



Annex I to the Guidelines for Applicants and Beneficiaries

DETAILED RULES ON ELIGIBILITY OF EXPENDITURE

1. MAIN PRINCIPLES

1.1. The European Union funding (grant) shall not exceed an overall ceiling expressed as a percentage and an absolute value which is to be established on the basis of estimated eligible costs. The European Union (hereinafter – EU) funding (grant) shall not exceed the eligible costs.

No grant (EU funding) may be awarded retroactively for projects already completed.

1.2. Eligible costs are costs actually incurred and paid by the Lead Beneficiary and beneficiaries¹ (hereinafter referred to as “beneficiary(-ies)”) which meet all of the following criteria:

- (a) they are incurred and paid during the implementation period of the project. In particular:
 - (i) costs relating to services and works shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after end of the implementation period do not meet this requirement; cash transfers between the Lead Beneficiary and the beneficiaries, or between the beneficiaries may not be considered as costs incurred;
 - (ii) an exception is made for costs relating to final reports, including expenditure verification and audit related to preparation of the final report, which shall be incurred within 2 months after the implementation period of the project and before submission of the final report;
 - (iii) an exception is made for costs budgeted in Budget Heading 5 related to preparation of technical documentation for an infrastructure component for the project, which can be incurred before the start of the project but not earlier than 17 December 2015;
 - (iv) an exception is made for costs planned in Budget Heading 5 related to preparation of strong partnerships including costs of travel and subsistence incurred by all project beneficiaries in relation to preparation of the Grant Application Form, which can be incurred and paid after the publication of this Call for Proposals;
 - (v) procedures to award contracts, as referred to in *section 3.4 of the Guidelines for Applicants and Beneficiaries (hereinafter – Guidelines) and Annex II “Detailed Rules on Procurement” to the Guidelines*, may have been initiated and contracts may be concluded by the beneficiary(-ies) before the start of the implementation period of the project, provided the provisions of *section 3.4 of the Guidelines and Annex II “Detailed Rules on Procurement” to the Guidelines* have been respected;
- (b) they are indicated in the project estimated budget;

¹ In case the national legislation requires that the bank account of a beneficiary (e.g. schools, libraries, culture centers, etc.) is managed by an authorised public body, payments from such bank account can be considered as payments made by the beneficiary. In case the public institution’s own co-financing from the country’s national or local public budgetary funds is paid by the State Treasury, or its department, or similar public body according to the national legislation, such payments may be considered as payments made by the respective public institution.

- (c) they are necessary for the project implementation;
- (d) they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the accounting standards and the usual cost accounting practices applicable to the beneficiary;
- (e) they comply with the requirements of applicable tax and legislation on social security payments;
- (f) they are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy², efficiency³ and effectiveness⁴;
- (g) they are supported by invoices or documents of equivalent probative value;
- (h) they are not claimed in this or any other EU co-financed programme or other donor programmes (to avoid double financing);
- (i) they are complying with the rules of the communication and visibility;
- (j) they are complying with the rules of nationality and origin;
- (k) they are complying with the public procurement rules laid down in *the section 3.4 of the Guidelines* and in the *Annex II "Detailed Rules on Procurement" to the Guidelines*;
- (l) they are complying with the applicable national regulations;
- (m) they are proved by expenditure supporting documents.

1.3. Only eligible costs can be taken into account for the Project Budget (hereinafter – budget) and calculation of the EU funding amount. The budget is both a costs estimate and a ceiling for eligible costs.

1.4. The detailed breakdown of the budget shall be provided in the Detailed Budget that is Annex I to the Grant Application Form and the amount of the total costs and budget headings must coincide with the Budget table 1 in the Grant Application Form. This breakdown covers all eligible costs of the project, which consists of EU funding and beneficiaries' co-financing. The rules on eligibility of costs as described in the Guidelines and set in this Annex apply for all the costs planned and reported by the projects.

1.5. The total amount of financing on the basis of lump sums⁵ and flat rate⁶ financing may not exceed EUR 60 000 per beneficiary within project.

Note that the eligible costs must be based on real costs based on supporting documents (except for Budget Heading 5 "Preparation costs" related to preparation of strong partnerships, where the costs are limited to travel and subsistence costs of staff, and Budget Heading 7 "Indirect administrative costs").

1.6. The budget of the project is divided between 6 Budget Headings and further detailed into Budget Items.

1.7. The detailed requirements for costs which can be included into the budget as eligible are described below under the respective Budget Heading.

² Principle of economy – the beneficiaries must use the resources needed for the achievement of project results in due time, in appropriate quantity and quality and at the best price.

³ Principle of efficiency – the beneficiaries must ensure the best relationship between resources employed and results achieved.

⁴ Principle of effectiveness – the beneficiaries must attain the specific objectives set and achieve the intended results.

⁵ Lump sum – single large payment made all at once, instead of several smaller payments made at regular or infrequent intervals.

⁶ Flat rate – a level of payment that is the same in all cases.

2. BUDGET HEADING 1 “HUMAN RESOURCES”⁷

2.1. The Budget Heading 1 “Human Resources” includes costs of staff of the beneficiaries employed and/or assigned to the project under the following cumulative conditions:

- a) they relate to the costs of activities which the beneficiaries would not carry out if the project was not implemented, and
- b) they must not exceed those normally borne by the beneficiaries unless it is demonstrated that this is essential to carry out the project, and
- c) they relate to actual gross salaries including social security charges and other remuneration-related costs. Eligibility of social security charges is defined by the national legislation and, in case of Belarus, by the legal acts concluded between the EU and Belarus.

2.2. Beneficiaries shall be aware that the EU funding from the Programme is the public funding to the organization aimed at the achievement of the objectives of the project, hence it shall not be considered as the ground for artificial increase of salaries or salary-related payments.

2.3. Staff costs of the beneficiaries are counted as gross salaries including social security and pension contributions and health insurance as well as other related costs (e.g. compensation for unused holidays⁸) as required by national legislation in the country of the beneficiary. Income taxes from gross salaries are eligible costs only for Lithuanian and Latvian beneficiaries.

