



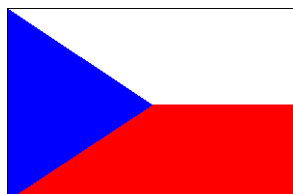
EEA AND NORWAY GRANTS 2009 - 2014

**GUIDELINES
OF THE NATIONAL FOCAL POINT**

**ON ELIGIBLE EXPENDITURES
EEA AND NORWAY GRANTS 2009 - 2014**

Valid from: 20 August 2013

Ministry of Finance



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LIST OF ABBREVIATIONS

CR	Czech Republic
CZK	Czech crown
ECB	European Central Bank
EEA	European Economic Area
EC	European Commission
EFTA	European Free Trade Association
EU	European Union
FM 2	EEA/Norway Financial Mechanisms 2009-2014
FMO	Financial Mechanism Office
PP	Project Promoter
MF	Ministry of Finance
SGS	Small grant scheme
MFTKC	Methodology of Financial Flows, Control and Certification of Programmes Financed by the EEA/Norway FM in the 2009 - 2014 Programme Period
MLSA	Ministry of Labour and Social Affairs
MEYS	Ministry of Education, Youth and Sports
NMFA	Norwegian Ministry of Foreign Affairs
NFP	National Focal Point
PDP	Pre-defined project
FMC	EEA Financial Mechanism Committee
SSPC	Public procurement of small scale
AIT	Act on income tax
PO	Programme Operator

DEFINITION OF TERMS

Audit Authority – a national public entity, functionally independent of the National Focal Point, and the Programme Operator, designated by the Beneficiary State and responsible for verifying the effective functioning of the management and control systems

Certifying Authority – a national public entity, functionally independent of the National Focal Point, the Audit Authority and the Programme Operator, designated by the Beneficiary State to certify financial information;

Programme Agreement – an agreement concluded between the EEA Financial Mechanism Committee/Norwegian Ministry of Financial Affairs and the National Focal Point, awarding funding for the programme and regulating the implementation of a given programme;

Financial Mechanism Office (hereinafter referred to as the “FMO”) – the office assisting the EEA Financial Mechanism Committee and the Norwegian Ministry of Foreign Affairs in managing the EEA and Norway Grants 2009-2014.

Project promoter (hereinafter referred to as “PP”) – a public or private entity, commercial or non-commercial, as well as non-governmental organisation, awarded a grant from the EEA/Norway Grants 2009-2014, based on his/her submitted and approved application.

Project promoter of an initiative from a Bilateral Fund (hereinafter referred to as “PP”) – a public or private entity, commercial or non-commercial, as well as non-governmental organisation, authorised to participate in a Fund for bilateral relations at a national level, or a Fund for bilateral relations at a programme level in the relevant programme and which has been awarded a grant.

National Focal Point (hereinafter referred to as “NFP”) – a national public entity designated by the Beneficiary State as a body responsible for achieving the objectives of the EEA/Norwegian Financial Mechanisms 2009-2014 and implementation of Memoranda of Understanding;

Regulation on the implementation of the EEA/Norway Financial Mechanism 2009 - 2014 (hereinafter referred to as the “Regulation”) – general rules for the EEA/Norway Financial Mechanism 2009-2014;

Non-governmental organisation (hereinafter referred to as “NGO”) – a non-profit voluntary organisation established as a legal entity, having a non-commercial purpose, independent of local, regional and central government, public entities, political parties and commercial organisations¹. Religious institutions and political parties are not considered NGOs;

Programme partner – a public entity, actively involved in programme implementation and effectively contributing to its implementation on the basis of a Partnership Agreement;

Project/initiative partner (hereinafter referred to as “Partner”) – a public or private entity, commercial or non-commercial, named in the approved grant application and actively involved in the implementation of a project/initiative;

Fund Provider – this includes the following entities: FMC/NMFA, NFP, Operator of a Programme/SGS/Fund for Bilateral Relations at a national or a programme level

Legal act on grant award – a document, on which basis the grant is provided to the Programme Operator/SGS Operator/Project promoter in accordance with Act No. 218/2000 Coll., on budgetary rules, as amended, and containing the particulars set out in the Methodology of Financial Flows, Control and Certification of Programmes Financed by the EEA/Norway FM in the 2009 - 2014 Programme Period;

¹ In the Czech Republic, civic associations pursuant to Act No. 83/1990 Coll., public service organizations pursuant to Act No. 248/1995 Coll., foundations or foundation funds pursuant to Act No. 227/1997 Coll. may be non-governmental organisations, provided they have no state participation and are not dependent on the state.

Programme – a structure setting out a strategy aimed at achieving an objective through a set of activities. This includes the EEA and Norway Grants 2009-2014, individual programmes approved for implementation by the FMC/NMFA, small grant schemes and the Fund for Bilateral Relations, at the national/programme level.

Project – a comprehensive set of activities implemented on the basis of an approved grant application. This can be a project within a programme, a sub-project within a SGS or an initiative under the Fund for Bilateral Relations at a national or programme level.

Fund Beneficiary – this includes the following entities: the national management structure (NFP, Certifying Authority, Audit Authority), Programme Operator, Programme Partner, Operator of a small grant scheme, Project/Initiative Project promoter, Project/Initiative Partner.

Operator of the Fund for Bilateral Relations at a national or a programme level (hereinafter referred to as “PO”) – a public or private entity, commercial or non-commercial, as well as non-governmental organisation, having the responsibility for preparing and implementing the Fund for Bilateral Relations at a national or a programme level

Small grant scheme Operator (hereinafter referred to as “PO”) – a public or private entity, commercial or non-commercial, as well as non-governmental organisation, having the responsibility for preparing and implementing a small grant scheme within a programme;

Programme Operator (hereinafter referred to as “PO”) – a public or private entity, commercial or non-commercial, as well as non-governmental organisation, having the responsibility for preparing and implementing a programme;

Eligible expenditures – expenditures incurred for the intended purpose and within the period stipulated in the legal acts on grant award, which is in compliance with the Regulation and other rules laid down by the FMC, NMFA, FMO, NFP or PO for a given programme.

