

RULES ON ELIGIBLE EXPENDITURE

This document provides a summary of the rules on eligible expenditure. For full details reference is made to the Contract with the European Commission (Financial Agreement number: 2004 – 3041 / 001 – 001 ELE-ELEB12).

General rules

Eligible costs

- To be considered as **eligible costs** of the action, costs must satisfy the following general criteria:
 - they must be connected with the subject of the agreement and they must be provided for in the estimated budget annexed to it;
 - they must be necessary for performance of the action covered by the agreement;
 - they must be reasonable and justified and they must accord with the principles of sound financial management, in particular in terms of value for money and cost-effectiveness;
 - they must be incurred within the period 01-01-2005 and 31-12-2006;
 - they must be actually incurred by the beneficiary, be recorded in his accounts in accordance with the applicable accounting principles, and be declared in accordance with the requirements of the applicable tax and social legislation;
 - they must be identifiable and verifiable.

The beneficiary's internal accounting and auditing procedures must permit direct reconciliation of the costs and revenue declared in respect of the action with the corresponding accounting statements and supporting documents.

- The **eligible direct costs** for the action are those costs which are identifiable as specific costs directly linked to performance of the action and which can therefore be booked to direct. In particular, the following direct costs are eligible:
 - The cost of staff assigned to the action, comprising actual salaries plus social security charges and other statutory costs included in the remuneration, provided that this does not exceed the average rates corresponding to the beneficiary's usual policy on remuneration;
 - Travel and subsistence allowances for staff taking part in the action, provided that they are in line with the beneficiary's usual practices on travel costs or do not exceed the scales of the Commission;

- The purchase cost of equipment (new or second-hand), provided that it is written off in accordance with the tax and accounting rules applicable to the beneficiary and generally accepted for items of the same kind. Only the portion of the equipment's depreciation corresponding to the duration of the action may be taken into account by the Commission, except where the nature and/or the context of its use justifies different treatment by the Commission;
 - Costs of consumables and supplies, provided that they are identifiable and assigned to the action;
 - Costs entailed by other contracts awarded by the beneficiary for the purposes of carrying out the action. The beneficiary shall seek competitive tenders from potential contractors and award the contract to the bid offering best value for money, that is so to say to the tender offering the best price-quality ratio, in compliance with the principles of transparency and equal treatment for potential contractors, care being taken to avoid any conflict of interest. For all contracts of a value exceeding €13,800, beneficiaries must retain records demonstrating, that appropriate competition has taken place. At least three offers must be requested, unless it can be demonstrated that only one possible supplier exists;
 - Costs arising directly from requirements imposed by the agreement (dissemination of information, specific evaluation of the action, audits, translations, reproduction, etc.), including the costs of any financial services (especially the cost of financial guarantees).
- The **eligible indirect costs** for the action are those costs which are not identifiable as specific costs directly linked to performance of the action which can be booked to it direct, but which can be identified and justified by the beneficiary using his accounting system as having been incurred in connection with the eligible direct costs for the action. They may not include any eligible direct costs.

Indirect costs are eligible for flat-rate funding of 7% of the total direct costs eligible. They need not be supported by accounting documents.

- The following costs shall **not** be considered **eligible**:
- return on capital;
 - debt and debt service charges;
 - provisions for losses or potential future liabilities;
 - interest owed;
 - doubtful debts;
 - exchange losses;
 - VAT, unless the beneficiary can show that he is unable to recover it;
 - Costs declared by the beneficiary and covered by another action or work programme receiving a Community grant;
 - Excessive or reckless expenditure.

Contributions in kind shall not constitute eligible costs. (However the Commission can accept, in duly exceptional cases that the cofinancing of the action should be made up entirely or in part of contributions in kind.)

Budget variations

- The beneficiary may adjust the estimated budget by transfers between items of eligible costs, provided that this adjustment of expenditure does not affect implementation of the action and the transfer between items does not exceed 20% of the amount of each item of estimated eligible costs for which the transfer is intended, and without exceeding the total eligible costs.