2.4. The following costs are not considered as staff costs and cannot be included under the Budget Heading 1:

- a) daily allowances and any other travel and accommodation costs;
- b) costs related to contracting of external experts’ services, including contracting agreements regulated by civil law (“гражданско-правовые договора подряда”, “paslaugų sutartys“, “uzņēmuma līgums“, etc.);
- c) overheads and any other office and administrative expenditure.

General principles of costs under the Budget Heading 1 “Human Resources”

2.5. The policy of employment of staff in Latvian, Lithuanian and Belarusian beneficiary organisations, the documentary evidence and the rules of calculation of salaries shall correspond to the national labour legislation or with other arrangements for public servants according to the national legislation.

2.6. Staff costs shall be calculated only on the basis of real costs. “Real costs” mean that staff costs are actually paid out based on pay slips or documents of equivalent probative value.

2.7. Each beneficiary must involve its staff in the implementation of the project (assigned and/or employed as it is described under *the section “Staff cost calculation on real costs basis” of this Annex I*). The Lead Beneficiary has to allocate or employ a project manager and a financial manager for the project who are employed as regular staff in the Lead Beneficiary’s organisation. Each beneficiary must allocate or employ a local coordinator, who is the contact person with the project manager, and a local accountant, who is responsible for book-keeping and financial management of the project in the partner organisation. These local coordinator and local accountant shall be as regular staff in the beneficiary organisation.

2.8. The beneficiaries may involve their staff in implementation of the project or can employ personnel solely for the implementation period of the project under the labour agreements or other arrangements for public servants according to the national legislation.

⁷ Additional requirements for Belarusian beneficiaries might apply in accordance with the legal framework for implementation of the cross-border cooperation programmes, established between the European Commission and the Republic of Belarus and other respective documents.

⁸ Regarding the eligibility provisions of holidays and sick leave days, please refer to the sections below.

2.9. The costs of the staff of the beneficiaries assigned to the project shall be in line with the labour agreements or with other arrangements for public servants according to the national legislation.

2.10. Staff costs shall be calculated individually for each employee involved in implementation of the project.

2.11. The gross salaries in each budget item of the approved budget are indicative and estimated maximum amounts. The beneficiaries are not allowed to artificially increase the gross salaries compared to those normally borne by the organisations in order to reach these indicative and estimated maximum amounts. If a new position (full-time or part-time) is created in the organisation solely for implementation of the project, the gross salary rates for this position shall correspond to similar positions and qualifications in this organisation. If the organisation did not employ the staff before the project (e.g. NGO having only voluntary workers), it can create new positions and establish gross salaries which correspond to average rates in the country in the sector, taking into consideration the market situation and national legislation regulating the rates of the salaries. In all cases during development of the project budget the calculation of gross salary rates shall be justified in the Table 2 "Justification of Costs" of Annex I "Detailed Budget" of the Grant Application Form. In case the project is selected for funding, during preparation of the grant contract the clarifications and justifying documents may be requested that could result in reduction of salary rates.

2.12. Employees can be employed by the organisation to work full-time or part-time for the project. In view of that, it is possible to allocate to the project the existing permanent position (full-time), or part of the existing permanent position (part-time), or to create a new position (full-time or part-time) to hire an employee to work specially for the project, based on separate labour agreements or other arrangements for public servants according to the national legislation.

2.13. The cost of staff assigned to the project shall not be considered as contribution in kind but may be considered as a part of 10% co-financing paid by the beneficiaries based on the real costs.

2.14. Work of civil servants assessed in monetary terms may also be attributed to the project in accordance with national legislation of the participating country when paid by the beneficiaries.

2.15. Each person working in the project must fill-in the timesheets in English or national language (Annex XII to the Guidelines), indicating the hours worked and tasks implemented, sign it and get it signed by his/her supervisor at the end of each month. The information in the timesheet should not contradict with the working hours reported in the internal timetable ("darbo laiko apskaitos žiniaraštis (tabelis)" / "darba laika uzskaites tabele" / "табель учета рабочего времени"). The description of tasks in the timesheet must be specific and sufficiently detailed to reflect what concrete tasks were implemented for the project. During expenditure verification process all the timesheets shall be submitted to the beneficiaries' auditors / competent public officers.

2.16. The salaries shall be paid regularly, periodically – at least once a month – and in full according to the time worked, in compliance with the national legislation and conditions of the labour contract/agreement. All the increases of the salary rates shall correspond to the national legislation. It shall be noted that the payment of salaries shall be performed during the implementation period of the project, i.e. the salary for last project month shall be paid out at least on the last working day of the last month of the project implementation.

Note: beneficiaries shall be aware that it is not possible to employ a person in the project, as the project is not a legal person, but in the organisation!

Staff costs for Latvian and Lithuanian beneficiaries

2.17. Staff costs for Latvian and Lithuanian beneficiaries include the employee's total gross remuneration and the employer's charges, i.e. eligible components of staff costs are:

- a) gross salary (fixed in the labour agreement);

- b) costs directly linked to the payment of salary, incurred and paid by the employer such as: employer's taxes, holidays, sick leaves⁹, pension contributions, etc. provided they are in line with the national legislation and with the employment policy of the beneficiary's organisation.

