents for the required period
4. The project promoter's/partner's internal accounting and auditing procedures must permit direct reconciliation of the expenditures and revenues declared with the corresponding accounting statements and supporting documents
5. The project promoter's/partner's supporting documents and records must be easily accessible and filed in a way that facilitates examination



The documentation should provide a strong enough evidence that expenditures comply with all the eligibility criteria.



The six-year period starts on the date of approval of the final project - report.

The project staff may no longer be available when the FMO decides to carry out an audit. This is often the case if staff have been specially hired for the project. In that case, the project documentation will often be the only reliable supporting evidence.

As a rule, payments shall be supported by receipted invoices. Where this cannot be done, payments shall be supported by accounting documents of equivalent probative value. Where activities are implemented in the framework of competitive tendering procedures, payments to contractors shall be additionally supported by signed contracts.



If the project promoter opts to charge indirect costs using a flat rate these indirect costs do not need to be backed up by supporting evidence.

Exceptionally, with reference to expenditures incurred by project partners whose primary location is in one of the Donor States or project partners that are international organisations or bodies or agencies thereof, the proof of expenditure may take a form of a report by an independent auditor, qualified to carry out statutory audits of accounting documents, certifying that the reported costs are incurred in accordance with the Program's rules, the relevant law and national accounting practices. In such a case:

- The report shall be accepted by the FO as a sufficient proof of incurred expenditure
- The cost of the report is considered an eligible project cost, providing that it complies with the eligibility rules defined in the Programme Implementation Agreement and it is included in the project budget
- Upon request by the FMO, EFTA Board of Auditors/The Office of the Auditor General of Norway a project promoter or project partner shall grant access to the supporting documents on the basis of which the report was issued

DEFINITION:

Accounting documents of equivalent probative value

Any document submitted by the body responsible for implementation to prove that the book entry gives a true and fair view of the transactions actually made, in accordance with standard accounting practice.

GOOD PRACTICE

International Standard on Related Services (ISRS) 4400 establishes standards and provide guidance on the auditor's professional responsibilities when an engagement to perform agreed-upon procedures regarding financial information is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement. This type of agreed-upon procedure could be used for the provision of an auditor's certificate accompanying a partner's financial report. The objective of an agreed-upon procedures engagement is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. Matters to be agreed include:

- The nature of the engagement
- The purpose of the engagement
- The identification of the financial information to which the agreed-upon procedures will be applied
- The nature, timing and extent of the specific procedures to be applied
- The anticipated form of the report of factual findings

The report should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed.

- The certification process can be governed by the International Standard on Related Services (ISRS) 4400 “Engagements to perform agreed-upon procedures regarding financial information” as published by the IFAC



The annually audited financial statement of an entity cannot replace the specific auditor's certificate confirming that the claimed costs are incurred in accordance with the program's rules, the relevant law and national accounting practices.

Comply with the requirements of applicable tax and social security legislation

All the expenditures should comply with the tax and social security legislation applicable to the entity which incurred them.

In addition to the general eligibility principles, **expenditures of projects must also respect the following specific requirements** in order to be eligible:

1. **they belong to one of the expenditure categories** (budget lines), work packages and have been incurred according to the Programme rules and specified by Guidance for First Level Controller;
2. **they have been incurred in compliance with the rules on the Programme eligible area and the location of activities;**
3. **they are denominated in Euro;**
4. they are **not financed twice** using public or other EU and community fund.



The rules on eligibility of expenditures apply to all costs of the project and not only to the grant amount

2 Detailed eligibility provisions

2.1 Eligible direct expenditures

Direct costs: *Direct expenditures for a project are those expenditures which are identified by the project promoter and/or the project partner, in accordance with their accounting principles and usual internal rules, as specific expenditures directly linked to the implementation of the project and which can therefore be booked to it directly.*

The following direct expenditures are eligible, provided that they satisfy the general principles and other eligibility rules set out in this Annex:

2.1.1 Cost of personnel assigned to the project

The cost of personnel assigned to the project, comprising actual remuneration including social security charges and other statutory costs as applicable, provided that this corresponds to the project promoter's and project partner's usual policy on remuneration;

Under this budget line the eligible costs are the gross employment costs of staff, who are employed by the project promoter and / or project partner and are formally engaged in the project activities in one of the following ways:

- full-time - an individual dedicates 100% of his/her working time to the project
- part-time— only a part of the contractual hours is spent on the project activities:
 - part-time with a fixed percentage of time dedicated to the project per month
 - part-time with a flexible number of hours worked on the project per month
 - contracted on an hourly basis

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of staff costs is subject to the following:

- The remuneration of personnel is eligible only if related to the project activities and not to their usual day-to-day management tasks and statutory responsibilities. Double funding shall be avoided;
- Staff costs must relate to activities which the project promoter and / or project partner would not carry out if the project was not undertaken;
- The existence of the employment/work contract or an appointment decision. If a staff member is employed to work exclusively on the project (100%, full-time), a clear reference to the project should be included in the contract/appointment decision to avoid any ambiguities.
- Salaries are fixed in an employment/work contract, an appointment decision (both hereinafter referred to as 'employment document') or by law, relating to responsibilities specified in the job description of the staff member concerned;

- Additional charges besides the charges obligatory according to national rules are not eligible. This also means that social charges must relate only to contributions paid for the employer and must be limited to those which are compulsory according to the national labour contract/national law.
- Any additional benefits (e.g. monthly transport costs) must be directly linked to the salary payments and incurred and paid in accordance with the employment contract or relevant national legislation;
- Where foreseen by contract, over-time hours are eligible for full-time employees or for part-time employees only if transparently and proportionally allocated to the project linked to project activities and clearly declared in the monthly timesheets. In case of over-time hours, declarations should be submitted both from employee and the responsible person, duly signed, stating that over hours were absolutely necessary;
- Unjustified ad-hoc salary increases or bonuses for project purposes are not eligible;
- Staff costs must be calculated individually for each staff member charged to the project;
- Overheads and any other office and administration costs cannot be included under this budget line;
- Daily allowances and any other travel and accommodation costs cannot be included under this budget line.



Working time should be recorded throughout the duration of the project by timesheets or a suitable time recording system and adequately supported by evidence of its reality and reliability. Sufficient documentation showing compliance with national social and tax legislations should also be maintained.

Calculation of staff costs

Full time employees will allocate 100% of their gross employment costs to the project.

No additional calculation is necessary.

Staff costs of the **part-time employees**, who are dedicating only a part of their total working time to the project, have to be calculated according to either of the following methods:

- 1) A fixed percentage of the gross employment cost, in line with a fixed percentage of time worked on the project, with no obligation to establish a separate working time registration system; or
- 2) A flexible share of the gross employment cost, in line with the number of hours, which can vary from one month to the other, on the project, based on a time registration system covering 100% of the total working time of the employee.

For part-time assignments under point 1) the project promoter / project partner as to issue a document for each employee setting out the percentage of time to be worked for the project.

For part-time assignments under point 2) the reimbursement of staff costs has to be calculated on an hourly rate basis determined either by:

- a) Dividing the monthly gross employment costs by the monthly working time fixed in the employment document expressed in hours; or
- b) Dividing the latest documented annual gross employment costs by 1,720hours².

The hourly rates calculated under points a) and b) have to be multiplied by the number of hours actually worked for the project.