INTRODUCTION

The Guidelines for eligible expenditures - EEA and Norway Grants 2009-2014 (hereinafter referred to as the “**Guidelines**”) regulate the rules and procedures governing the eligibility of expenditures for the fund beneficiaries listed below:

- national management structures (NFP, Certifying Authority, Audit Authority)
- programme operators
- programme partners
- SGS operators
- Fund for bilateral relations operators at a national or a programme level
- project/SGS sub-project/initiative promoter
- project/SGS sub-project/initiative partners

The Guidelines are based on following documents, approved by the EEA Financial Mechanism Committee (FMC) and the Norwegian Ministry of Foreign Affairs (MFA):

Manuals and rules approved by the FMC and Norwegian MFA:

- Regulation on the implementation of the Norwegian FM 2009-14;
- Regulation on the implementation of the EEA FM 2009-14;
- Manual for evaluations;
- Manual for NGOs;
- Manual for scholarships;
- Guideline for strengthened bilateral relations

Documentation issued by the Ministry of Finance:

- Methodology of Financial Flows, Control and Certification of Programmes Financed by the EEA/Norway FM in the 2009-2014 Programme Period (hereinafter referred to as the “Methodology”);
- Guidelines of the NFP on Public Procurement of Small Scale - EEA and Norway Grants 2009-2014;
- NFP Guidelines for Calls – Submission and Evaluation of Applications – Grant Award

The version of the Guidelines valid on the day the relevant task related to implementation is carried out is always binding.

More detailed rules on the eligibility of expenditures may be further specified by the Operator of the Programme/SGS/Fund for Bilateral Relations at a national or programme level, but they must comply with the Guidelines.

1. GENERAL PRINCIPLES ON THE ELIGIBILITY OF EXPENDITURES

Expenditures are eligible for reimbursement under the programme/project if they meet the following conditions:

- **Expenditures included in the budget**

Expenditure is eligible if it was listed and approved in the programme/grant application budget. Expenditures which are not included in the programme/grant application budget – are not eligible, even if they meet all the other conditions of eligible expenditures in these Guidelines.

- **Purpose of the expenditures**

The expenditure must be necessary for the implementation of the programme/project and must be directly related to the implementation of the activities of the programme/project and aim to meet programme/project objectives (i.e. it must be spent on items listed in the approved programme²/grant application).

- **Date of the expenditures**

Expenditures are eligible in terms of time if they were incurred and paid within the timeframe set for the implementation of the programme/project as stated in the legal act on the allocation of funds. Eligibility always starts with the approval of the programme/grant application and terminates on the *final date of the eligibility of programme/project expenditures*;

In the case of costs for the preparation of the programme by the Programme Operator/Partner, eligibility starts on the date of designation of the Programme Operator by the National Focal Point, and terminates on the day preceding the date on which the programme is approved.

In the case of costs for CZ01 programmes (Technical Assistance at a national level, Fund for bilateral relations at a national level) expenditures become eligible on the date of signature of the Memorandum of Understanding on the implementation of the EEA Financial Mechanism 2009-2014 and the Memorandum of Understanding on the implementation of the Norway Financial Mechanism 2009-2014 and ends on 31 December 2017, in the case of Technical Assistance at a national level, and 31 October 2017 for the Fund for bilateral relations at a national level.

In the case of depreciation and indirect costs, the date the expenditures is incurred is the date when it is recorded in the accounts.

Exceptional extension of the reimbursement of eligible expenditures:

In exceptional and justified cases, and after approval of the Fund Provider, the reimbursement of project costs may be made up to a maximum of 30 days after the date of eligibility of expenditures laid down in the legal act on the allocation of funds. However, recoverable expenditures must relate to activities implemented prior to the final date for the achievement of the purpose of the programme/project (the deadline by which the programme/project activities must be implemented is laid down in the legal act on the allocation of funds).

- **Records and proof of incurred expenditures**

² In the case of individual programmes, this is the document entitled “Final Programme Proposal”

Costs must be paid, recorded in bank accounts or evidenced by documentation on cash disbursements, must be identifiable and verifiable, in particular through being recorded in the accounting records within the meaning of Section 11 of Act on Accountancy No. 563/1991 Coll., as amended, or by originals of other documents of equivalent evidentiary value.

An exception from the requirement for actual payment is depreciation, where an entry in the accounting of the project promoter will suffice. This entry must be verifiable, documented and auditable.

An exception from the requirement of the verifiability by accounting documents are indirect costs /overheads alias any eligible expenditures that the fund beneficiary cannot directly identify and justify in its accounting system as expenditures incurred in direct relation with direct programme/project costs. Indirect programme/project costs represent a fair apportionment of overall indirect costs incurred by the fund beneficiary. The amount can be determined by a designated method, which is described below and in the MFFCC.

- **Economy, efficiency and effectiveness of expenditures**

Expenditures shall be reasonable (they must correspond to costs usual for the time and place) and shall be incurred in accordance with the following principles:

- economy – minimising costs while respecting the objectives of the programme/project necessary for the implementation of the programme/project
- efficiency – direct links to the project and necessary for the implementation of the programme/project
- effectiveness – maximising the ratio between the outputs and inputs of the programme/project

- **Accounting**

Fund beneficiaries are required to keep accounting or tax records in accordance with the legislation of the Czech Republic. Fund beneficiaries who keep accounts in accordance with Act No. 563/1991 Coll., on accountancy, are required to keep either a separate accounting system or to use a clear code to indicate all transactions related to the programme/project.

