



REPUBLIC OF SLOVENIA
MINISTRY OF ECONOMIC
DEVELOPMENT AND TECHNOLOGY



MANUAL ON ELIGIBILITY OF EXPENDITURE

Operational Programme Slovenia-Croatia 2007-2013

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Investing in your future

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1. GENERAL

The present paper shall provide guidance for Lead partners/Project partners (LP/PP) requesting IPA/ERDF co-funding and for national controllers as regards the funding conditions in the Operational Programme Slovenia-Croatia 2007-2013 (OP SI-HR).

Should there be a question related to the eligibility of expenditures that is not addressed by this paper, it should be discussed with the designated national controllers or the Joint Technical Secretariat (JTS).

The expenditures claimed must not be financed out of any other Community or public funds.

Furthermore, all expenditures – independent from the respective cost category – have to be in line with national/regional and EU rules and shall have a legal basis (contract etc.).

All expenditures claimed have to be:

- Traceable from the approved Application form, all submitted supplements to the Application form and all approved changes;
- Arisen during the operation duration (as determined in the Subsidy contract);
- Occurred on the level of and paid by the respective project partner (as defined in the Subsidy contract)¹;
- Directly linked to the operation, have to be necessary for operation implementation and are in line with the operation objectives;
- In compliance with the principles of efficiency, economy and expediency of all allocations.
- Actually paid² (proof of payment) and definite (entered into book of accounts without the possibility of countermand and/or recovery);
- Entered into operation accounting records for the claimed period by each project partner;
- Proven by the original invoices or other accounting documents of equivalent probative value³ in line with regulations in force.
- Placed under the determined cost category⁴ as described in this document and planned in the financial plan of the approved operation;

A sufficient audit trail must be secured.

¹ Expenditures based on invoices (or accounting documents having a probative value equivalent to invoices) that are not addressed to the relevant project partner, respectively expenditures based on payments that have not been initiated by the respected project partner itself and costs that are not finally borne by the respected project partner itself are not eligible.

² The execution of payment has to be verified by the designated national controller without any exceptions.

³ In Slovenia all the accounting documents have to be marked with the note, that the relevant document relates to the Operational Programme Slovenia-Croatia 2007-2013 and must have a separate accounting code. In Croatia Local governments and their units are not obliged to open additional bank account. All other users must have separate accounting code.

⁴ Each expenditure has to be placed under one of the determined cost category in ISARR.

The preconditions for eligibility defined in the EU regulations and the OP SI-HR as well as any national/regional eligibility rules stricter than those defined in the following remain unaffected.

In Commission Regulation (EC) No 718/2007 and its amendments, Art. 89 and 34 Commission rules on eligibility of expenditure can be found.

Please note that this list may not be exhaustive.

Other important documents:

- Operational Programme Slovenia-Croatia 2007-2013 and
- Practical Implementation Manual (PIM).

2. ELIGIBLE EXPENDITURES PER COST CATEGORIES

The following cost categories have been established for the OP SI-HR:

- 1. Personnel costs**
- 2. External service costs**
- 3. Investment costs**
- 4. Administrative costs (general costs)**

2.1 PERSONNEL COSTS

Personnel costs are expenditure for:

- Staff: Labour costs (salaries) of personnel employed by the Lead Partner (LP)/Project Partner (PP) and assigned to the operation,
- Travel and accommodation of personnel employed by the Lead Partner (LP)/Project Partner (PP) and assigned to the operation.

Personnel is understood as project team members who have concluded a contract on regular working relation with the LP/PP organisation. This cost category therefore can only refer to employees within the LP/PP organisations who are engaged in the operation.

Personnel costs of public employees are not eligible, if they arise from the statutory responsibilities of the public authority or the authority's day-to-day management, monitoring and control tasks (e.g. operation generation as task of a unit in a public administration according to the statuses of the organisation).

2.1.1 General principles

Operation related personnel costs including social contributions incurred in LP/PP organisations are eligible under the following provisions:

- They are traceable from the approved Application form, all submitted supplements to the Application form and all approved changes ;
- They are based on and supported by employment agreements. Payments or services with monetary value, which are given or paid to the employee without a legal commitment (e.g. ad hoc allowances, bonuses), are not eligible;
- They are documented.