Staff costs for Belarusian beneficiaries

2.18. Staff costs for Belarusian beneficiaries include the employee's total calculated salary ("начисленная зарплата") with certain exceptions (description provided below in the section "Non-eligible salary related costs"), and the employer's charges, i.e. eligible components of staff costs are:

- a) Basic salary ("оклад") for the position, consisting of tariff basic salary ("тарифный оклад") as it is established in the List of staff members (согласно "штатного расписания") and obligatory extra payments according to the national legal acts, e.g. for long duration of work in the sector ("за стаж"), in accordance with the Decree of the President of the Republic of Belarus Nr. 29 of 26 July 1999 (and subsequent amendments, if applicable), etc.;
- b) Obligatory surcharges ("надбавки") and some of the obligatory additional payments ("доплаты") according to the national legislation, e.g. for qualification category, for complex and tense character of labour, for academic degree, for command of foreign languages, for management of the organization, etc. Exceptions when obligatory surcharges and obligatory additional payments are ineligible are given below in the section 2.26 "Non-eligible salary related costs";
- c) Premiums/bonuses awarded by the employer according to the internal documents such as collective agreements or regulations on award of premiums. For the purpose of planning the project budget, the average amount of such premiums for the last 6 months before the month of the launch of the call for proposals shall be counted;
- d) Costs directly linked to the payment of salary, incurred and paid by the employer such as: holidays, sick leaves provided they are in line with the national legislation and with the employment policy of the beneficiary's organisation.
- e) Employer's charges:
 - i) payment for the employee to the social security fund (Фонд социальной защиты населения);
 - ii) payment for the employee for obligatory insurance against accidents at work to the "BelGosStrakh";
 - iii) payment by the employee to the pension fund according to the national legislation.

2.19. Staff costs or a corresponding part of the gross salary costs for Belarusian beneficiaries shall be fully in line with national legislation, in particular:

- a) there shall be respective order/decision to employ a person to a position in the beneficiary's organization;
- b) the position allocated to the project on part-time or full-time basis shall be indicated in the *List of staff members* ("штатное расписание") for the whole organisation of the beneficiary. The currency in which the salary is denominated and the method of calculation shall be in line with the national labour legislation;
- c) the labour agreement shall contain necessary information requested by the *Labour Code of the Republic of Belarus*, the labour agreement shall correspond to the templates provided for by the national legislation, the name of the position in the labour agreement shall correspond to the National classification reference books ("Общероссийский классификатор") according to the national legislation. The currency in which the salary is denominated in the labour agreements shall be in line with the national labour legislation;

⁹ See footnote 8.

- d) the beneficiary shall have and keep the documents proving the calculation of the real salary, such as: chart of calculation of the working time for each month worked (“табель учета рабочего времени”) or equivalent according to the national legislation, salary payroll for each month worked (“платежная ведомость за каждый проработанный месяц”) or equivalent according to the national legislation, applicable orders or internal legal acts regarding award of premiums. Salary payrolls shall be denominated in national currency;
- e) the beneficiary shall have and keep documents proving actual payment of salaries and social charges by the beneficiary, such as bank transfer or equivalent.

2.20. Any share of additional payments (e.g. bonuses, premiums) can only be assigned to the project in case either a part or a whole position is assigned to the project.

2.21. The share of additional payments (bonuses, premiums) assigned to the project shall be proportionate to the percentage of time allocated by the employee for the project, e.g. only 50% of premiums can be assigned to the project if only 50% of the employee’s working time in the position is allocated to the project.

2.22. Award of any additional bonuses, premiums or other payments which have never been paid to the employee previously (in case of assignment of part of the existing position to the project) shall be justified.

2.23. The salaries, additional payments (bonuses, premiums) shall correspond to the usual levels paid in the organization. Participation in the implementation of the project alone is not the ground for additional bonuses, premiums, or for increase of the usual rates of the salaries, bonuses, premiums.

2.24. Additional payments, bonuses, premiums awarded to the employee shall always be clearly provided for in the labour agreement, or in the organisation’s collective agreement, or in the organisation’s internal Regulation on award of premiums, bonuses or in equivalent document according to the national legislation.

Non-eligible salary related costs

2.25. The following costs related to salaries *for Latvian and Lithuanian beneficiaries* cannot be treated as eligible:

- a) voluntary health insurance or pension contribution, additional to those fixed in the national legislation;
- b) any additional payments to the staff working for the project which are not based on the regular labour agreement conditions (bonuses, premiums);
- c) severance pay;
- d) additional payments for overtime work;
- e) payments for work at weekends or during public holidays, unless indicated in the project description or the need appeared during the implementation of the project activities.

2.26. The following costs related to salaries *for Belarusian beneficiaries* cannot be treated as eligible:

- a) voluntary health insurance or pension contribution additional to those fixed in the national legislation;
- b) additional payments for implementation of tasks not related to the project, e.g. payment for combining two positions within one labour agreement (“дополнительная оплата за совмещение должностей на основании лишь одного трудового договора”), active research activity, payment for substitution of a missing employee, etc;
- c) severance pay;
- d) additional payments for overtime work;
- e) payments for work at weekends or during holidays, unless indicated in the project description or the need appeared during the implementation of the project activities;
- f) in all cases – income tax.

Staff cost calculation on real costs basis

2.27. There are four options to calculate staff costs on real costs basis. One or more options can be selected by

project beneficiaries for the employees of the project. If during implementation period of the project involvement rate for the staff has been changed, the request for amendments has to be submitted to the JTS.

Option 1: full-time assignment of the existing position in the beneficiary's organisation to the project

2.28. Option 1 “full-time assignment of the existing position in the beneficiary’s organization to the project” refers to the position which has existed before the project (e.g. permanent position), exists during the project and will be existing after the closure of the project in the beneficiary’s organisation, hence the salary and employment costs for this position are normally and regularly paid by the respective beneficiary from its own resources. In view of that, such positions may be financed only as the beneficiary’s own co-financing to the project; implementation of the project shall not result in any increase of salary and/ or any additional income/ additional payments for a person working in this position.

2.29. Full-time assignment (Option 1) shall be seen as rather exceptional and will be allowed only for particularly complex projects or projects involving labour-intense activities implemented throughout the whole project cycle. The gross employment cost of the permanent employee of the beneficiary’s institution shall be fully eligible if the employee dedicates 100 % of his/her working time to the project.

Example of full-time assignment (Option1):

- total monthly gross salary of employee A working in a position of “project manager” together with employer’s charges is 1000 EUR;
- percentage of time worked monthly for the project is 100 %;
- eligible staff costs for the employee A are 1000 EUR.