Fund beneficiaries who do not keep accounts in accordance with Act No. 563/1991 Coll., on accountancy, are required, in the case of funds received from the FM 2 budget, to keep tax records in accordance with Act No. 586/1992 Coll., on income tax, with the addition of the following requirements, which will be stipulated in the legal act on the allocation of funds, that:

1. the relevant document shall satisfy the requirements prescribed for an accounting record stipulated in Section 11 of Act No. 563/1991 Coll., on accountancy (with the exception of sub-paragraph f);
2. the relevant documents shall be correct, complete, evidentiary, comprehensible and kept chronologically filed in a manner that ensures their durability;
3. during audits, the fund beneficiary will provide the audit authority with tax records in their entirety upon request;
4. revenue and expenses are entered with clear links to the relevant programme/project to which they relate.

Fund beneficiaries shall be able to provide documentation to support every operation during follow-up checks and audits.

Note. Documents with general formulations, such as the text “invoiced for building operations” etc. are insufficient. Documents are always required to indicate the purpose/specification of the expenditures in relation to the relevant items of the programme/project, with a detailed description contained in the attachment to the invoice.

- **Advance payments to suppliers**

Pro forma invoices received from suppliers are admitted, but do not constitute eligible expenditures. Only billing for advance payments can be claimed as eligible expenditures.

- **Eligibility of expenditures of partners at the programme/project level**

- **Expenditures incurred and paid by partners are eligible subject to the same conditions as expenditures incurred and paid by the project promoter**
- The project promoter is obliged to archive a copy of the accounting documents of its partner and documents evidencing the payment of costs by its partner for a period of 10 years from the 1 January following the year in which the final report on the programme has been approved by the FMC/NMFA through the FMO.
- The project promoter has overall responsibility for the proper and effective use of the funds provided and also has a legal and financial responsibility to its fund provider, based on the legal act on the allocation of funds.
- A supplier-customer relationship is not considered to be a partnership and cannot be used as a means of circumventing public procurement requirements pursuant to Act No. 137/2006 Coll., on public procurement, as amended and the Guidelines of the NFP on Public Procurement of Small Scale - EEA and Norway Grants 2009-2014. **The relationship between the project promoter and its partner must be based on non-commercial principles**, and must be supported by a Partnership Contract/Partnership Agreement. This Agreement/Contract sets out a detailed budget of the partner’s anticipated costs and, inter alia, also regulates financial flows between the project promoter and its partner, i.e. the method of refunding the partner’s costs, procedures for monitoring costs claimed by the partner, matters relating to the use of different currencies and related exchange rate differences (whether these are borne by the project promoter or the partner), liability for damages, archiving of accounting documents evidencing the payment of costs by the partner.
- The Partnership Agreement does not exempt the project promoter from the obligations laid down in the legal act which provides the basis on which funds are provided to the project promoter.
- Only costs actually incurred, i.e. the partner’s costs paid to suppliers and the partner’s costs paid to experts employed by the partner for paid days of work (“person days”) are considered to be eligible expenditures of the partner.
- Proof of expenditures by foreign partners from donor states³ can also be obtained through certified audit reports, which are issued on the basis of audits and controls carried out by independent certified auditors. An audit report must show that the costs comply with the Regulation and the national legislation, as well as accounting practices of the respective donor country (or foreign country).
- Advance payments may be provided by the project promoter to its partner, but it does not constitute eligible expenditure. They can only be accounted for once they have been billed.

³ Foreign institutions listed in the Programme Agreement or the Council of Europe are also considered to be foreign partners from donor states

The amount of the advance payment, the method of its payment and settlement shall be laid down in the Partnership Contract/Partnership Agreement. Billing of advance payment between the PO/Project promoter and the partner shall be described in the Partnership Contract/Partnership Agreement referred to above, and shall be recorded in the accounts of the project promoter.

Methods of refunding partner's costs:

a) The partner shall register and evidence costs and the project promoter shall check them, verify their eligibility and, subsequently, include them as eligible expenditures in the list of documents/payment request, including a certified copy of the accounting record. Since the payment request is issued in the Czech national currency, foreign currency is converted to CZK using the monthly rate of the EU/ECB applicable on the day the expenditures was incurred. After eligible costs have been refunded by the fund provider to the bank account of the project promoter, the project promoter is required to transfer the eligible expenditures claimed by the partner to a bank account established by the partner by a set deadline, or to pay in cash to an authorised representative of the partner (as set out in the Partnership Contract/Partnership Agreement).

b) The partner incurred expenditures, which are then directly/immediately refunded by the project promoter on the basis of a check of the required documents and a verification of their eligibility. These expenditures are then recorded by the project promoter in the relevant list of documents/payment request, including a certified copy of the accounting record (document confirming payment by the project promoter). Foreign currency is converted to CZK using the monthly rate of the EU/ECB applicable on the day the expenditures was incurred. When eligible expenditures are paid by the fund provider, the project promoter will not send funds to its partner.

c) The final beneficiary shall transfer funds to its partner in the form of advance payments in accordance with the conditions laid down in the Partnership Contract/Partnership Agreement, which defines, inter alia, the amount of the advances and the dates of their transfer. The final beneficiary and its partner then follow the procedure set out in paragraph a) above.

d) If the partner is a subsidised organisation funded only by contributions from its founder (in this case the project promoter), the founder (project promoter) shall increase the contribution to the subsidised organisation (partner), which it will use to fund the eligible expenditures in the project and, subsequently, the founder (project promoter) shall record these expenditures in the list of documents/payment request.

In the event this involves normal costs (e.g. air tickets for experts), the project promoter may pay them directly. If the project promoter concluded a contract with the partner in CZK, this will avoid any exchange rate differences.