Eligible are therefore gross salaries (including social contributions, related taxes, labour contributions that are actually chargeable) and other remunerations⁵ for the employees if they have a formal legal basis as well as costs arising from operation related travels.

Only real costs (i.e. actually paid out) can be taken into consideration – based on payslips or other documentation of similar status.

Furthermore, it has to be highlighted that the total amount of personnel costs has to be proportional to the qualification of the human resources involved and the amount of work dedicated to the operation.

2.1.2 Specific rules

There are two possibilities on how public employees (e.g. university employees, civil servants) can be involved in the implementation of an operation:

a) They work during the regular employment status and working time

In this case the public employer has to be the LP/PP, who shall assign the employee officially to the operation and can then ask for a co-funding of the salary (based on the corresponding time-sheets).

b) They work outside the regular working time for the public employer that is also acting as a project partner

In this case a proper legal basis is to be ensured, the work is to be performed clearly outside the regular working time (e.g. weekend or holidays) the remuneration for the sideline job is to be paid by the public employer that can then request the IPA/ERDF funds – these costs are to be considered as “*personnel costs*” and therefore have to follow the rules as set out in this section, especially as regards the amount of compensation (e.g. civil servant that moderates outside the regular working time a workshop that is organised by its public employer).

Expenditure for salaries of public employees working on a project, who are employed at organisations which are financed from the national, regional or municipal budget, is eligible

⁵ The remuneration of personnel is eligible in case it is related to the operation activities and not related to their usual day-to-day management tasks and statutory responsibilities. There must not be any double funding.

provided that the following is evident in their employment contract or other relevant document:

- The role and tasks as well as the extent of work on the operation,
- The period of the engagement,
- Clause that the project work is not financed from any other public funds (no double funding).

Expenditure for daily meals and travel to work is eligible in accordance with provisions of the relevant national legislation.

Staff costs (salaries)

a) Staff costs related to already contracted personnel

If a person is full-time employed on the operation, the total expenditure is eligible. In such cases a report on the work accomplished shall be prepared monthly by each person (see Annex 1).

b) Staff costs related to part-time employment/assignment on the operation

In case of a part-time assignment of the employed personnel to the operation, work performed should be reported in detail by the use of time-records stating name, operation concerned, date/time and activity (see Annex 2). The time-records must be signed by the individual person proving to have spent the hours working on the operation and by his/her manager or any other person in charge. By signing the time-records, the manager also certifies the additionally of the operation assignment and that the activities specified on the time-records are not being double financed.

Hourly rates should be calculated according to the following model:

$$\text{Yearly hourly rate} = \frac{\text{Gross salary for the relevant year in Euro}}{\text{the official working hours}}$$

or

$$\text{Monthly hourly rate} = \frac{\text{Gross salary for the relevant year in Euro}}{\text{the official working hours}}$$

The calculation is based on a weekly 40-hour engagement. In case a person is engaged for less than 40 hours a week, the calculation has to be adapted accordingly.

It is also allowed to calculate the salary based on actual expenditure.

Whereas:

Gross salary = Net salary of employee + related taxes of employee and employer + related contributions of an employee and employer.

It needs to be emphasised that working hours cannot exceed the limit defined in national legislation.

Travel and accommodation costs for staff

Reimbursement of travel and daily allowance can be claimed from the operation only for the personnel employed by the LP/PP and in line with regulations in force. Generally, public employees shall follow the regulation of their organisation, whereas private LP/PP shall follow the regulation of the public organisation providing the national public co-financing.

Unless this is regulated in the above-mentioned organisations, the following specific rules shall be applied. All deviations have to be well justified:

- The most economic way of transport has to be used. Exceptions from this principle must be duly justified.
- Accommodation costs can be accepted without reservation if they are in the middle price range. Higher price ranges (more than 140 EUR/night) must be duly justified.
- Operation meetings shall take place in the programme area. Travel expenses *outside* the programme area⁶ are considered as eligible if they are traceable from the approved application form or otherwise approved in advance by the JTS/MA.
- Daily allowances⁷ are eligible as long as the allowance is actually paid by the partner to the employee and this is in line with the national conditions set for this partner. The travel time claimed for the per diem payment must be grounded in facts (e.g. duration of event) and must match the travel documentation (e.g. flight times).
- Airfare is eligible from a distance of 400 km and under the condition of an economy class ticket. Below a distance of 400 km it is eligible if it is the cheapest means of transport.
- The use of private cars⁸ or company cars is only allowed if it is the most economic means of transport or if it is considerably saving time. Only the tax-based mileage allowance can be accepted.