Option 2: part-time assignment of the existing position in the beneficiary's organisation to the project on a fixed percentage of time per month

2.30. Option 2 “part-time assignment of the existing position in the beneficiary’s organisation to the project on a fixed percentage of time per month” refers to the position which has existed before the project (e.g. permanent position), exists during the project and will be existing after the closure of the project in the beneficiary’s organisation, hence the salary and employment costs for the 100 % of the working time for this position are normally and regularly paid by the respective beneficiary from its own resources. In view of that, assignment of part of the time in this position to the project may be treated as the beneficiary’s own contribution to the project; implementation of the project shall not result in any increase of salary and/ or any additional income/ additional payments for a person working in this position.

2.31. The method of calculating real salary costs for the Option 2 is to be applied if the staff is not engaged in the project activities on full time basis and employee dedicates a fixed percentage of his/her working time each month to the project. Salaries are calculated according to the existing labour agreements; part of the time worked according to the existing labour agreements is allocated to the project.

2.32. Amount of eligible staff costs for the Option 2 is calculated as follows: the gross employment costs are multiplied by the fixed percentage of time worked on the project. The fixed percentage has to be defined for each staff member as indicated in the project budget and it remains applicable for the entire project duration. Only the time which was actually used for work for the project can be included into the project budget as planned costs and later reported.

Example of part-time assignment with fixed involvement (Option 2):

- total monthly gross salary of employee B working in a position of “project accountant” together with employer’s charges is 1000 EUR;
- Percentage of time worked monthly for the project is 30 %;
- eligible staff costs for the employee B are 300 EUR.

Option 3: part-time assignment of the existing position in the beneficiary's organisation to the project on the flexible number of hours per month

2.33. Option 3 "part-time assignment of the existing position in the beneficiary's organisation to the project on the flexible number of hours per month" refers to the position which has existed before the project (e.g. permanent position), exists during the project and will be existing after the closure of the project in the beneficiary's organisation, hence the salary and employment costs for the 100 % of the working time for this position are normally and regularly paid by the respective beneficiary from its own resources. In view of that, assignment of part of the time in this position to the project may be treated as the beneficiary's own contribution to the project; implementation of the project shall not result in any increase of salary and/ or any additional income/additional payments for a person working in this position.

2.34. The method of calculating real salary costs for the Option 3 is to be applied if employee dedicates a flexible share of his/her working time (number of hours) to the project.

2.35. Amount of eligible staff costs for the Option 3 is calculated as follows: the gross employment costs (incl. employer's social charges) for the month related are multiplied with a number of hours worked for the project for the related month (worked hours vary for each month).

2.36. The gross hourly rate may be fixed in the labour agreement, in this case the eligible amount of staff costs is calculated by multiplying fixed hourly rate by the time worked during this month. Alternatively, if only monthly salary is indicated in the labour agreement, the hourly rate is calculated by dividing the documented monthly gross employment cost for the reported month worked by annual average of working hours or dividing the monthly gross employment cost by the monthly working time fixed in the labour agreement expressed in hours. Only the time which was actually used for work in the project can be included into the project costs.

Example of part-time assignment with flexible involvement (Option 3):

- total monthly gross salary of employee C working for the position of "procurement specialist" together with employer's charges is 1000 EUR;
- gross hourly rate for employee C is $1000/168$ (average number of hours per month) = EUR 5,95;
- employee C in e.g. July worked for the project 10 hours; eligible gross staff costs for the employee C for July are $5,95 \times 10 = 59,50$ EUR.

Option 4: a person is employed full-time or part-time by the beneficiary's organisation to work exclusively for a project

2.37. Option 4 "a person is employed full-time or part-time by the beneficiary's organisation to work exclusively for a project" involves creation of a full-time or part-time position in the beneficiary's organization exclusively for implementation of the project. This position has not existed before the project, it will exist only during the project. The gross salary, including employer's charges for this position can be financed by the respective beneficiary's own co-financing, or by EU funding from the Programme, or by the both of these financial sources.

- *Example of full-time or part-time employment (Option 4):* the employee D was employed for the position of "project coordinator" on a part-time basis for 50 % involvement (together with employer's charges) with the gross salary for 500 EUR;
- eligible staff costs for the employee D are 500 EUR.

2.38. In case an employee is employed on an hourly basis and dedicates a certain number of hours to work on the project, the eligible amount of staff costs is calculated on the basis of an hourly rate fixed in the labour agreement. The eligible amount of staff costs for the Option 4 is calculated as follows: the hourly rate fixed in the

labour agreement is multiplied by the number of hours actually worked for the project based on a working time registration system.

Example of employment on an hourly basis (Option 4):

- gross hourly rate of the employee E working as “project manager” fixed in the labour agreement together with employer’s charges is 21 EUR;
- employee E in e.g. July worked for the project 20 hours;
- eligible gross staff costs for the employee E for July are 20x21 = 420 EUR.

2.39. Staff costs related to payments for holidays or sick leave days which are paid by the employer are eligible under the Option 1 and Option 4.

Table 1. The following main documents which shall be available for justification of costs:

	Documents	Option 1	Option 2	Option 3	Option 4
No.	For Latvian and Lithuanian beneficiaries				
1.	labour agreement	✓	✓	✓	✓
2.	employer’s order/internal document regarding creation of the new position, with indication of sources of financing and period during which the position will exist				✓
3.	appointment order	✓	✓	✓	✓
4.	document clearly showing that the employee works 100 % of the time on the project (it can be a labour agreement and/or other document issued by the employer like appointment decision or other equivalent probative value)	✓			
5.	a document setting out the percentage of time to be worked on the project (it can be the labour agreement and/or other document or an order issued by the employer, clearly identifying the fixed percentage of monthly time dedicated to the project (if fixed percentage is not specified in the employment document)		✓		
6.	a document setting out the number of hours to be worked on the project (it can be the labour agreement and/or other document or an order issued by the employer, clearly identifying the indicative number of hours dedicated to the project)			✓	
7.	job description showing that the employee works exclusively for the project, providing information on responsibilities related to the project	✓			✓
8.	job description providing information on responsibilities related to the project		✓	✓	
9.	documents identifying the real salary costs (gross salary and employer’s charges, including taxes) for the employee (pay slips or other documents of equivalent probative value) for each month	✓			✓
10.	document identifying the real salary costs (gross salary and employer’s charges, including taxes) for the employee (pay slips or other documents of equivalent probative value) and the amounts of staff costs allocated to the project for each month for each position		✓	✓	
11.	proof of payment of salaries and the employer’s charges.	✓	✓	✓	✓
12.	documents that justify holiday pay and sickness leave payments including calculation of them	✓			✓
	For Belarusian beneficiaries				
1.	labour agreement for the main position, or for internal or external combining of two positions (“трудовой контракт, трудовой договор по основному месту работы, либо трудовой договор по внутреннему или внешнему совместительству”) with indication of the working time/workload in the organization. Number of hours worked under labour	✓	✓	✓	✓

	agreement for internal or external combining of two positions shall not exceed the national norms (half of maximum amount of hours for the working week)				
2.	a document clearly showing that the employee works 100 % of the time on the project (it can be the employer's decision)	✓			
3.	a document setting out the percentage of time to be worked on the project. It can be an order issued by the employer, clearly identifying the fixed percentage of monthly time dedicated to the project (if fixed percentage is not specified in the labour agreement)		✓		
4.	a document setting out the number of hours to be worked on the project (it can be the labour agreement and/or other document or an order issued by the employer, clearly identifying the number of hours dedicated to the project)			✓	✓
5.	job description (должностные обязанности) showing that the employee works exclusively for the project, providing information on responsibilities related to the project	✓			✓
6.	job description (должностные обязанности) providing information on responsibilities related to the project		✓	✓	
7.	order/decision to employ a person to a position in the organisation (Приказ/распоряжение о трудоустройстве на должность в организации)	✓	✓	✓	✓
9.	the position is indicated in the List of staff members ("штатное расписание всей организации") of the whole organisation	✓	✓	✓	✓
10.	an internal document (e.g. employer's order or equivalent) regarding change of the List of staff members in order to introduce a new position/vacancy				✓
11.	documents proving calculation of real salary – List of staff members with indication of the basic salary for the position ("штатное расписание с указанием должностного оклада"), orders/internal documents regarding payment of additional payments, premiums/bonuses, salary payroll ("платежная ведомость") for each month of work of the employee	✓			✓
12.	document proving calculation of real salary – List of staff members with indication of the basic salary for the position (штатное расписание с указанием должностного оклада), orders/internal documents regarding payment of additional payments, premiums/bonuses, salary payroll (платежная ведомость) for each month of work of the employee and the amounts of staff costs allocated to the project for each month for each position		✓	✓	
13.	proof of payment of salaries and the employer's charges – bank payment order ("платежное поручение"), cash warrant ("расходный кассовый ордер")	✓	✓	✓	✓
14.	documents that justify holiday pays and sickness leave payments including calculation of them	✓			✓

3. BUDGET HEADING 2 "TRAVEL AND ACCOMMODATION COSTS"

3.1. The Budget Heading 2 "Travel and Accommodation costs" concerns travel (i.e., tickets, travel and car insurance, car rent, bus rent, fuel, toll, parking fees, etc.), accommodation, visa expenditures, subsistence costs¹⁰ of employees of the beneficiary's organisation listed in the Budget Heading 1 and participants taking part in the project events described in the Project Description (prepared on a basis of Grant Application Form).

¹⁰ Subsistence costs rates are calculated as costs of accommodation and local transport within the place of travel and daily allowances. Subsistence costs are paid for the travels abroad and within the home country of the beneficiary requiring an overnight stay.

3.2. The costs under this Budget Heading shall not exceed both the costs normally paid by the beneficiaries according to their rules and regulations, national legislation, and the *per diems* rates published by the European Commission¹¹ at the time of the travel.

3.3. Only travelling to the project events described in the project description and in the budget is eligible. The costs planned under this Budget Heading have to be necessary for project administration (e.g. participation in project meetings, meetings with the Programme bodies, seminars, conferences, etc.) and have a valuable contribution to the implementation of the project and the delivery of the project outputs.

3.4. Travel and accommodation costs for participants of the events (e.g., trainings, conferences, seminars, workshops) can be covered only in case their participation is duly justified, planned in the project and costs planned in the budget.

Note: travel and accommodation costs of external experts/service providers cannot be included under this Budget Heading; they must be foreseen in the Budget Heading 3 “Supplies, external services and other costs”. Meals, e.g. for project group meetings or organisation of activities and events shall be purchased via public procurement procedures from external service providers and shall be included in the Budget Heading 3 “Supplies, external services and other costs”!

3.5. Travel and accommodation costs that are already covered by the subsistence costs, shall not be paid as an addition to the subsistence costs but shall be covered by the subsistence costs. No double funding is allowed!

3.6. Moreover, in cases where an organiser of a meeting/seminar/conference, etc. covers a part of the costs of stay (e.g. by providing meals, transportation or hotel accommodation), the subsistence costs, to which an employee is entitled, shall be reduced according to the requirements set in the national rules or the rules of the beneficiary’s organisation.

General principles of costs under the Budget Heading 2 “Travel and accommodation costs”

3.7. Each beneficiary’s organisation is responsible for ensuring that all applicable EU, Programme, national and internal public procurement rules are respected during procurement of services of external service providers, e.g. for hiring transport and accommodation.