Staff costs relating to individuals who, according to the employment document, work on an hourly basis, will be eligible by applying the number of hours actually worked for the project and based on a working time registration system to the hourly rate agreed in the employment document.

Example of calculation for staff costs:

• **Part time employment with a fixed percentage of time worked per month**

Assume that an employee spends 30% of his time in the project on a monthly basis and that his gross salary³ is 1.560 euros. A calculation of the share of cost to be reimbursed within the project should be based on the following formula on a monthly basis:

$$€ 1.560 \quad * \quad 30\% \quad = \quad € 468$$

• **Part time employment with a flexible number of hours worked on the project per month**

Assume that an employee devoted in January 2020, 82 hours of his working time to the project, and that his gross salary is 1.250 euros A calculation of the share of cost to be reimbursed within the project should be based on the following formula for the January:

- *gross annual employment costs = € 1.250 * 12 months = € 15.000*
- *hourly rate = € 15.000 / 1.720 hours = € 8,72*
- *total monthly hours worked for the project: 82h*
- *total project costs = 82h * € 8,72 = € 715,12*

Reporting staff costs

The following documents must be provided to the FO in order to prove the expenditure and the related payment:

²REGULATION (EU) No 1303/2013, Article 68(2)

³ Gross salary' means the employee's gross salary, including the possible salary for overtime, for sickness, absence and holidays and any other benefit, rewards, bonus payment plus all legal provisions (insurances, social security etc.) paid both by the employee and by employer. Gross salaries, employment taxes and social contributions must be calculated individually for each employee and could be based on the monthly pay slips.

- List of personnel working on the project which specifies the name of each employee, qualification (i.e. managerial staff, technical staff, administrative staff), function in the project, to what extent the work is dedicated to the project (for examples the percentage of 100% or 20%...), gross salary and the indicative costs to be funded on the project's budget. The list of personnel must be submitted within the application form, separately for each project employer (project promoter and project partner) and within each progress project report and, if necessary, can be updated during the project lifetime (i.e. adding new employee, extension of one employee's contract);
- Job description providing information on responsibilities related to the project;
- Recruitment and hiring process, if applicable for new entry personnel;
- Employment contract or an appointment decision/contract of every project employee which permits the identification of the employment relation with the project promoter and project partner; it must be provided only the first time costs for that employee are claimed;
- In addition for each person working part-time on the projects, the service order showing the tasks to perform and the indicative number of days/hours or other indication of planned involvement in the project; it must be provided only the first time costs for that employee are claimed provided that the job contracts/service orders are not modified;
- Monthly timesheet proving the actual time worked on the project: it has to be provided for every project's employee working full-time or part-time on a project; it must be properly filled in with a description of the tasks carried out within the project and duly signed (and stamped), both by the employee and the responsible person in the project promoter and / or project partner. Timesheets for full-time employees may not be provided if such possibility is foreseen according to national rules, but in this case a report of the activities accomplished should be provided;
- Evidence of the calculation method of the hourly rates for people working part-time for project purposes;
- Monthly tax statement (payroll) or other documents of equivalent probative value;
- Proofs of payment, both of salary and of all compulsory charges.

For proof of staff costs, the following documents should be included in each progress report:

- a) Monthly tax statement (payroll) or other documents of equivalent probative value. **The FO, in compliance with GDPR rules and in order to proceed with the verifications of staff cost, recommends the names of personnel not involved in the project, to be erased from the pay slips.**
- b) Bank statements showing salary payments
- c) Payment receipts signed by employees
- d) Social Security payment receipts (for the third month of every quarterly report, such documents may be submitted no later than 16 days past the report deadline, hence the first day of the next month. As an example, take Social Security payments for December, the notice and receipt may be submitted no later than the 1st of February.)
- e) Time Sheets of working hours of employees (printed copy of excel sheet, signed and stamped).

- f) Preliminary/draft tax statement on wages and proof of repayment
- g) Staff table where staff members appear registered at Ergani Information System by (the time of) the initial progress report.
- h) Ergani generated copy of staff recruitment during the initial progress report.
- i) Withheld Taxes (printed and scanned)
 - i. Temporary statement of withheld taxes
 - ii. Payment receipt of withheld taxes

If the above statements be submitted after its due time (deadline), any fines or premiums shall not stand as eligible expenses.

Example of a time sheet template

- 1) Time sheets must be used as a tool to record time spent on carrying out project activities by personnel assigned to the project (full-time and part time staff).
- 2) Time sheet must cover 100% of the actual working time of the staff member.
- 3) An overall description of the work carried out by the staff member on the project in the month concerned should be provided.
- 4) In addition to hours spent on project activities, timesheets should indicate time dedicated to other activities outside the project that contributed to the employee's salary payment in the same month.
- 5) Working time must be recorded per month throughout the entire duration of the project.
- 6) Only time included in time sheets is eligible and can be reported by the partner promoter and / or project partner.
- 7) Estimates of hours worked are not accepted

Timesheet						
Project Information						
Programme:						
Project title:						
Project acronym:						
Project / Contract number:						
Organisation name:						
Staff member information						
Name of staff member:						
Month:	Year					
Calendar Day	Working hours					Total working hours
	On the project	On Project X1	On Project X2	On Project X3	On Project X4	
Saturday, 1 February 2020						
Sunday, 2 February 2020						
Monday, 3 February 2020						
Tuesday, 4 February 2020						
Wednesday, 5 February 2020						
Thursday, 6 February 2020						

Friday, 7 February 2020						
Saturday, 8 February 2020						
Sunday, 9 February 2020						
Monday, 10 February 2020						
Tuesday, 11 February 2020						
Wednesday, 12 February 2020						
Thursday, 13 February 2020						
Friday, 14 February 2020						
Saturday, 15 February 2020						
Sunday, 16 February 2020						
Monday, 17 February 2020						
Tuesday, 18 February 2020						
Wednesday, 19 February 2020						
Thursday, 20 February 2020						
Friday, 21 February 2020						
Saturday, 22 February 2020						
Sunday, 23 February 2020						
Monday, 24 February 2020						
Tuesday, 25 February 2020						
Wednesday, 26 February 2020						
Thursday, 27 February 2020						
Friday, 28 February 2020						
Total working hours						
Organization	Employee					
Signature	Signature					

Date
Friday, 28 February 2020

Date
Friday, 28 February 2020

2.1.2 Own contribution

Own contribution includes: (1) In-kind contribution in the form of volunteer work and (2) financial contribution from other sources of funding provided by the project promoter and the partners

It is not permitted to plan and/or report other forms of in-kind contribution, such as free use of materials and services provided by the applicant, the partner or a third party.



The only form of in-kind own contribution is volunteer work for project implementation by the project promoter or by a partner, registered as non for profit organization. The amount of co-financing in the form of volunteer work may not exceed 50% of his own and/or his partners' contribution.

For the calculation of the in-kind contribution, the cost for each hour of voluntary work shall be defined, on a case by case basis, depending on the character of work delivered. The unit prices shall be in accordance with a normally paid salary for such work and shall fall within the range between €3.66 per hour (minimum gross hourly wage in Greece) and €7.50 per hour (average gross hourly wage in Greece), including the employer's social contribution.



Own contribution is defined as a percentage of total project implementation costs. It is not permissible to refer to a specific activity or budget expenditure category. In order to be accepted as a non-financial contribution, the planned voluntary work should be entered into the budget for the relevant activities. Expenditure for specific project activities (including in the form of own contribution) funded by other donors (i.e. double funding) may not be planned and reported as co-financing.