- **Public Procurement**

When purchasing services, supplies and/or building work, care must always be taken to comply with the Act on Public Procurement No. 137/2006 Coll., the general principles of the Treaty on the Functioning of the EU and with other specific FM 2 rules regulating public procurements, which are laid down in the legal act on the allocation of resources and other implementing documents, e.g. in accordance with the Guidelines of the NFP on Public Procurement of Small Scale - EEA and Norway Grants 2009-2014.

It is possible to initiate and carry out a procurement procedure before a grant is approved, but the scope of the agreement can only be implemented and invoices related to the performance of the subject of a public contract can only be paid once the relevant legal act on the allocation of funds has been issued. This means that a contract may be signed with the winning supplier, but a condition precedent will have to be included in the contract, that the subject of the contract may only be implemented if the grant is approved and a legal act on the allocation of funds is subsequently issued.

A project promoter who receives **over 50% of funds from eligible programme/project expenditures** as a grant from the EEA and Norway Grants must comply with the provisions of Act No. 137/2006 Coll., on public procurement applicable to a public contracting authority (with the exception of those sections relating to protection against misconduct by the contracting authority) when awarding contracts for the project. This obligation also applies to programme/project partners in accordance with the approved programme/project.

2. ELIGIBLE EXPENDITURES

2.1 FACILITIES, EQUIPMENT, BUILDINGS

Costs associated with new buildings or their technical evaluation, the acquisition of immovable assets, the purchase of new equipment or facilities that are material in nature and expenditures on intangible assets are eligible costs, provided the conditions set out in the Regulation are respected.

Terms and conditions for the preservation of property

Facilities, equipment and fixed assets must, until the end of the period of mandatory sustainability of the programme/project (and possibly for a set period after the end of the programme/project, as set out in the legal act on the allocation of funds), must remain in the property evidence of the fund beneficiary and may not be encumbered by third party rights. The property must be used in accordance with the stated purpose of the programme/project.

Unless otherwise specified in the relevant legal act on the allocation of funds, the fund beneficiary shall not sell, or otherwise cede or encumber by third party rights, property acquired under the programme/project during the course of its implementation or during the period stipulated in the legal act on the allocation of funds, without the prior written consent of the fund provider.

2.1.1 Acquisition of movable property

Eligible expenditures include expenditures on the purchase of new or used equipment, which is used directly in connection with the approved programme/project. This property must be recorded in the accounting records and the property evidence of the fund beneficiary in accordance with accounting principles.

If the property is also used for other purposes, which do not directly relate to the objectives of the programme/project, eligible expenditures will only apply to a proportional part of these expenditures. The methodology used for calculation of this portion must be maintained for the entire period of the programme/project (including the final accounts and any audits and the fund beneficiary must be able to document this during, and after completion, of the programme/project).

Expenditures on repairs and maintenance of the property acquired (i.e. repairs relating to property registered as eligible expenditure of the programme/project) is eligible, provided principles of economy are respected, i.e. it must correspond to usual prices for the time and place.

The purchase of vehicles is only considered to be an eligible expenditure in exceptional and duly justified cases.

2.1.2 Acquisition of immovable property

Expenditures for the acquisition of real estate (land and buildings) are eligible if its acquisition is essential for the implementation of the approved project in accordance with the objectives of the area of support, and only if the following conditions are met:

- the purchase price of the property may not represent more than 10% of the total eligible expenditures of the project;
- expenditures on the purchase of land are eligible after the submission of an expert report (which may not have been issued more than 3 months prior to the date on which the grant application was submitted) prepared by an expert in accordance with Act No. 151/1997 Coll., on the valuation of assets, as amended;

- the purchase price for a building, up to the price established by an expert report, which must correspond to the market price in a given location and at a given time, are eligible expenditures;
- the applicant shall submit an affidavit that neither the current or any of the previous owners of the real estate had received funds from any other public source for the purchase of the given real estate during the ten years preceding the submission of the grant application;
- in the case of real estate/land that is recorded in the Land Register, the applicant shall also document proprietary rights through an extract from the Land Register and shall also provide evidence that the given real estate/land is not encumbered by a mortgage or other obligations;
- the real estate/land may not be sold, rented or mortgaged by the project promoter within five years after the completion of the project, unless otherwise stipulated in the legal act on the allocation of funds; this restriction also applies to properties built or renovated using grant funds.

Expenditures on the purchase of real estate are documented by a purchase agreement, a bank statement and a valid extract from the Land Register.

2.1.3 Fixed assets (tangible and intangible) – depreciated

This article does not apply to the CZ 09 programme (Programme Operator MEYS), which is managed by its own internal regulations.

As far as fixed tangible or intangible assets are concerned (assets that have already been depreciated), only tax write-offs are considered as eligible expenditures. For the purposes of eligibility, the entry price, which is the basis for calculating tax depreciation, must be adjusted to ensure it only covers items that are eligible expenditures.

The definition of the terms tangible and intangible assets and their valuation for the purposes of the Act on Income Tax and setting tax depreciations is regulated by Section 26 and Section 32a of the Act on Income Tax No. 586/1992 Coll.

In the case of tangible assets, the given accounting unit has an option of selecting straight-line depreciation (Section 31) or accelerated depreciation (Section 32), in accordance with the applicable legislation. The amortisation period for intangible assets is stipulated in Section 30 and Annex No. 1 to Act No. 586/1992 Coll., as amended.

In the case of intangible assets, the period and manner of depreciation for different types of assets is determined by Section 32a of Act No. 586/1992 Coll., as amended.

The fund beneficiary is not entitled to change the selected method of calculating tax depreciation during the period of depreciation. For the purposes of eligibility, the beneficiary shall apply the selected method of calculating tax depreciation on the entry price of the property containing only eligible expenditures.