3.8 The following eligibility conditions/requirements for Travel and Accommodation costs shall be met:

- a) costs must be definitely borne by a project beneficiary and in line with the travel and accommodation policy/rules of the project beneficiary. Direct payment by an employee of the beneficiary organization must be supported by a proof of reimbursement from the employer;
- b) choice of transport and accommodation type should be led by effectiveness, cost-efficiency and eco-friendliness (the most economical way of transport should be used, economy class travel on public transport should be chosen);
- c) public transport has priority over private transport (e.g. cars of the beneficiary’s organisation and taxis). The use of taxis, private cars or cars of the beneficiary’s organisation is only allowed in duly justified cases (e.g. if it is verifiably as the most economic means of transport or if it substantially saves time; only costs of fuel and car’s insurance shall be eligible in this case);
- d) the national limits must be observed for covering the travel and accommodation costs and subsistence costs for the employees and participants of events of the beneficiary institution located in that country (but not exceeding the *per diems* rates published by the European Commission);
- e) cancellation costs are eligible only in case of “force majeure”¹² and provided they are finally borne by a project beneficiary.

¹¹ http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm

¹² Force majeure circumstances as defined in the national legislation.

3.9. Travel and accommodation costs related to the events outside the Programme area are eligible according to rules described in section 2.2.2. *“Eligibility of Projects” sub-section c) “Location” of the Guidelines*. Travel and accommodation costs outside the Programme area can be eligible if necessary to reach the project results. In all cases, benefit of such activities to the Programme has to be properly demonstrated and justified. Such activities have to be included in the Grant Application Form and approved Project Description and clearly identified in the approved budget.

3.10. For the beneficiaries located inside the Programme area, all the activities/travels to be performed inside the Programme area, will be assigned to the costs incurred in the Programme area. For the same beneficiaries, the activities/travels to be performed outside the Programme area will be assigned to the costs incurred outside the Programme area, except for the costs for transportation to a destination place located outside the Programme area, which shall be treated as costs incurred inside the Programme area.

Note: Latvian beneficiaries shall plan and allocate amounts in the budget for the travels related to expenditure verification as the functions of auditors will be carried out by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia located outside the Programme area – in Riga!

3.11. The following main documents shall be available for control purposes for the justification of travel and accommodation costs:

- a) internal decision of beneficiary’s organisation on authorizing the travel and (if necessary) accommodation of its employees (e.g. orders);
- b) documents proving that the journey actually took place (a ticket for public transport used together with other evidence of travel i.e. boarding pass (and electronically sent invoice with the reservation number);
- c) public procurement documents if relevant in case of external service providers, e.g. for hiring transport and accommodation;
- d) invitations to the events;
- e) agendas or programmes of the events (meetings, seminars, conferences, etc.), presentations of events;
- f) proof of participation (e.g. signed participation lists for each day of the event or similar);
- g) photos of the public events;
- h) contracts and invoices/bills, etc. for transport costs (e.g. for the rent of the vehicle and fuel used for travel);
- i) insurance documents;
- j) passport page with visa and originals of payment documents for visa processing;
- k) proof of reimbursement by the employer to the employee;
- l) internal order on use of the car for the project, in case of using beneficiary organisation’s car or private car;
- m) report on mileage/petrol and documents that set out the average consumption;
- n) payment documents (payment orders, bank print-outs, receipts);
- o) other documents required by the internal rules of the beneficiary’s institution (i.e. travel reports).

4. BUDGET HEADING 3 “SUPPLIES, EXTERNAL SERVICES AND OTHER COSTS”

4.1. The Budget Heading 3 “Supplies, external services and other costs” includes costs for external service/expertise provider(s) - i.e. legal body or natural person other than beneficiary’s organisation, that is subcontracted via tender procedure to carry out certain tasks/activities linked to delivery of the project results.

4.2. Beneficiary cannot subcontract staff member of its own organization or staff member of other beneficiary, or other beneficiary (legal body) as service provider. If a beneficiary cannot implement a certain task, the task may

be reallocated to another project beneficiary or be purchased via public procurement procedure as an external service.

4.3. External experts or other service providers (i.e. freelancers, translators) cannot be subcontracted on a basis of a labour contract.

Note: Lithuanian and Belarusian beneficiaries shall subcontract services for expenditure verification. The costs for expenditure verification shall be indicated in this Budget Heading!

4.4. Eligible components of supplies, external services and other costs are:

- a) studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- b) translations;
- c) IT services related to development, modifications and updates of existing websites;
- d) promotion, communication, publicity or information linked to the project;
- e) financial management, project management in justified cases (justification shall be provided in the section “Justification of the costs” of the Grant Application Form);
- f) services related to the organisation and implementation of events, trainings or meetings (including rent of premises, catering, interpretation, printing of materials, etc.);
- g) participation in events (e.g. registration fees);
- h) supplies needed for organisation of large events (e.g. conferences, etc.), e.g. purchase of office consumables which are related to the project events and cannot be planned under the Budget Heading 7 “Indirect administrative costs”;
- i) supervision of works, author’s/ project supervision of the objects listed under the Budget Heading 4 “Works and long-term investments”;
- j) supplies of goods which fall under the scope of short-term investments¹³ definition and are related to the project activities, e.g. sport equipment such as balls, outfits, promotion items, etc.;
- k) bank transfers needed for project implementation;
- l) other specific expertise and services needed for project.

4.5. Full subcontracting of the management staff of the project is not allowed. The maximum amount for subcontracting of external service providers for financial and project management and similar services shall be limited to the average remuneration in the sector of economy in the country where project beneficiary is located.

4.6. Travel and accommodation costs for external service providers (external experts, speakers) should be included in their contracts and cannot be budgeted under Budget Heading 2 “Travel and accommodation”.

4.7. In Belarus, subcontracting of Temporary Scientific Teams (“Временные научные коллективы”) is not allowed.

General principles of costs under the Budget Heading 3 “Supplies, external services and other costs”

4.8. External expertise and service costs have to be connected to the implementation of certain project tasks that cannot be carried out by the project beneficiaries themselves and therefore are outsourced to external service providers.

4.9. The work by external experts and service providers must be essential to the project and have to be linked to activities foreseen in the project description.