2.1.3 [Travel and Accommodation](#)

Travel and subsistence allowances for personnel and volunteers taking part in the project, provided that they are in line with the project promoter's and project partner's usual practices on travel costs.

Specific eligibility requirements

The following principles apply to travel and subsistence costs:

- Travel must be clearly linked to the delivery of the project and borne by the entity's staff or volunteers;
- Any expenditure item covered by the daily allowance cannot be eligible in addition to the daily allowance;
- The amount of daily allowances must be in line with the relevant national legislation and internal rules of the entity (if applicable);
- The principle of sound financial management should apply to the choice of transport and accommodation. This means that the most cost-efficient mean of transportation shall be used (normally public means); no business or first-class tickets for air or train transport are eligible irrespective of the fact that this may be allowed by the internal rules of the project promoter and / or project partner; any exception to this principle must be duly justified, otherwise the related expenditure will not be eligible; board and lodging costs can be reimbursed if they are in a reasonable price range;
- Travel and accommodation costs may not exceed, per person and type of expenditure, the Maximum eligible rates (in EUR) set out in the following tables.

a) For travel in Greece

Type of expenditure	Maximum eligible rates (in EUR)
Travel costs, including airport transfers, e.g. airline tickets (economy class) or tickets by other means of transport (economy class), a baggage, transfer to and from the airport or station and travel insurance	Without limit
Hotel allowance	90,0
Daily subsistence allowance	40,0
Private car - The travel shall be reimbursed per km	0,25
Local travel costs per day	20
Toll costs	Without limit

b) For travel outside Greece

Type of expenditure	Maximum eligible rates (in EUR)
Travel costs, including airport transfers, e.g. airline tickets (economy class) or tickets by other means of transport (economy class), a baggage, transfer to and from the airport or station and travel insurance	Without limit
Maximum eligible rates (in EUR) for hotel and daily subsistence allowance	According to the attached table by country of destination

FOR COUNTRIES IN THE EUROPEAN UNION ⁴		
Destination	Hotel allowance in euros	Daily subsistence allowance in euros
Austria	130	95
Belgium	140	92
Bulgaria	169	58
Croatia	120	60
Czech Republic	155	75
Cyprus	145	93
Denmark	150	120
Estonia	110	71
Finland	140	104
France	150	95
Germany	115	93
Hungary	150	72
Ireland	150	104
Italy	135	95
Latvia	145	66
Lithuania	115	68
Luxembourg	145	92

⁴ https://ec.europa.eu/europeaid/sites/devco/files/perdiems-2017-03-17_en.pdf

FOR COUNTRIES IN THE EUROPEAN UNION ⁴		
Destination	Hotel allowance in euros	Daily subsistence allowance in euros
Malta	115	90
Netherlands	170	93
Poland	145	72
Portugal	120	84
Romania	170	52
Slovakia	125	80
Slovenia	110	70
Spain	125	87
Sweden	160	97
United Kingdom	175	101

FOR COUNTRIES OUTSIDE THE EUROPEAN UNION		
Destination	Hotel allowance in euros	Daily subsistence allowance in euros
Iceland	160	85
Norway	140	80
Liechtenstein	95	80

The exchange rate of the foreign currency to the euro will be calculated according to the exchange rate sheet of the Bank of Greece on the day of each expenditure. Find on the following link the website of the Bank of Greece:

https://www.bankofgreece.gr/Pages/en/Markets/Isotimies/deltia.aspx?Filter_By=15

The exchange rate of the Icelandic króna will be calculated according to the exchange rate sheet of the Icelandic Central Bank on the day of each expenditure. Find on the following link the website of the: (<http://www.cb.is/>).

- In case of transport by taxi or by hire car⁵, reimbursement may be permissible on the basis of the actual cost, provided that this cost is not excessive in relation to expenditure for the use of alternative means of transport;
- Only in exceptional cases project promoter and / or project partner may use their's organisation cars or private cars for project's travels.

In this case:

- the decision for taking the car must be clearly justified and documented (e.g. public transport is not available, organisation car is the most economic option), and
- only travel costs connected to the project trips are eligible and must be accounted according to national or institutional rules (i.e. reimbursement per kilometre, highways tickets acquired during the journey, specific declaration of the distance travelled...);

⁵In case of car rental the maximum class allowed is class C or the equivalent

- The duration of the mission must be clearly in line with the purpose of it (e.g. from the day before to the day after the concerned meeting). Costs for longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights) do not exceed the savings eventually made in the costs for transportation;
- A proof of expenditure for costs incurred shall be available. It should demonstrate that the travel actually took place and was directly linked to the project (e.g. invoice of travel agent, plane tickets, e-tickets, boarding pass, meal receipts, list of participants, minutes, agenda etc.);
- Direct payment by a staff member or the partner organisation must be supported by a proof of reimbursement by the entity;

Reporting of travel and accommodation costs

The following documents must be provided to the FO in order to prove the expenditure and the related payment:

- Documents (e.g. authorisation of the mission, decisions on the assignment) certifying the mission carried out, from which it is clearly possible to infer the name of the travelling employee(s), date, reason and destination of the mission;
- Proof of expenditure for costs paid by the project promoter and / or project partner (e.g. invoice of travel agent, plane tickets with boarding cards);
- Reimbursement request from the employee, indicating the detailed expenditures incurred for travels and transfers. All necessary documents proving the claimed real costs must be provided (e.g. bus/train/metro tickets, meal receipts, plane ticket with boarding cards; car rental invoice...);
- In case of use of own car or organisation car, calculation sheet, prepared according to national or institutional rules, stating at least the distance, the unit rate and the total costs of travel. All necessary documents proving the claimed real costs must be provided (such as highways tickets acquired in case during the journey or specific declaration of the distance travelled);
- Other supporting documents (e.g., invitation, agenda, list of participants, minutes, etc.);
- Proof of payment of costs directly paid by the project partner and / or project promoter or in case of cost directly paid by the employee proof of reimbursement to the employee by the institution;

For proof of travel and accommodation costs, the following documents should be included in each progress report:

- a) Invoices of travel agents or equivalent accounting documents of travel costs;
- b) Payment orders
- c) Bank statement showing the possible bank transfer to the supplier
- d) Payment receipts showing the payment;
- e) Other supporting documents (plane tickets with boarding cards, bus/train/metro tickets, highways tickets, meal receipts, invitation, etc.)

- f) Proof of reimbursement of costs to the employees where the employees made a direct payment for travel.

2.1.4 Cost of new or second hand equipment

This budget line refers to the purchase/rent of new or second-hand equipment necessary for carrying out project activities. Project equipment are tools and devices purchased or already in the possession of the project promoter and / or project partner which are necessary for the daily work of the project staff and/or needed for carrying out certain specific project activities (e.g. IT hardware and software items, office furniture).

The purchase or rent of the following items is eligible under this budget line:

- Office equipment;
- IT hardware and software,
- Furniture and fittings,
- Other specific equipment needed for the projects.



All the equipment should be purchased in accordance with the applicable rules on procurement as presented on the 2.4 section of this Annex.