Depreciation is only eligible provided the following conditions are met:

- write-offs only apply to the period of implementation of the programme/project, or to the period during which the given property is used for the purposes of the programme/project;

- write-offs only apply to the proportion of the property used for the programme/project (e.g. 50%);
- for write-offs to be eligible, the fund beneficiary must submit an accounting record for the purchase price of the property to be depreciated;
- a write-off for no more than the amount of the pro rata annual depreciation determined in relation to the exact number of months or days during the implementation period of the programme/project or the period during which the property is used for the purposes of the programme/project is considered to be eligible expenditure.

In the case of **non-profit entities/organisations**, which claim depreciation on tangible fixed assets under the programme/project as eligible expenditures and where these tangible fixed assets were acquired using funds from certain public sources, the **entry price of the tangible fixed assets is reduced by the amount of grants previously received:**

- from the state budget,
- from the budgets of municipalities and regions,
- from state funds,
- from regional councils of cohesion regions,
- from funds provided (grants) in accordance with the Act on Support for Research and Development,
- from grants provided by the EU,
- from grants, contributions and aid provided from public budgets and other monetary funds of a foreign state.

The entry price shall be decreased by the amount of this funding from public sources not only in the case of the acquisition of tangible fixed assets, but also in the case of their technical evaluation, even in a case where the property is created internally.

This method will prevent duplicate funding of fixed assets. If the **acquisition of tangible assets is fully financed from one of the public sources referred to above, then** no write-offs will be counted as eligible expenditures because the **entry price will be zero**. In this case, it is obviously unnecessary to investigate the purpose and activities for which the property is used.

Tangible assets that were acquired gratis and should have been subjected to a gift tax and were exempted from that gift tax at the time of their acquisition, are also excluded from depreciation. This therefore means that if a non-profit entity is exempted from gift tax on receipt of a non-monetary donation, it can not register the write-offs calculated in the manner referred to above as eligible expenditures, even if the other conditions for registering write-offs – as eligible expenditures – are met.

Exceptions from depreciation

*In projects where the PO approved an exception from the depreciation of tangible and intangible assets (assets that have been depreciated) in accordance with Article 7.3.1 c) of the Regulation – in the event such assets have been purchased, the eligible project expenditure is the **total purchase price of the assets**.*

*In the case of this exception, the project promoter is **obliged to comply with the following conditions:***

- 1) *The project promoter shall ensure that proprietary rights are maintained for the property purchased for a period of at least 5 years after completion of the project. The property shall be*

- used in accordance with the purpose of the project for a period of at least 5 years after completion of the project.*
- 2) *The project promoter shall ensure that the property is insured against damage caused by fire, theft and other common types of risk insurance⁴ for a period of at least 5 years after completion of the project.*
 - 3) *The project promoter shall ensure proper maintenance of the purchased property, for which an appropriate amount will be allocated annually.*

The conditions listed above shall also be stipulated (and further specified) in the legal act on the basis of which the PO provides funding to the promoter for the implementation of the project.

The PO can only assess and waive the full performance of the conditions listed above if the acquired property can no longer be used to meet the purpose of the project during the period after completion of the project.

For each supported project, the PO is required to create and maintain a list of tangible and intangible assets acquired, to which an exception from the rules on depreciation applies.

2.1.4 Short-term assets – not depreciated

Expenditures for the purchase of equipment and machinery that does not fall under the group of depreciated assets, and expenditures related to its acquisition, are fully used for consumption and are therefore eligible in full, but only if the assets relate to the approved programme/project. Alternatively, expenditures for the purchase of this equipment are refunded to the appropriate amount in relation to the rate it is used for the programme/project.⁵

2.1.5 Consumables and supplies

These are eligible expenditures for office supplies, operating supplies, postage and other expenses, which the fund beneficiary can prove to be essential for the effective implementation of the programme/project, and which can be clearly supported by the relevant accounting records.

2.2 INDIRECT COSTS – OVERHEADS

These represent necessary expenses associated with the implementation of the programme/project, although they cannot be directly connected to a specific activity in the given programme/project. They include office rental, the purchase of water, fuel, energy, cleaning, maintenance, internet charges, telephone and fax charges and the operation of company vehicles.

The method of calculating indirect costs:

a) on the basis of documents from an analytical accounting system, i.e. the basis is actual expenditures directly related to the implementation of the programme/project, determined in relation to the given activities of the programme/project. It must be clearly documented, with the help of impartial and authorised methods, by the fund beneficiary (e.g. a calculation of heat consumed based on the heated areas of offices used for the purpose of the programme/project or according to the amount of time spent by employees working for the programme/project etc.). The calculation methodology is transparent billing, which is archived in the programme/project accounting and is used as a supporting accounting

⁴ Pursuant to the Act on Insurance No. 363/1999 Coll., Annex no. 1, damage to property is caused by – fire, explosion, storm, natural forces other than storms (such as lightning, floods, flowage, hail, frost), nuclear energy, landslides and land subsidence and other causes (e.g. robbery, theft or damage caused by wild animals).

⁵ This is applied in the case of the CZ07 programme.

document. From the calculation of the amount of the annual rent (and all types of indirect costs can be calculated in a similar manner) the total annual rental amount, period for which the office/part of the building used for the programme/project and the subsequent eligible costs for rent shall be explicitly visible;

b) in cases where it is not possible to identify actual indirect programme/project costs with 100% certainty, **eligible indirect costs for the fund beneficiary may reach up to 20% of total net direct eligible costs for programme/project management**, i.e. the value of eligible expenditures for programme/project management after deducting expenses provided externally (on the basis of a contract/order);

c) in cases where the fund beneficiary does not have an access to an analytic accounting system that would enable him to precisely identify actual indirect programme/project costs and in case the programme/projects are scientific;

provided the fund beneficiary is:

- a non-governmental non-profit organisation,
- a secondary or tertiary educational institution,
- a scientific organisation

eligible indirect costs by the fund beneficiary may reach up to 60% of total net direct programme/project costs, i.e. the value of eligible expenditures for programme/project management after deducting sub-contracting and expenses provided externally (on the basis of a contract/order). In the event of a change in the status of the fund beneficiary, the percentage of indirect costs is registered up to the time of the loss of status.