Checks and audits

- The beneficiary will take all necessary measures to permit operational and/or financial monitoring, checks and audit visits by the European Commission and the European Court of Auditors. These checks and audits may take place on the grant beneficiary's premises and consist of an examination of original files, accounts and originals of supporting documents. To this end, the documents in question must be kept for five years following the balance payment relating to the project and to its closure. In the case of partnerships, the beneficiary/coordinator will apply the same conditions to the partners.

Staff costs

Staff cost shall mean any payment made to a person attached to a member organisation of the partnership or working on a regular or recurrent basis for the project (regardless of his or her status). Staff costs shall not exceed the norm in force for the labour market in the country concerned.

Staff costs shall be calculated on the basis of the actual daily salary/fees of the employee/service provider, multiplied by the number of days to be spent on the project. This calculation shall include, if necessary, all the normal charges paid by the employer, such as social security contributions and related costs, but shall exclude any bonus, incentive and profit-sharing arrangements or running costs.

Staff cost shall be broken down according to the following staff categories:

Staff category A (maximum amount 450 Euro/day)

Staff category B (maximum amount 250 Euro/day)

Staff category C (maximum amount 150 Euro/day)

Note that staff costs of Civil Servants are not eligible unless it can be demonstrated that they have been seconded to a non-governmental organisation, or that they are undertaking – and are being paid for - tasks outside their official duties. The salaries of Civil Servants may thus be included in the calculation of the total cost of the project. However, they may

not be reimbursed by the Community under this grant (i.e. they are not an eligible cost. They are reimbursed at 0% by the Commission).

Note that academics are not considered to be civil servants.

Where no analytical accounts are supplied, the beneficiary must take the necessary steps to enable staff expenditure to be identified and checked. This can be done, for example, by means of personal worksheets signed by the staff concerned.

General expenditure

General expenditure are all administrative costs directly related to project management:

- communication costs (postage, fax, telephone, mailing, etc.)
- office supplies/photocopies.
- computing equipment

The item “General expenditure” may in no way cover staff costs or any other costs already declared for another item. Furthermore, rent costs, heating, electricity, water and other rental charges usually borne by the partnership organisations together with costs relating to the purchase of office equipment are not accepted in any way.

General expenditure shall be calculated on the basis of an estimate of the actual costs borne by the beneficiary (all the member organisations of the partnership) for the activities concerned. General costs may not exceed a maximum of 7% of the total direct eligible costs of the project.

The costs relating to the acquisition of hardware and equipment, whether by purchase, leasing or rental, shall only be eligible if such acquisition is strictly necessary for the performance of the project.

Whether it is decided to opt for leasing, rental or purchasing of hardware or equipment, that choice must be based on the best value for money method. Member organisations of the partnership must contact several suppliers in order to obtain the most economic terms.

If it is decided to opt for rental or leasing, the cost of any buy-out option at the end of the lease or rental period shall not be eligible.

Where the purchase of hardware and equipment is eligible, installation, maintenance and insurance costs may also be included, limited to the proportional use of the equipment for the project. The whole of the costs for the reference period will be considered as eligible, but adapted according to the percentage of use within the scope of the project.

When the purchase of hardware or equipment is allowed, expenditure is calculated as follows:

- a) for the purpose of calculating depreciation, hardware and equipment shall be

considered as having a life expectancy of three years where the purchase price is more than 1 000 EUR

- b) costs per annum shall be calculated on the basis of a depreciation factor of 33.33%, but will be adjusted to the percentage use in the project concerned. For instance, the allowable cost in year one for a piece of equipment worth 10 000 EUR, which is used 50 % for the project, amounts to 1 666 EUR:

$$10\,000 \times 33.33\% \times 50\% = 1\,666 \text{ EUR.}$$

In the second year of the project, eligible costs will also be 1 666 EUR if the percentage use of the hardware or equipment remains the same. If the hardware or equipment is not planned to be used for the project in the second year, then no cost will be eligible (depreciation or otherwise)

- c) where the total value of the hardware or equipment does not exceed 1 000 EUR, then the full purchase value shall be allowed as eligible expenditure for the relevant year, adjusted to the percentage use in the project concerned
- d) depreciation or purchase costs will not be eligible if the hardware or equipment was purchased prior to the start of the period of eligible expenditure indicated in the contract, except in the cases of renewed projects where the depreciation costs were allowed as eligible expenditure for the previous contractual year.