General principles of eligibility:

Costs of new or second-hand equipment can be eligible provided that:

- No other assistance has been received for it from other subsidies (e.g. EEA Grant, EU, national, international);
- Its price does not exceed the generally accepted price on the market;
- It has the technical characteristics necessary for the project and complies with applicable norms and standards;
- It has not already been totally depreciated;
- It has not purchased from another project partner;
- Is not included under any other budget line;
- Was incurred during the eligible project duration (e.g. for equipment that was purchased before the project start, not fully depreciated before and used for the project purposes, only the depreciation for the relevant project period is eligible);
- Purchased respecting the relevant public procurement procedures; and
- Are essential for the project and their features and functions are in line with the project needs.



In the case of the purchase of second-hand equipment, there must be a guarantee of proper operation, especially regarding certain machineries for specific project's purposes.

Eligible costs of project equipment

As a general principle, for all project equipment (purchased before or during the project lifetime) only the portion of the depreciation corresponding to the duration of the project and the rate of actual use for the purpose of the project should be allocated to the project. For rented equipment for certain period during the project lifetime rental costs for the respective period are eligible.

Depreciation of equipment (new or second-hand) as recorded in the accounts of the entity is eligible provided that the asset has been purchased in compliance with the applicable rules and written off in accordance with generally accepted accounting principles applicable to the entity and generally accepted for items of the same kind. The calculation of depreciation or equivalent division of shares of equipment should be done according to a justified and equitable method and be in line with the national or institutional regulations. **Only the portion of the depreciation corresponding to the duration of the project and the rate of actual use for the purposes of the project may be considered eligible.**

Example:

A project promoter or a partner purchase furniture equipment worth € 36,000. The equipment is used for 22 months, while the total duration of the project is 34 months.

The annual depreciation rate for equipment is 10% or € 3.600.

By dividing this annual depreciation further by 12 months, the monthly depreciation would equal € 300.

The project has effectively used the equipment for 22 months.

In our example the project could report € 6.600 (=22 calendar months x € 300).

If according to the national legislation the equipment is not depreciable, the full costs of purchase or rent could be allocated to the project.

In some cases, the purchase price of equipment is fully (100%) eligible provided that:

- the equipment is an integral and necessary component for achieving the outcomes of the project (for example office furniture if the goal of the project is to set up an open reception center which will provide services to asylum seekers, not only during the project implementation period). **In general, this cannot apply to an equipment item purchased when the project implementation is well advanced or at the end of the implementation.**
- the project promoter shall ensure that:
 - will keep the equipment in its ownership for a period of at least five years following the completion of the project and will continue to use the equipment for the benefit of the overall objectives of the project for the same period;

- will keep the equipment properly insured against losses such as fire, theft or other normally insurable incidents both during project implementation and for at least five years following the completion of the project; and
- will set aside appropriate resources for the maintenance of the equipment for at least five years following the completion of the project.

In this case, a declaration stating that the equipment will be used by the project promoter and project target groups for the same purpose for at least five years after the completion of project activities or that the equipment is part of the specific goal of the project should be provided, along with the application form. The declaration statement should state also the commitment of the project promoter to insure the equipment against losses such as fire, theft or other normally insurable incidents both during project implementation and for at least five years following the completion of the project as well as and that will ensure the appropriate resources for the maintenance of the equipment for at least five years following the completion of the project.

In any case the eligibility of the entire purchase price of equipment, is subject of the FO's assessment in relation to the above. Eligibility is documented and the conclusion is specified in the project contract (the equipment item is included in the approved budget) with detailed means for the implementation of project promoter's obligations. The Fund Operator may release any project promoter from the above obligations with respect to any specifically identified equipment where the Fund Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose.



In all cases the equipment must be recorded as an asset of the project promoter

Reporting equipment costs

The following documents must be provided to the FO in order to prove the expenditure and the related payment:

- Proof that public procurement rules have been respected, where applicable;
- Purchase contracts, properly signed and stamped by both parties (supplier and buyer), clearly stating the date, the supplier, the buyer, the title/acronym of the project and the name of the Programme, with a detailed description of the goods purchased/rented, quantification of the goods, price per unit and total price;
- Documents evidencing that the most cost-efficient option for the features requested has been selected;
- Evidence of the depreciation plan adopted for each equipment according to the national accounting rules;
- For equipment only partially used for project's purposes: statement showing the calculation method to attribute a share of the actual cost to the project;
- Detailed invoice, clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the

goods purchased/rented, quantification of the goods, price per unit (if applicable) and total price;

- A declaration stating that for the equipment no other assistance has been received for it from other subsidies (e.g. EEA Grant, EU, national, international);
- Licenses to set and operate the equipment or for second hand equipment, a guarantee of proper operation, in case of machineries or a certificate of good functioning, in case of other equipment, must be provided issued by the supplier;
- A copy of the book of assets, signed and stamped, evidencing that the equipment has been recorded on the assets of the project promoter
- Equipment insurance certificates, if applicable
- Proof of payment.

For proof of payment, the following documents should be included in each progress report:

- a) Detailed Invoices clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the goods purchased/rented, quantification of the goods, price per unit (if applicable) and total price;
- b) Payment orders
- c) Bank statement showing the possible bank transfer to the supplier
- d) Payment receipts showing the payment;

2.1.5 Costs arising directly as a result of running a project or service

This budget line refers to all costs that are clearly and directly incurred due to the implementation of the project. The costs must be essential for the performance of the project's operation.

General principles of eligibility:

Costs arising directly as a result of running a project are considered eligible if the costs:

- Are essential for the project and their features and functions are in line with the project needs for the achievement of the action operational results
- Are identifiable and directly attributable to the project

Reporting costs arising directly as a result of running a project or service

The following documents must be provided to the FO in order to prove the expenditure and the related payment:

- List detailing the respective costs;
- Proof that public procurement rules have been respected, where applicable;

- Purchase contracts, properly signed and stamped by both parties (supplier and buyer), clearly stating the date, the supplier, the buyer, the title/acronym of the project and the name of the Programme, with a detailed description of the consumables and supplies, quantification of the goods, price per unit and total price;
- Detailed invoice, clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the cost, quantification of the goods, price per unit (if applicable) and total price;
- Project accounting (clear audit trail showing the link with the project).
- Proof of payment

For proof of payment, the following documents should be included in each progress report:

- a) Detailed Invoices clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the goods purchased/rented, quantification of the goods, price per unit (if applicable) and total price;
- b) Payment orders
- c) Bank statement showing the possible bank transfer to the supplier
- d) Payment receipts showing the payment;

2.1.6 Costs of consumables and supplies

This budget line refers to the purchase of consumables and supplies, provided that they are identifiable and are directly assigned to the project.

Unlike the equipment referred to above, these are 'consumables', i.e. items that are not entered as fixed assets in the accounts (or inventory) of the organisation and are not written off.

The nature of the project and the fact that the costs are specific to the project are key factors justifying direct cover of certain costs.

An example of costs that can typically be presented under this budget line are the following: desk supplies, postal charges, envelopes, purchase of small technical items, provided that they fulfil the above mentioned.