4.10. Each beneficiary’s organisation is responsible for ensuring that all applicable EU, Programme, national and internal public procurement rules are respected. Even below EU thresholds, contracts with external providers

¹³ Short-term investments are part of the account in the current assets section of a company's balance sheet. This account contains any investments that a company has made that is expected to be converted into cash within one year. For the most part, these accounts contain stocks and bonds that can be liquidated fairly quickly.

must comply with the principles of transparency, non-discrimination, equal treatment, cost efficiency and effective competition.

4.11. The following main documents shall have to be available for justification of costs:

- a) public procurement documents;
- b) contracts or other written agreements of equivalent probative value laying down the services to be provided with a clear link to the project; any change to the contract must comply with the public procurement rules and must be sufficiently documented;
- c) list of participants signed for each day, in case of events;
- d) photos from public events;
- e) proofs of respect of visibility requirements for outputs, materials, equipment;
- f) copies of a promotional materials (e.g. leaflet, poster, brochure, folder, inserts to newspapers or magazines, press advertisement promoting a project) and in case of large promotional/ information materials, photographs of these materials, of which at least one shows the proper marking of materials;
- g) records of broadcasts on TV or on the radio which advertises the project or, if not available, a written statement of the broadcaster confirming the date, hour, duration and place of the broadcast;
- h) outputs of the work of external experts or service deliverables;
- i) certificates/attestation of a completed course/training;
- j) registers of authors/ project supervision;
- k) delivery or service acceptance acts;
- l) invoices from suppliers of goods and services providing all relevant information in line with the applicable accountancy rules;
- m) waybills;
- n) payment documents (payment orders, bank statements, receipts, etc.).

5. BUDGET HEADING 4 “WORKS AND LONG-TERM INVESTMENTS”

5.1. In the Budget Heading 4 “Works and long-term investments” the following costs must be listed:

- a) costs of works related to site preparation (e.g. clearing of vegetation, removal of the surface soil layer, demolition works, management of construction waste, etc.), construction, renovation, restoration, modernisation, delivery and installation of infrastructure, other costs necessary to the implementation of construction works;
- b) costs of purchase equipment specifically for the purpose of the project as well the costs of services linked to the transportation and installation, if these costs do not fall into the scope of any other Budget Heading. Eligible components of this type of long-term investments¹⁴ costs are:
 - i) office equipment;
 - ii) IT hardware and software;
 - iii) furniture and fittings;
 - iv) laboratory equipment;
 - v) machines and instruments;
 - vi) tools or devices;
 - vii) vehicles, when special transport (fire brigade cars, ambulances, etc.) is necessary to reach project results and ensure its durability;
 - viii) other specific equipment necessary for the project which falls into the long-term investment definition and is necessary to reach project results.

¹⁴ An account on the asset side of a company's balance sheet that represents the investments that a company intends to hold for more than a year.

- ix) for supplies purchased under a procurement contracts equal or above EUR 100.000 – the certificates of origin issued by competent authorities of the country of origin, in case such requirement was indicated in public procurement documentation and contract.

5.2. As a general rule, all the other indirect infrastructure related costs (e.g. investment supervision, authors/project supervision, etc.) shall be included under other appropriate Budget Headings (e.g. Budget Heading 3 “Supplies, external services and other costs”).

General principles of costs under the Budget Heading 4 “Works and long-term investments”

5.3. General principles related to Works component costs:

- a) full costs of infrastructure and construction works may be eligible under this Budget Heading as far as they are fully justified in the framework of the project activities and the final result of infrastructure and construction works is an output of the project;
- b) works have to be purchased following the public procurement rules set forth in *section 3.4 of the Guidelines, Annex II “Detailed Rules on Procurement”* and each beneficiary organisation is responsible for ensuring that these rules have been respected;

5.4. General principles related to Long-term investments (equipment) component costs:

- a) purchase cost of equipment is eligible, if it is used solely for the purpose of the project or the target group in line with objectives of the project;
- b) costs of equipment are not included under any other Budget Heading;
- c) equipment cannot be purchased, rented from another project beneficiary or the employee of beneficiary’s organisation or the company owned by the employee of the beneficiary’s organisation;
- d) equipment has to be purchased following the public procurement rules set forth in *section 3.4 of the Guidelines, Annex II “Detailed Rules on Procurement”* and each beneficiary organisation is responsible for ensuring that these rules have been respected;
- e) used equipment, which have been previously financed by EU funding, cannot be purchased;
- f) the costs of regular warranty and/or after-sales service for the purchased equipment and works shall be included into the price of the respective equipment and works; additional, commercial warranty and after-sales service are not supported by the Programme.

5.5. Any project including an infrastructure component shall repay the EU contribution if, within five years of the project closure, it is subject to a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives. Sums unduly paid in respect of the project shall be recovered by the MA (hereinafter – Managing Authority) in proportion to the period for which the requirement has not been fulfilled, i.e. the purpose and ownership of the infrastructure cannot be changed for at least 5 (five) years after reception of the payment of the balance from MA.

5.6. Presentation of a valid proof of commissioning into exploitation and registration according to the national legislation, if commissioning into exploitation is required by the national legislation, or acceptance as current renovation according to the national legislation is a necessary requirement to consider the whole cost of works as eligible for EU financing.

5.7. Reserves in construction can be reallocated to other items within the Budget Heading 4 in accordance with the requirements set in the Guidelines, Section 3.6 *Introduction of amendments to the project*.

Note: reserves in construction cannot be reallocated from the Budget Heading 4 to any other Budget Heading.

- 5.8. The following main documents shall have to be available for control purposes for the justification of costs:
- a) public procurement documents;
 - b) contracts laying down the infrastructure and works to be provided, with clear reference to the project;
 - c) contract for the delivery of the equipment, contract for implementation of works;
 - d) technical documentation for construction works;
 - e) invoices from contractor for works or a supporting document having equivalent probative value to invoices, providing all relevant information in line with the applicable national accountancy rules;
 - f) invoice from suppliers or a supporting document having equivalent probative value to invoices, providing all relevant information in line with the applicable national accountancy rules;
 - g) documents proving services provided, works done, delivery acceptance acts, exploitation/commissioning acts for works, acceptance acts for works, registration of the constructed object in the national registers according to national legislation;
 - h) delivery acceptance acts;
 - i) photos of infrastructure objects with proofs of conformity with the communication requirements;
 - j) photos of installed equipment with proofs of fulfilled communication requirements, etc.;
 - k) declaration on infrastructure sustainability for 5 years;
 - l) payment documents (payment orders, bank statements, etc.);
 - m) for supplies purchased under a procurement contracts for works or equipment equal or above EUR 100.000 – the certificates of origin issued by competent authorities of the country of origin, in case such requirement was indicated in public procurement documentation and contract.