If the method of calculating indirect costs falls under sub-paragraph b) or c) (up to 20 or 60% of total net direct eligible costs), the fund beneficiary is not required to submit the appropriate accounting records to evidence eligible indirect costs.

However, the selected method and methodology for calculation of the indirect costs must be set out in the legal act on the allocation of funds and, in the event that these indirect costs also relate to the partners, the method and methodology of calculating indirect costs must also be set out in the Partnership Contract/Partnership Agreement.

2.3 PURCHASE OF SERVICES

Expenditures related to the delivery of services are eligible provided they meet the condition that the service delivered will contribute to the implementation of the programme/project and will create added value.

2.3.1 Expenditures on project management provided by a contractor

The following types of service may appear under expenditures on project management provided by a contractor:

- **external project management** – services related to the management and administration of the project provided by external companies hired by the fund beneficiary (in accordance with the rules on public procurement);
- **expenditures on publicity** – expenditures related to the publicity and promotion of the project and with information activities (in accordance with the publicity plan) other than those carried out by employees of the fund beneficiary;
- **legal advisory services**

- **external financial audits** – expenditures on external financial audits for projects (carried out by a hired audit company).
- **technical supervision by the investor**
- **health and safety coordinator** (health and safety at work)
- **building supervision**
- **external management of public procurement** – services related to the management and administration of public contracts within the framework of the project provided by external companies hired by the fund beneficiary (in accordance with the rules on public procurement);

A clear specification and a breakdown of these expenditures into individual budget items in the case of programmes where the Programme Operator is the Ministry of Finance, will be set out in the Guidelines for Applicants.

2.3.2 Expenditures on programme management

As part of the programme management costs, expenditures on services **related to management (technical assistance)** are eligible – specific services provided in relation to the programme management, which, in view of their nature, cannot be provided directly by the PO (such as an assessment of project proposals, technical assistance for on-the-spot checks of projects, financial audits).

Expenditures on these services are eligible provided the following conditions are met:

- the budgeted amount corresponds to the usual prices for this type of service in the region and at the time when the relevant procurement procedure was announced and is listed as a **separate item** in the programme budget;
- the external supplier is selected in compliance with the rules for public procurement under the EEA and Norway Grants 2009-2014 (Guidelines of the NFP on Public Procurement of Small Scale - EEA and Norway Grants 2009-2014 and the Act on Public Procurements No. 137/2006 Coll.).

2.3.3 Other expenditures

Other expenditures on services mainly include:

- insurance of property, which is directly related to the programme/project and only for the period of implementation of the programme/project;
- costs related to the organisation of training, seminars, monitoring committees, annual meetings, meetings and conferences (e.g. refreshments, rent, fees for lecturers, interpreting);
- costs related to programme/project activities which the fund beneficiary is not able to implement, fully or partially, itself (e.g. the creation and implementation of courses/training sessions, the creation of methodologies, manuals, translations, design documentation, technical supervision by the investor, etc.);
- bank financial services approved in the programme budget/grant application.

2.4 PERSONAL EXPENSES

Personal expenses **on programme implementation** are expenditures related to management and administration.

Personal expenses **on project implementation** covers:

- costs of the staff of the fund beneficiary who perform specific professional activities which are essential to achieve the project objectives, i.e. activities related to the “content” part of project implementation.
- costs of staff of the fund beneficiary who perform activities related to project management or financial management (coordinator, manager, financial manager, etc.).

The basic terms that relate to these Guidelines are defined below:

- **personal costs – per employee** (approved under the programme/project): costs for an employee of the fund beneficiary (including employees working on the basis of an Agreement on Working Activity and/or an Agreement on Work Performance) amounting to nominal wages/salaries, statutory social security and health insurance paid by the employer, including any additional charges the employer is obliged to pay in accordance with the applicable legislation, as a proportion of the working time the employee spends on programme/project implementation, while remuneration that is only paid for work on the programme/project is eligible in full;
- **nominal wage/salary**: is the gross wage or salary, which includes the basic wage/salary, bonuses and additions to the wage or salary, compensation for the wage/salary, net of any income that does not directly relate to the given programme/project.

2.4.1 Work by employees of the fund beneficiary on implementation

Work by employees and external experts on the implementation of programmes/projects must comply with the legislation of the CR, and in particular with Act No. 262/2006 Coll., the Labour Code, and Act No. 513/1991 Coll., the Commercial Code.

2.4.1.1 Legal pre-conditions for the eligibility of personal costs

Personal costs for work by employees of the fund beneficiary during the implementation of programmes/projects are eligible provided they meet the conditions described below and assuming that the relations between the employee and the employer are regulated on the basis of **written labour law relation** in accordance with the applicable legislation of the country concerned.

An appropriate contract for labour law relation must always be concluded between the employee and the institution of the fund beneficiary before the relevant personal costs can be incurred.

Fund beneficiaries are required to keep originals of contracts and employee job descriptions in accordance with requirements for the storage of documents set out in the applicable legal act on the allocation of resources.

Before the relevant legal act on the allocation of resources is issued, the PO/final beneficiary shall submit a detailed specification of the number of employees/experts, the time they will spend working on the implementation of the programme/project (person days, person months), the amount of the individual wages/salaries and the total amount of personal costs for employees and external experts within the framework of the programme/project.

2.4.1.2 Legal pre-conditions for the eligibility of personal costs for employees

Legal pre-conditions for the eligibility of personal costs for employees relate to the regulation of the activities of employees during the implementation of the programme/project in contracts or agreements, or other documents, regulating the labour law relationship between employees and employers – fund beneficiaries.