General principles of eligibility:

Costs of consumables and supplies can be eligible provided that:

- They are identifiable and are directly assigned to the project; and
- Purchased respecting the relevant public procurement procedures;

Reporting consumables and supplies costs

The following documents must be provided to the FO in order to prove the expenditure and the related payment:

- List detailing consumables and supplies;
- Proof that public procurement rules have been respected, where applicable;
- Purchase contracts, properly signed and stamped by both parties (supplier and buyer), clearly stating the date, the supplier, the buyer, the title/acronym of the project and the name of the Programme, with a detailed description of the consumables and supplies, quantification of the goods, price per unit and total price;
- Detailed invoice, clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the consumables and supplies, quantification of the goods, price per unit (if applicable) and total price;
- Project accounting (clear audit trail showing the link with the project).
- Proof of payment

For proof of payment, the following documents should be included in each progress report:

- a) Detailed invoice, clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the consumables and supplies, quantification of the goods, price per unit (if applicable) and total price;
- b) Payment orders
- c) Bank statement showing the possible bank transfer to the supplier
- d) Payment receipts showing the payment;

2.1.7 Costs entailed by other contracts awarded by the project promoter for the purpose of carrying out the project (sub-contracting)

This budget line refers to the costs entailed by other contracts awarded by a project promoter for the purposes of carrying out the project, provided that the awarding complies with the applicable rules on public procurement as specified in section 2.4 (public procurement) of this Annex.

If the project promoter has to conclude contracts in order to carry out part of the project, the recourse to the award of contracts must be duly justified with regard to the nature of the project and the requirements for its implementation. The tasks concerned must be set out in the description of the project and the costs of subcontracting must be clearly identifiable in the budget in the application form.

General principles of eligibility:

Costs entailed by other contracts are considered eligible if:

- Contracts are awarded by the project promoter for the purposes of carrying out the project

- The awarding complies with applicable rules on procurement
- The contract is signed during the eligibility period (the procurement procedure may be launched before).

Costs incurred by a project partner CANNOT be considered as subcontracting.

Reporting costs entailed by other contracts



The following documents must be provided to the FO in order to prove the expenditure and the related payment:

- Detailed list of subcontractors;
- Proof that public procurement rules have been respected, where applicable and documents related to the procurement procedure;
- Contracts properly signed and stamped by both parties (project promoter and subcontractor), clearly stating the date, the project promoter, the subcontractor, the title/acronym of the project and the name of the Programme, with a detailed description of the services provided, the subcontracting period, the deliverables and the total price with a with a detailed breakdown of the services provided;
- Invoices;
- Project accounting (clear audit trail showing the link with the project).
- Proof of payment.

For proof of payment, the following documents should be included in each progress report:

- a) Detailed invoice, clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the of the services provided, the subcontracting period, price per unit (if applicable) and total price;
- b) Payment orders
- c) Bank statement showing the possible bank transfer to the supplier
- d) Payment receipts showing the payment;

2.1.8 Costs arising directly from requirements imposed by the project contract

This budget line refers to costs arising directly from requirements imposed by the project contract provided they are based on a contract and an invoice is issued.

The most frequent examples of costs arising directly from requirements imposed by the project contract are information / publicity costs, translation costs, specific evaluations costs, audits costs, charges for financial transactions, etc.

General principles of eligibility:

Costs arising directly from requirements imposed by the project are considered eligible if:

- The requirement is clearly specified in the project contract
- Were purchased in accordance with the applicable rules on procurement

Reporting costs arising directly from requirements imposed by the project contract

The following documents must be provided to the FO in order to prove the expenditure and the related payment:

- Detailed list of other direct costs;
- Proof that public procurement rules have been respected, where applicable and documents related to the procurement procedure;
- Contracts properly signed and stamped by both parties (project promoter and subcontractor), clearly stating the date, the project promoter, the subcontractor, the title/acronym of the project and the name of the Programme, with a detailed description of the services provided or goods, the deliverables, price per unit (if applicable) and the total price;
- Invoices;
- Project accounting (clear audit trail showing the link with the project).
- Proof of payment.

For proof of payment, the following documents should be included in each progress report:

- a) Detailed invoice, clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the services / goods provided, price per unit (if applicable) and total price;
- b) Payment orders
- c) Bank statement showing the possible bank transfer to the supplier
- d) Payment receipts showing the payment;

2.1.9 Costs related to reconstruction, renovation, or refurbishment of a real estate

This budget line refers to reconstruction, renovation, or refurbishment costs of a real estate, provided that these costs do not exceed 50% of the eligible direct cost of the project.

General principles of eligibility:

Costs related to reconstruction, renovation, or refurbishment of a real estate are considered eligible if:

- The requirement is clearly specified in the project contract
- Were purchased in accordance with the applicable rules on procurement

In the case of reconstruction of a real estate, the real estate should be used for the purpose and for the period specified in the decision to award the project grant. The ownership must be transferred to the project promoter, or those explicitly designated by the project promoter in the project application as recipients of the real estate, prior to the completion of the project. The real estate cannot be sold, rented or mortgaged within five years of the completion of the project, or longer if stipulated in the project contract. The FMO may waive this restriction if it would result in an unforeseen and unreasonable burden on the project promoter.

Reporting costs arising directly from requirements imposed by the project contract

The following documents must be provided to the FO in order to prove the expenditure and the related payment:

- Detailed list of reconstruction, renovation, or refurbishment works;
- Proof that public procurement rules have been respected and documents related to the procurement procedure;
- Contracts properly signed and stamped by both parties (project promoter and constructor), clearly stating the date, the project promoter, the constructor, the title/acronym of the project and the name of the Programme, with a detailed description of the of the reconstruction, renovation, or refurbishment works, price per unit (if applicable) and the total price; For contracts based on a daily fee, such fee together with the number of days contracted and the total amount of the contract must be provided.
- Detailed invoice, clearly stating the date, the payee, the payer and (where applicable) the title/acronym of the project and the name of the Programme, description of the works performed in line with the contents of the contract, quantification of the work, price per unit (if applicable) and total price;
- Project accounting (clear audit trail showing the link with the project).
- Photographic material before and after renovation, rebuilding, upgrading
- Permission for reconstruction, renovation, or refurbishment issued by the competent Department of Urban and Regional Planning

- Proof of payment.

For proof of payment, the following documents should be included in each progress report:

- Detailed invoice, clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the reconstruction, renovation, or refurbishment works, price per unit (if applicable) and the total price;
- Payment orders
- Bank statement showing the possible bank transfer to the supplier
- Payment receipts showing the payment;



Where necessary to accommodate the specific circumstances of project promoters or project partners that are international organisations, or bodies or agencies thereof, the provisions on direct eligible expenditure described in this chapter may be waived, in agreement with the FMO. Any such waiver will be explicitly provided for in the project contract and/or partnership agreement.

2.1.10 [Purchase of real estate and land](#)

These costs comprise the cost of purchase of real estate, meaning buildings constructed or under development and the appropriate rights to the land on which they are built, and land not built on.