6. BUDGET HEADING 5 “PREPARATION COSTS”

6.1. Either costs related to technical documentation and studies which are required by the Programme rules and national legislation for an infrastructure component for the project **or** costs for the preparation of strong partnerships including costs of travel and subsistence incurred by all project beneficiaries in relation to preparation of the Grant Application Form can be budgeted in this Budget Heading. These costs have to be foreseen in the Grant Application Form.

6.2. General principles of Budget Heading 5 “Preparation costs” for costs related to preparation of strong partnerships:

- a) costs are incurred and paid after the publication of this Call for Proposals;
- b) costs are limited to travel and subsistence costs of staff employed by the beneficiaries;
- c) costs shall not exceed the maximum amount fixed at the Programme level – in total EUR 2 000 per project;
- d) costs for preparation of strong partnerships will be reimbursed as lump sum only for those applications which are selected for funding, signed the grant contracts and reported these costs in the first progress report.

6.3. General principles of the Budget Heading 5 “Preparation costs” for costs related to technical documentation and studies which are required by the Programme rules and national legislation for an infrastructure component for the project:

- a) costs were incurred and paid before the start of the project but not earlier than 17 December 2015;
- b) the Programme rules for procurement described in *section 3.4 of the Guidelines* and *Annex II “Detailed Rules on Procurement” to the Guidelines*, as well as the rules on eligibility of expenditures described in *section 2.2.3 sub-section A) point (1) and (2) sub-point a) of the Guidelines* and in this *Annex I to the Guidelines* were followed;
- c) costs will be reimbursed as real costs;

- d) the amount to be reimbursed shall not exceed 5% of the cost of the infrastructure component/object financed by the Programme within the project to which these documents were required;
- e) costs will be reimbursed only for those applications which are selected for funding, sign grant contracts and report these costs in the first progress report.

6.4. The Contracting Authority indicated in the documents confirming rights to the land, the necessary permissions and technical documentation for construction works shall be one of the beneficiaries indicated in the Grant Application Form; otherwise, the beneficiary shall have legal right as well as necessary capacities and qualifications to act as Contracting Authority in case development of the technical documentation for construction was ordered by other entity.

6.5. If the beneficiary fails to commission into exploitation the works, or accept the current renovation works, or register the commissioned/accepted works/object according to the national legislation, or decides to implement works for the new object and correspondingly prepares the new set of technical documentation and studies, the amount of the costs for technical documentation previously reimbursed by the MA shall be repaid to the MA or this amount will be deducted from the payment of the balance.

6.6. For the costs related to technical documentation and studies which are required by the Programme rules and national legislation for projects including an infrastructure component the following documents shall have to be available for control purposes for the justification of costs:

- a) public procurement documents;
- b) contracts;
- c) invoices;
- d) documents proving services provided (e.g. documents developed, copies of publications, agendas, list of participants, minutes, etc. if the service was connected with organization of the events, etc.);
- e) proofs of conformity with the communication requirements;
- f) acceptance acts;
- g) prepared and approved technical documentation;
- h) payment documents (payment orders, bank statements, etc.).

7. BUDGET HEADING 7 "INDIRECT ADMINISTRATIVE COSTS"

7.1. Indirect administrative costs are related to office running for the purposes of the project. Indirect costs are the costs which are not directly related to activities of the project, but are needed for smooth administration of the project (e.g. office rent, utilities (e.g. electricity, heating, water), office supplies, archiving, maintenance, cleaning and current repairs, security, IT systems support and maintenance, communications (e.g. telephone, fax, internet, postal service, business cards), etc.). They are calculated as a flat rate up to 7 % of eligible costs of the Budget Heading 1 according to justified and clear method. Calculation method shall be provided in the Table 2 "Justification of Costs" of Annex I "Detailed Budget" of the Grant Application Form.

7.2. During project implementation indirect administrative costs are eligible if they do not include costs assigned to another Budget Heading and they do not exceed the fixed percentage of the Budget Heading 1 planned in the project budget.

7.3. The amount of indirect administrative costs is calculated as percentage from the total reported and accepted eligible costs of the Budget Heading 1. It shall not exceed the percentage fixed in the Article 3.4 of the Grant Contract. The final amount of indirect administrative costs can be less than indicated in the project budget if planned direct eligible costs under the Budget Heading 1 will not be absorbed in full.

Note: direct administrative costs are not allowed in the project!

8. INELIGIBLE COSTS

8.1. The following costs relating to the implementation of the project shall not be considered eligible:

- a) debts and debt service charges (interest);
- b) provisions for losses or liabilities;
- c) costs declared by the Lead Beneficiary or beneficiary and already financed by the European Union budget;
- d) purchases of land or buildings for an amount exceeding 10 % of the eligible expenditure of the project concerned;
- e) exchange-rate losses (differences between exchange rate required by the Programme and exchange rate of national bank, exchange rate used by beneficiary's bank or other), including bank fees for currency exchange;
- f) duties, taxes and charges, including VAT, except where non-recoverable under the relevant national tax legislation, unless otherwise provided in appropriate provisions negotiated with Belarus;
- g) loans to third parties;
- h) fines, financial penalties and expenses of litigation;
- i) contributions in kind, which are defined as any provision of non-financial resources free of charge by a third party;
- j) costs related to activities falling under State aid rules;
- k) depreciation costs;
- l) costs of subcontracting project beneficiaries or employees of project beneficiary.