The main condition for the eligibility of personal costs for work performed by the employees of the fund beneficiary is the **direct proportion of the employee's work** that goes towards the implementation of the programme/project.

Individuals working on the implementation of the programme/project can be employed on the basis of the following labour law relations:

- agreement on working activity;
- agreement on work performance;
- employment, or an addendum to the original employment contract

Reporting of overtime worked by employees of the fund beneficiary as work on the implementation of the programme/project **is not permitted** and therefore it is not considered to be eligible personal expense.

In cases where **additional employees are hired** to ensure the implementation of a programme/project, or where **existing employees work on the basis of an Agreement on Working Activity, or an Agreement on Work Performance**, such an agreement must contain the following:

- the type and description of activities contributing to the implementation of the programme/project⁶;
- the amount of remuneration, which must correspond to the usual amount of expenditures for similar activities with a corresponding level of expertise and difficulty of work performed in the place of implementation.

An Agreement on Working Activity/Agreement on Work Performance can only be concluded for work by an employee on the implementation of a specific programme/project and may not cover any other activities that do not relate to the programme/project.

The activities of existing employees in the implementation of the programme/project **on the basis of the original employment contract, or an addendum thereto**, can only be used after prior approval was granted by the fund provider. In the event that the activities of existing employees were approved in the programme itself/project application, the fund provider do not approve them again.

In such a case, the organisation of the project promoter (or its partner) is entitled to **amend the description of the functional position of the employee** so it clearly indicates:

- the obligation of the employee to carry out precisely defined activities in relation to the implementation of the programme/project;
- the proportion of working time devoted to these activities to the overall workload of the existing employee.

The amendment of the description of the functional position of the employee can also be reflected in an amendment of the employment contract in the form of an addendum to the original employment contract.

When using an existing employee on the basis of an Agreement on Working Activity or an Agreement on Work Performance in the PO/project promoter organisation for the implementation of a programme/project, it is not possible for this employee to perform his normal work duties (as part of his employment relationship) and at the same time participate in the implementation of the

⁶ In a case where existing employees are hired, the nature and description of the activities carried out during the implementation of the programme/project must be formulated with regard to Section 34 paragraph 2 of the Labour Code, which states that an employee engaged in another basic labour law relationship with the same employer may not perform work defined as the same type. The type of work in another employment relationship must be defined differently to the existing employment contract.

programme/project, i.e. individual jobs may not overlap, although they may supplement one another, provided this totals a maximum of 1.5 times the normal workload.

2.4.2 Economic and financial pre-conditions for the eligibility of personal costs

Economic and financial pre-conditions for the eligibility of personal costs relate to whether the right of the employees of the fund beneficiary to work for the programme/project is recognised and to the amount of the remuneration paid to employees of fund beneficiary for work on the implementation of the programme/project.

The need to cover the personal costs of employees of the PO/project promoter in relation to the implementation of the programme/project **must always be included in the programme/grant application**, including the number of employees/experts, the amount of time they are expected to be involved in the implementation of the programme/project and an estimate of individual wages/salaries.

Any changes in the structure and amount of personal costs are only possible in accordance with the rules on modifications and in accordance with the legal act on the allocation of resources.

Eligible personal costs of employees can not be higher than the usual costs corresponding to the level of expertise and the difficulty of the work performed in the place and at the time of the implementation. It is the responsibility of the respective fund beneficiaries to determine and justify the specific amounts.

In exceptional cases, where existing staff is involved in the implementation of the programme/project, the wage/salary of such an employee must always correspond to the wage policies of the organisation of the fund beneficiary, which must comply with the applicable legislation of the Czech Republic.

In a case where an employee spends **only part of his working time** on the implementation of the programme/project, only costs that correspond to the relevant proportion of the working time of the employee spent on the implementation of the programme/project out of the total workload of that employee, as listed in the amended description of the functional job of the employee, are eligible personal costs.

Note: Eligible personal costs are calculated by multiplying the amount corresponding to “personal costs” and the “proportion of working time spent on the implementation of the programme/project” in a given month.

2.4.3 Reporting of personal costs

Regarding the reporting of personal costs in reports on the programme/project, records of work performed must be monitored in the case of work carried out by employees of the PO/project promoter (or their partners).

The fund provider shall propose the relevant forms/instruments for monitoring and reporting personal costs of the programme/project submitted in reports on the programme/project.

2.5 TRAVEL EXPENSES

Under these Guidelines, travel expenses shall mean

- fares – i.e. travel costs, which, in the case of foreign trips include transport costs in the host country and necessary incidental expenditures, including fees to access the airport, visa fees, insurance premiums to cover medical expenditures, and others;
- accommodation costs;

- subsistence allowance (including spending money);
- miscellaneous expenditures.

Under the CZ07 programme, the method of calculating travel expenditures shall be in accordance with Article 7.8 of the Regulation.

2.5.1. Travel expenses for Czech workers travelling abroad and within the Czech Republic

Expenditures related to business trips by employees of the fund beneficiary travelling in relation to the implementation of the programme/project are eligible expenses. As a business trip is understood the time from when an employee starts his journey to work outside agreed place of work, including the performance of work in this place, until the employee returns from this trip.

As an employee is understood a person who concluded an Agreement on Work Performance or on Working Activity with the fund beneficiary, provided the possibility of being sent on a business trip is set out in the Agreement. In the case of business trips carried out under the programme/project, the fund beneficiary must be able, upon request, to provide a written invitation, or a programme for a given meeting or events visited and a record of the business trip.

Travel expenditures for Czech employees on trips are regulated by the Labour Code, Act No. 262/2006 Coll. as amended, and Decrees from the MLSA and MF, which set out the amount of travel expenses for a given year.