General principles of eligibility:

These costs are eligible under the following conditions, without prejudice to the application of stricter national rules:

- there shall be a **direct link between the purchase and the objectives of the project**;
- purchase of real estate and/or land may not represent more than 10% of the total eligible expenditure of the project**, unless a higher percentage is explicitly authorized in this Agreement and set in the decision to award the project grant;
- a certificate shall be obtained **prior to the purchase** from an independent qualified evaluator or duly authorized official entity confirming that the purchase price does not exceed the market value and that it is free of all obligations in terms of mortgage and other liabilities, particularly in respect of damage related to pollution. In case of purchase of real estate, the certificate must either confirm that the building in question is in conformity with national regulations, or specify what is not in conformity with national regulations but which is to be rectified by the project promoter under the project;
- the real estate and/or land shall be used for the purpose and for the period specified in the decision to award the project grant. The ownership must be transferred to the project promoter, or those explicitly designated by the project promoter in the project application as recipients of the real estate and/or land, prior to the completion of the project. **The real estate and/or land cannot be sold, rented or mortgaged within five years of the completion of the**

- project**, or longer if stipulated in the project contract. The FMO may waive this restriction if it would result in an unforeseen and unreasonable burden on the project promoter.
- e. **the real estate and/or land may only be used in conformity with the objectives of the project.** In particular, buildings may be used to accommodate public administration services only where such use is in conformity with the objective of the project; and
 - f. the purchase of real estate and/or land shall be explicitly approved by the Fund Operator prior to the purchase either in the project contract or by a later decision.

The restrictions referred to in paragraph d. apply also to buildings that are constructed or reconstructed through a financial contribution from the EEA Financial Mechanism 2014-2021.

Expenditure on site preparation and construction which essential for the implementation of the project may be eligible.



The cost of real estate and/or land already owned, directly or indirectly, by the project promoter, or purchase of real estate and/or land, directly or indirectly, by the project partner or a public administration, shall not be eligible. Under no circumstances shall real estate and/or land be purchased for speculative purposes. The real estate and/or the land shall not have received a national or external donor grant in the last 10 years which could give rise to a duplication of funding.

Reporting investment costs

The following documents must be provided to the competent FO in order to prove the expenditure and the related payment:

- Documents evidencing the selection process, following the applicable procurement rules;
- Certificate of an independent qualified evaluator or duly authorized official entity confirming that the purchase price does not exceed the market value and that it is free of all obligations in terms of mortgage and other liabilities, particularly in respect of damage related to pollution. The certificate must either confirm that the building in question is in conformity with national regulations, or specify what is not in conformity with national regulations but which is to be rectified by the project promoter under the project;
- Contract laying down the purchase of real estate and/or land in the framework of project;
- Notarial act of real estate and/or land transfer to the ownership of the project promoter or to those explicitly designated by the project promoter in the project application as recipients of the real estate and / or land
- Certificate of transcription in the Land Register
- Certificate of registration of real estate and/or land in the Hellenic Cadastre
- A copy of the book of assets, signed and stamped, evidencing that the real estate and/or land has been recorded on the assets of the project promoter
- Proof of payment.

For proof of payment, the following documents should be included in each progress report:

- a) Payment orders
- b) Bank statement showing the possible bank transfer to the supplier

- c) Payment receipts showing the payment;



Duty to keep documents: The project promoters and project partners must keep all original documents (call for tenders, contracts, advertisings, etc.) and especially accounting and tax records, stored on any appropriate medium, including digitalised originals when they are authorised by their respective national law and under the conditions laid down therein, for a period of at least four years following the approval of the Final Programme Report (FPR), without prejudice to more stringent national rules.

2.2 Indirect costs

Indirect costs: Indirect costs are all eligible costs that cannot be identified by the project promoter and/or the project partner as being directly attributed to the project, but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project. They may not include any eligible direct costs. Indirect costs of the project shall represent a fair apportionment of the overall overheads of the project promoter or the project partner.

Indirect costs for projects can be identified by any of the following methods:

- a) Based on actual indirect costs. In this case:
- The maximum amount should be indicated in the project budget/project contract;
 - The project promoters and project partners should have an analytical accounting system to identify their indirect costs and
 - **Supporting documents will be requested from the project promoter to document the indirect expenditures.**
- b) A flat rate of up to 25% of total direct eligible costs, excluding direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the project promoter or project partner, subject to the calculation of the rate on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Beneficiary State for similar types of project and project promoter. In this case:
- The flat rate percentage and the maximum amount should be indicated in the project budget/project contract;
 - Project promoters and project partners should describe the methodology they use to determine their indirect costs.
 - The agreed percentage should be applied only to the total amount of direct eligible costs, excluding direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the project promoter or project partner, as incurred in each financial report;
 - **No supporting documents (invoices, receipts, etc.) should be required from the project promoter to document the indirect expenditures when the flat rate is applied**
- c) A flat rate of up to 15% of direct eligible staff costs. In this case:

- The flat rate percentage and the maximum amount should be indicated in the project budget/project contract;
 - The project promoter should be able to demonstrate that the percentage applied represents a fair apportionment of its overall overheads;
 - The agreed percentage should be applied only to eligible staff costs reported, as incurred in each financial report;
 - **No supporting documents (invoices, receipts, etc.) should be required from the project promoter to document the indirect expenditures when the flat rate is applied.**
- d) A flat rate of 25% of the total direct eligible costs, excluding direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the project promoter or project partner, only in the case of projects including a research component. In this case:
- The flat rate percentage and the maximum amount should be indicated in the project budget/project contract;
 - The project promoter must be able to demonstrate the research component of his project
 - The agreed percentage should be applied only to total direct eligible costs, excluding direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the project promoter or project partner, as incurred in each financial report;
 - **No supporting documents (invoices, receipts, etc.) should be required from the project promoter to document the indirect expenditures when the flat rate is applied.**

In case of project promoters or project partners that are international organisations, or bodies or agencies thereof, indirect costs may, be identified in accordance with the relevant rules established by such organisations.

Example of calculation of indirect expenditures (flat rate of up to 15% of the direct eligible staff costs):

Budgeting stage

Total amount of eligible staff costs included in the project budget:	€ 75.000,0
Indirect costs flat rate proposed by the project promoter and agreed in the project contract:	15%
Total estimated indirect costs budgeted for the project (15%*75.000):	€11.250,0

Financial reporting stage

Total amount of eligible staff costs reported as incurred during a defined reporting period:	€ 17.500,0
Indirect costs flat rate proposed by the project promoter and agreed in the project contract:	15%
Total eligible indirect costs to be reported during the defined period (15%*17.500):	€2.625,0

2.3 Excluded costs

The following costs are not considered eligible and should consequently not be supported in the framework of the Programme:

- a) Interest on debt, debt service charges and late payment charges (e.g. costs on loans taken- also in relation to the project, penalties/charges related to late payments of invoices)
- b) Charges for financial transactions and other purely financial costs, except costs related to accounts and financial services imposed by the project contract;
- c) Provisions for losses or potential future liabilities: it is not possible to include potential losses as an eligible expense;
- d) Exchange rate losses;
- e) Recoverable VAT: if paid VAT can be recovered at a later stage, it cannot be considered as an eligible expenditure even if it has not yet been recovered;
- f) Costs that are covered by other sources: to avoid double funding (e.g. if the full price of an equipment, purchased previously, was funded from another grant, the depreciation of this equipment cannot be eligible within the project)
- g) Fines, penalties and costs of litigation, except where litigation is an integral and necessary component for achieving the outcomes of the project; and
- h) Excessive or reckless expenditure.

2.4 Other eligibility rules

2.4.1 Public Procurement

The public procurement procedure describes the rules and principles that should govern the purchase of all goods or services acquired through the financing of the EEA Financial Mechanism 2014-2021. This procedure binds all the Programmes partners and, in particular, both the FO and the project promoters and /or project partners that will come out of the open call procedure, as well as those who implement pre-defined projects. Whenever purchases are made and contracts are awarded to external suppliers, as part of the implementation of the Programmes, Programmes partners have to be in a position to demonstrate the good use of public funds. The principles of transparency, non-discrimination and equal treatment have to be respected and conditions of effective competition must be ensured.