Distribution costs in respect of products and dissemination tools should be included under “production, information and dissemination costs”.

Travel, accommodation and subsistence costs

Only travel directly related to the project and concerning precise activities, which must be clearly identifiable, shall be funded.

Travel and insurance costs are based on the actual costs incurred. The most economical fares must be used. Several travel agencies should be contacted in order to obtain the best possible prices.

Rail travel (first class if the participant prefers and if allowed by its institution) must be used for journeys of up to 400 kilometres, except in an emergency or where a sea crossing is involved.

For journeys of more than 400 kilometres (or less where a sea crossing is involved or in an emergency), air travel may be used. Apex tickets or special fares must be used as far as possible. Air travel costs higher than an economy class fare are not allowed.

In the case of travel by car, these costs shall be eligible but shall be calculated according to the following conditions:

- a) in the case of a private car or taxi: the amount to be considered eligible shall be

limited to the cost of one equivalent first class rail fare (regardless of how many people are travelling in the car). Taxis will only be reimbursed for transfers to airports or stations in the case of early departures (before 08.00 hours by rail and 09.00 by air) and/or late returns (after 22.00 by air and 23.00 by rail), up to a limit of 22 Euro (airport) and 10 Euro (station).

- b) in the case of a hired car (class A except where more than two persons are travelling, in which case maximum class B may be used), the actual costs shall be applied. However, a hired car may only be used if no other suitable transport is available.

Travel insurance cost shall be eligible.

Travel costs incurred outside of the eligible countries participating in the call for proposals: DG EAC/26/04 are not eligible. However in exceptional and duly justified circumstances, the Commission may authorise such expenditure.

Accommodation and subsistence costs shall be eligible provided:

- they are indispensable and reasonable taking into consideration the place of the stay
- they are calculated in accordance with the internal regulations of the partner concerned
- they do not exceed the maximum amounts per person (detailed in the table below):

Country	Maximum in EUR	Country	Maximum in EUR
BE Belgium	150	IS Iceland	183
DK Denmark	179	LI Liechtenstein	174
DE Germany	127	NO Norway	171
GR Greece	113	BG Bulgaria	157
ES Spain	141	CZ Czech Republic	214
FR France	130	EE Estonia	129
IE Ireland	165	CY Cyprus	100
IT Italy	130	LV Latvia	174
LU Luxembourg	143	LT Lithuania	126
NL The Netherlands	148	HU Hungary	136
AT Austria	122	MT Malta	86
PT Portugal	143	PL Poland	227
FI Finland	156	RO Romania	185
SE Sweden	157	SI Slovenia	148
UK United Kingdom	199	SK Slovakia	164

The amounts specified in this table include all costs associated with the stay in the country concerned. If there is no overnight stay, the amounts are reduced by 50%.

Provided these limits are respected, the reimbursement of accommodation and subsistence expenses may be made on an actual or fixed cost basis. However, when the internal regulations of the institution of the person making the journey impose a lower limit than those amounts detailed in the above table, these must be used as a basis of calculation.

All travel/subsistence allowances for participants in conferences or seminars organised as part of the project, they should be entered under “conferences and seminars”.

Conferences and seminars

“Conferences and seminars costs” include all expenditure on conferences, seminars or symposia which form part of the project.

The terms of “Travel, accommodation and subsistence costs” also apply to the item "Travel expenses of conference participants/speakers" and "Subsistence (accommodation and meals expenses for conference participants/speakers)" under “Conferences and seminars”.

For interpretation costs the maximum eligible rate is EURO 650/day/interpreter. A maximum of two interpreters per day per eligible language is acceptable (a maximum of three interpreters if more than six languages are used).

Production, dissemination and information costs

Production, translation, distribution and other dissemination costs can be entered under this budget heading.

For translation costs the maximum eligible rate is 1 EURO/line.

Other costs

The specific nature of certain projects may involve forms of expenditure other than the various types of expenditure generally considered eligible by the Commission and described above. In this case they can be itemised under “other costs” (for instance, charges for financial services directly associated with the proposal like a bank guarantee).