A) fares

Eligible expenditures on fares are expenditures related to travel on business trips within the CR/abroad, namely:

- *costs for public transport tickets, seat reservations, recliners or beds* – fares for a bus or train trip in a second class carriage are eligible expenditures – for journeys **over 300 km** fares can be reported for a class higher than second class – including the cost of the seat reservation. The use of a SuperCity train is only acceptable for reasons of time, where no alternative connection is available, and only in a second class carriage;
- *airfares* – are eligible expenditures for distances of **over 200 km**, an economy class ticket and directly related fees (e.g. airport tax) are eligible expenditures for flights of over 500 km. If the distance is shorter than 500 km (but longer than 200 km), it should be shown that the cost of the airfare is lower than the cost of an equivalent first class ticket in a higher quality train (SuperCity, EuroCity, InterCity, etc.);
- *taxis* – taxis may only be used in exceptional and duly justified cases, when a shipment cannot be carried in a company car, the employee's own car or by public transport;
- *local public transport tickets, costs relating to the use of a private vehicle* (the level of reimbursement relates to an estimate of the wear and tear on the vehicle and the amount of fuel consumed) *or a service vehicle* (reimbursement for the amount of fuel consumed) – where the amount and right to claim these reimbursements are regulated by the Labour Code, Act No. 262/2006 Coll. and Decrees from the MLSA, which determine the level of travel expenditures for a given year.

Travel expenditures are reimbursed for the amount documented, while respecting the principle of economy.

B) subsistence allowance and spending money

A food allowance is provided if food is not included in the cost of the accommodation or provided under the programme of the event visited. Otherwise, the amount of the subsistence allowance shall be reduced accordingly.

Spending money provided by the fund beneficiary to employees during business trips abroad in a foreign currency amounting to up to 40% of the subsistence allowance are also eligible expenditures (the amount of and right to spending money is determined in the Labour Code, Act No. 262/2006 Coll.).

C) accommodation

Accommodation costs are reimbursed in the documented amount, while respecting the principle of economy, i.e. they must correspond to usual prices for that place and time.

D) miscellaneous costs

Additional reimbursement for costs directly related to a business trip are also eligible expenditures. This may, for example, include parking charges, motorway fees (to a reasonable amount in relation to the length of the business trip), charges for luggage storage and, in the case of a trip abroad, the cost of travel insurance, etc.

2.5.2 Travel expenses during trips by foreign workers/experts under the programme/project

Costs related to business trips by foreign employees/experts of the fund beneficiaries during trips related to the implementation of the programme/project are eligible. As a business trip is understood the time from when an employee/expert starts his journey to work outside agreed place of work, including the performance of work in this place, until the employee returns from the trip.

In the case of business trips carried out under the programme/project, the fund beneficiary must be able, upon request, to provide a written invitation, or a programme for a given meeting or events visited and a record of the business trip.

A. Fares

Fares **to and from the CR, as well as fares within the CR** are eligible up to the documented amount, while respecting the principle of economy (see Chapter 2.5.1, paragraph A).

Fares in the country where the foreign employee/expert for the programme/project is based are regulated by the legislation applicable in the country where the employer of the employee/expert has its registered office, while respecting the principle of economy.

Fares to and within the country (outside the CR) of the foreign employee/expert for the programme/project are regulated by the legislation applicable in the country where the employer of the employee/expert has its registered office, while respecting the principle of economy.

B. Travel allowances

Travel allowances, referred to as “per diem” cover the costs of accommodation, food and local travel⁷ in the CR and abroad. The “per diem” for foreign employees/experts for the programme/project is set in accordance with the EU rates, the latest version of which is published on the: http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/ website.

⁷ local transport for the purposes of the business trip

Foreign employees/experts for the programme/project are paid a per diem, while respecting the principle of economy.

Travel allowances for travel in the country where the employer of the foreign employee/expert has its registered office are regulated by the legislation applicable in the country where the employer has its registered office.

The cost of travel insurance is also an eligible expenditure.

Under the CZ07 programme, the method of calculating travel expenses shall be in accordance with Article 7.8 of the Regulation.

2.6 VALUE ADDED TAX (VAT)

Value added tax (VAT) is only eligible expenditure if the payer cannot reclaim the tax paid.

Information on whether the Applicant – Project promoter is/is not subject to VAT must always be provided in the submitted application.

3. INELIGIBLE EXPENDITURES

Ineligible expenditures are expenditures that:

- were not listed and approved in the programme proposal/grant application;
- were not spent in accordance with the purpose of the programme/project;
- were not incurred within the timeframe for the implementation of the programme/project;
- were not paid during the period of eligibility of programme/project expenditures and are not supported by the appropriate accounting documents, unless stated otherwise;
- were not reported in the bank accounts of the fund beneficiary, or are not evidenced by documentation on cash disbursements;
- are, in other respects, contrary to the rules laid down in these Guidelines.

The following are not eligible costs:

- interest on loans;
- interest on debit;
- fines, penalties, financial penalties;
- exchange rate losses;
- provisions for possible future losses and debts;
- irrecoverable claims;
- the portion of the purchase of real estate (land) that is higher than 10% of the total eligible expenditures of the project;
- the portion of the purchase of the real estate (building), that is higher than the price determined by an expert report;
- administrative fees (extract from the Land Register, extract from the Commercial Register, etc.);
- other expenditures of a purely financial nature, such as fees for banking services, fees for opening an account, fees for managing an account (unless the obligation to open and manage an account is stipulated in the relevant legal regulations), fees for bank transfers (with the exception of those that have been approved in the programme/grant application);
- recoverable value added tax;
- litigation costs;
- taxes (road tax, real estate tax, gift tax, inheritance tax, etc.);
- other social expenditures on staff which is not required of the employer by special legal regulations (contributions to pension insurance, life insurance, gifts for anniversaries, contributions for recreational activities, etc.);
- expenditures that have been, or will be, claimed as eligible under other grant programmes.