Public contracts awarded in the context of the implementation of the Programs and projects should be in compliance with:

- the National Law 4412 (Official Gazette A '147 / 08-08-2016) and
- the European Union law on public procurement.

Notwithstanding provisions of national law that exempt NGOs from public procurement, any procurement procedures related to amounts above the European Union thresholds for procurement shall be undertaken in accordance with the applicable laws on procurement without regard for such an exemption.

General principles of Public Procurements

All public procurement under the programs must be governed by the general principles. Procuring entities as well as their staff, are responsible and accountable for complying with these principles as regards their practices and procedures for the procurement of goods, works or service, as well as for obtaining the relevant decisions in order to achieve the objectives of good procurement practice. In this context the following general principles must always be respected:

- Value for Money: The purpose of public procurement should be to ensure a better relationship between quality and price in order to maximize the economy and efficiency of public spending. In this context, apart from price and quality, all parameters such as the life cycle of a service or product, maintenance or service costs, delivery or construction period, transportation costs, as well as other benefits should be considered.
- Fair and equal treatment: The procurement procedure should be impartial and consistent and offer equal opportunities for competition to all interested suppliers. Procuring entities should adopt practices that promote fair competition and allow sufficient time for tenderers to participate. Also, the principle of equal treatment prohibits discrimination against any tenderer regarding conditions of participation with regard to financial, technical or commercial qualifications and capacity.
- Transparency: The procurement process and the implementation of procurement contracts must be transparent. Contracting entities shall, as far as possible, carry out all procurement procedures in a transparent manner, focusing on the following elements:
 - Advertising. Notices of invitations to tender should be published as soon as possible on the Programmes/Project website and, depending on the budget, in widely circulated national or

- international newspapers. These notices should contain all the necessary information to enable candidate suppliers to participate.
- Record of Procurement Proceedings. Procuring entities shall maintain appropriate recording of procurement procedures, with an individual file for each procurement requirement marked with the relevant reference number. Procurement records shall be kept for a minimum period of 5 years after the competition of the project.
 - Informing the tenderers. Tenderers should be informed of the outcome of the evaluation of their bids, whether they were successful or not. The justification should be documented stating the reasons for which the offer was endorsed or rejected accordingly.
- Integrity and Ethical Behaviour: All public procurement should be governed by ethical standards. All those involved in the procurement process are responsible for the performance of their duties with due diligence and in the proper manner. All those involved in the procurement process should ensure that there is no conflict of interest between them and potential suppliers. Also, situations such as the receipt of gifts, benefits and hospitality, the existence of other economic and financial interests, personal and family relationships, relationships with organizations or the promise of future employment should be prevented, and when observed, be dealt with on time.
 - Competition: Procuring Entities must adopt practices that promote fair competition in all public procurements, discourage the use of fake competition, and use methods of aggregation where appropriate in order to take advantage of economies of scale. They shall also treat all bidders and suppliers with fairness and impartiality and avoid any business arrangement that might prevent the effective operation of fair competition.
 - Sound financial management: Budget appropriations must be used in accordance with the principles of economy, efficiency and effectiveness.

Best practices to avoid conflicts of interest in public procurement

- The contracting entity should establish a code of conduct covering public procurement. This code should include the minimum standards of behavior that should be governed by all those involved in procurement procedures and should be widely publicized.
- It must be ensured, both through control systems and training, that all key stakeholders who can influence decisions about the scope or award of a contract are aware of their responsibility to act impartially and with integrity.
- Tenderers should be asked to declare any conflict of interest when submitting their tenders

The procedure of Public Procurements

The main steps in the public procurement process are those listed below:

1. **Planning and preparation of tender documents:** This step concerns the preparation of the tender documents, depending on the award procedure (open, restricted, simplified) and the contract scope (work, supply, service). The phase of preparation of the tender documents is extremely important, as it determines the terms of the tender procedure, as well as the terms for execution of the contract. The tender documents should give a detailed and clear picture of the way in which

the Procuring entities shall implement the procurement procedure and they must provide clear and detailed information on the following three issues:

- Scope of the contract to be awarded. Description of the purpose and objectives of the contract, of the environment within which it shall be implemented, and of its scope determine the contract scope, a detailed Terms of Reference – Technical Specifications, deliverables and delivery times.
- Eligibility and method for participation of interested economic operators in the tender procedure and method for their evaluation. Determination of the award procedure, of the selection and award criteria, and of the contents of tenders and their evaluation procedure.



Each contract should be awarded on the basis of objective criteria which ensure compliance with the principles of transparency, non-discrimination and equal treatment and which guarantee that tenders are assessed under the conditions of effective competition.

- Terms of cooperation for implementation of the contract with reference to the special (value, time, delivery and payment method, penalties for delay etc.) and general conditions (guarantees, subcontracting, obligations of the contracting parties, contract termination etc.) of the contract.

In this step, the procuring entity may need to carry out a preliminary market research / analysis to identify potential suppliers, establish the technical characteristics and specifications of the products, or determine the market price standards for the planned purchases.

2. **Selection of the most appropriate procurement method:** The decision concerning which procedure to use is a critical and strategic one affecting the whole procurement process. The decision should be made and justified at the 1st step of the preparation stage. The tendering and contract award procedure pursuant to Law 4412/2016 is different, depending on whether the total budget of the procurement falls within the scope of the European Directives for award of public procurement, or not, namely:

- a. for works – construction contracts, € 5,548,000;
- b. for services or supply contracts, € 144,000.

These amounts are exclusive of VAT

- If the value of contract, net of VAT, **does not exceed €5.000,00** the contracting entity may directly award the contract without following any of the tendering procedures.
- If the value of contract, net of VAT, **is between €5.000,01 and €20.000,00** the contracting entity must receive at least three (3) offers from suppliers.
- If the value of contract, net of VAT, **is between €20.000,01 and €60.000,00** the contracting entity must follow the summary tender, during which a simplified (summary) invitation to bidders is publicized in Programmes/project website and at least in one national newspaper.
- If the value of contract, net of VAT, **above €60.000,1** the contracting entity must follow the open tender procedure, during which the Invitation to Bidders, is addressed to an unknown number of participants which have to meet objectively described admissibility criteria.

3. **Advertising / Publicity of the tender:** Advertising the invitation to bidders consists of making the procurement procedure public so that all interested economic operators have the option to

participate and submit a proposal (either a request for participate or a tender). All invitations to tenders / contracts awards, irrespective of their budget, should be published on the Programmes / project website, while their publicity should be governed by the rules of national and European public procurement legislation. A sufficient degree of advertising / publicity must be ensured in any public procurement notice, even if the value of the contract is below the EU-threshold, while all relevant evidence should be adhered to, verifying that all legal procedures were followed.



Public procurement should respect the communication and publicity procedures applicable to different threshold values.



Contracting entities are not obliged to publish the invitation to bidders in the electronic public procurement platform, known as “Prometheus”.

4. **Set up the Evaluation Committee:** The Contracting entity must establish the Evaluation Committee as soon as the decision has been taken to proceed with the procurement to ensure that the procurement process is done in the most professional way. The committee should ideally comprise members experienced in each of the areas to be examined in the tender and must be composed of at least 3 voting members, non-voting secretary and non-voting president.



All members of the Evaluation Committee are obliged to sign a Declaration of Impartiality and Confidentiality, as well as a declaration of absence of conflict of interest. In the context of EEA Grants, the discovery by a control body of an undeclared conflict of interest may put the impartiality of the procurement process in doubt and may lead to financial corrections.

5. **Selection of tenders:** As first action of this step is to receive and record all bids submitted during the tender process. Contracting entities should establish a list of the incoming tenders, with the name of tenderers as well as the dates and times of receipt. Tenderers should receive an official written confirmation of receipt with the date and time of delivery recorded, whether their tenders have been submitted by post, courier, in person or electronically. The second action of this step is the selection of tenderers. The selection of tenderers consists in assessing the tenderers on the basis of the exclusion grounds and the selection criteria set out in the procurement documents. This assessment shall be carried out by at least two persons of the contracting entity and two persons from the evaluation committee. All the results of the assessment are recorded in minutes and kept in the tender dossier. If a tenderer fails to comply with an exclusion ground or a selection criterion, the tender should be treated as ineligible, and the rest of the tender should not be evaluated.
6. **Evaluation of tenders:** The evaluation must be conducted in a fair and transparent manner on the basis of the award criteria (price only; cost only using a cost-effectiveness approach; best price-quality ratio) published in the procurement documents. After evaluation of the technical offer, the evaluation of the financial offer should follow, confirming that all costs are included, arithmetical errors are corrected, discounts are applied and that any tender that appears to be abnormally low is investigated. Upon completion of this procedure, the decision of the evaluation committee shall be communicated to the contracting entity as a recommendation to award the contract to a certain tenderer through a detailed evaluation report. The evaluation report should be clear and sufficiently detailed to show how the decision to award the contract was taken.
7. **Award the contract:** Based on the evaluation committee’s recommendation, contracting entities should launch the necessary internal procedure to get an official award decision. The contracting entities should inform the tenderers in writing of the acceptance of their tender as well as of those

who rejected their tenders, justifying the reasons for their rejection. The contract can be awarded after the expiry of the objection period, if no complaint has been filed.

8. **Implementation and closure:** This latter stage concerns the monitoring of the implementation of the contract in order to ensure that it is properly implemented and that the obligations of both the contractor and the contracting authority are respected. Once the contracting authority has formally accepted the final deliveries and has paid the related invoices, the public contract can be closed

In order to prevent and detect potential public procurement frauds, the FO will issue strict recommendations to project promoters so that they:

- ✓ ensure the proper implementation of the conflict of interest policy (e.g. through non-conflicts of interest declarations signed by all their staff involved in the procurement process and selection process, or through non-conflicts of interest declarations signed by their potential suppliers)
- ✓ carry out internal audits to ensure that all legitimate procurement procedures are followed
- ✓ carry out audits on companies participating in a bid to prevent cases such as a conflict of interest or the submission of bids by affiliated companies
- ✓ apply measures to detect persistently high or unusual bid data (e.g by using bid evaluators that have a knowledge of the marketplace) and verify the reliability of the price of the goods / services (e.g comparison with similar contracts, pricing tools, etc.).
- ✓ carry out checks to verify the compliance of the goods or services received with the specifications set out in the tender documents

In addition, for all contracts above € 5,000.00, stringent recommendations will be given to all actors involved in public procurement to avoid cases such as:

- ✓ irregular split purchases;
- ✓ unjustified direct awards;
- ✓ irregular extensions of contract;
- ✓ irregular amendments to existing contracts;
- ✓ the leaking of bid data;
- ✓ that bid specifications are too narrow;
- ✓ that procurement procedures are not followed.

At the same time, in order to ensure the proper application of public procurement procedures, the FO will carry out ex-post audits as part of the administrative verifications to ensure that the controlled organization:

- complied with national and European legislation, as well as the rules of the program on public procurement;
- has respected the principles of transparency, non-discrimination, equal treatment and effective competition, also for goods/services below the EU threshold;
- has full documentation of the procurement process available;
- has signed a contract which is in line with the selected offer;
- has not made an artificial splitting of the contract objective / value in order to avoid public procurement requirements;

- has properly documented and justified the evaluation and award decisions;
- any amendments or extensions made to the contract were within legal frameworks and did not affect the overall objective, content or economy of the offer and did not alter the validity of the initial procurement procedure;
- the invoices have been issued and payments have been made in respect of the procurement budget and the amounts specified in the contract (total price, unit prices)?

Documentation

The contracting entities (FO and project promoters) need to keep a proper documentation on the procurement procedure including but not restricted to:

- Initial cost estimate made by the project promoter to identify the applicable public procurement procedure;
- Methods for the identification of potential suppliers (if applicable);
- A copy of the procurement publication/announcement;
- A copy of the Terms of reference;
- Offers/quotes received by the bidders;
- Minutes of the Selection Committee and report on the assessment of the bidders;
- Information on the acceptance or rejection of the bidders (Notification Award Letter Copy and Letters to non successful bidders)
- Declarations of Impartiality and Confidentiality from the members of the Selection Committee;
- Complaints by bidders submitted to the project promoter, (if any);
- Contract stipulated with the chosen bidder, including any amendments;
- Invoices of the external bidder and proof of payment;
- Other information, if relevant.

2.4.2 Double financing

In order to avoid double financing of individual project cost items from other national or EU funds, the FO will recommend to project promoters:

- to keep analytical accounting systems in place to monitor the audit trail
- each invoice should include only data or services related to the specific project
- each invoice or any other financial document of equivalent probative value of proof should contain in the description “co-financed by EEA Grants under the Programme “Local Development and Poverty Reduction” or “co-financed by EEA Grants under the Programme “Asylum and Migration”, depending on the Programme under which the project is being financed.

In order to avoid double declaration of cost, the desk review controller may also check that the reported expenditure is actually accounted with an appropriate project accounting code.

3 Record Keeping

All accounting and supporting documents (e.g. Project Application Form, Project Contract, reports, services contracts, public procurement documentation, rental contracts, important communication between the project partners and with the FO as well as documents required to ensure an adequate audit trail, documents related to expenditures as e.g. original invoices and controls and audits) must be available and accessible for at least six years following the approval of the Final Project Report, without prejudice to more stringent national rules.

Project Folder contents (indicatively)

The Project Promoter must maintain an updated project folder containing all evidence related to the project and consisting of the following original (if applicable) documents:

- Application form and respective annexes, including a copy of the liability waiver and, where applicable, partnership commitment
- Notification of approved grant decision
- Project contract
- Partnership agreement, if applicable
- Project and contract amendments, if applicable
- Document proving VAT information
- Proof of no liability towards the Tax Administration and Social Security
- Expenditure supporting documents (invoices, receipts or documents of equivalent value)
- Proof of expenditure and bank transfers within the partnerships, if applicable
- Monthly extracts from the project's bank account
- Project progress, final and follow-up reports
- Evidence of the activities carried out, such as timesheets, photos, evaluation questionnaires, etc.
- Materials concerning communicating about the received support
- Documents supporting the application of the legal regime of public procurement, if applicable or specific requirements of the contract with the FO
- Documentation regarding the findings of audits and monitoring of the project.

Hard copy files shall be kept in secure areas, such as locked file cabinets, with restricted access to authorized employees.