Documentation

The travel and accommodation costs are eligible only if they are properly documented and evidenced:

⁶ For travel outside the programme area to be regarded as eligible, it must be shown that the travel is of benefit to the operation concerned and approved in advance by stating it in the Application form or by the prior approval of the JTS/MA.

⁷ Daily allowances for travel and accommodation are possible as long as the allowance is actually paid by the LP/PP to the employee.

⁸ In case of using private car, the expenditure can amount up to the official national kilometre rate.

- The travel and accommodation costs have to be proved by the individual invoice for each individual person and each travel.
- Each travel has to be supported by a correctly filled-in travel warrant, including all attached invoices, i.e. evidence for incurred expenses (hotel invoice, travelling ticket, boarding pass, etc.)
- Purpose of each travel has to be justified and evidence of participation in the event/activity provided (e.g. invitation, registration form, list of participants, attendance certificate, photographs, etc.). The justification has to be clearly stated in the individual's monthly reports/time-records.
- Copy of the proof of payment.

Travel and accommodation costs for external experts

Travel and accommodation costs for external experts have to be included in their contract. Expenditure for transportation of external experts is to be included under “*external costs*”.

2.2 EXTERNAL SERVICE COSTS

This cost category includes the costs of services that are performed by the external personnel within the operation and are related to the operation.

The external service costs are eligible only in case LP/PP does not have adequate capacity and/or qualification to perform the tasks related to the project management (e.g. financial management, coordination, administration, etc.) and to the following activities:

- Expenditure for organising events (e.g. meetings, conferences, trainings, workshops and seminars) directly related to the operation objective; expenditure may include rent of premises and equipment, travel and accommodation costs, translation and interpretation - if necessary, material/handouts, and catering expenses to a reasonable extent);
- Expenditure for studies, research, plans, training, etc.;
- Expenditure for publicity and information, dissemination and promotion of project results (e.g. publications, brochures, press releases, advertisements, newsletter, websites, etc.);
- Expenditure for transport of goods or participants;
- Expenditure for translation of documents/material;
- Rent of equipment is eligible expenditure if it is directly related to objectives of the co-financed project.

Eligible financial and audit services:

- legal consultancy fees, notarial fees, tax counselling if directly related to the project implementation;
- control and audit services if they relate to requirement of the MA ;
- fee for financial guarantees to the extent to which guarantees are required by national or Community legislation.

2.2.1 General principles

Expenditure for external services (experts/consultants, supply of goods and services in general) listed below is eligible under the following provisions:

- Public procurement rules⁹ have to be respected; full documentation of the procurement is obligatory (in case no documentation is provided, expenses shall not be considered as eligible).
- The work of the external service is essential for the operation.
- Comparison of costs and economic efficiency are central objectives, meaning that rates charged by the external services are reasonable. Daily rates over 800 EUR must be clearly justified to be considered eligible.
- Rates are in relation to level of experience and expertise.
- LP/PP cannot be contracted as a supplier (contractor or sub-contractor that provides services and products against payment).
- Sub-contracting by external experts is not eligible.
- If external experts are hired, a legal basis is mandatory (a clear contract based on the specification of services and related to the operation has to be set up).

For “catering” the following rules shall apply:

- The related events have to be traceable from the approved application form;
- Documentation of the participants shall be provided (attendance list);
- Catering expenses for internal working meetings among project partners are not eligible;
- Dinner receptions are allowed only in exceptional cases for external events (event shall be traceable from the application form);
- Specific detailed rules on national level have to be respected.

The LP/PP cannot act as a supplier (contractor or sub-contractor that provides services and products against payment). Neither the LP/PP employees nor the LP/PP organisations can act or get paid as external experts for the work done in the operation.

Expenditure for sub-contracted service is not eligible if payment is defined as a percentage of total project costs or individual activities unless such payment is justified by the LP/PP in terms of actual value of completed work or services.

The following has to be observed for the expenditure to be eligible:

Expenditure for external services comprises staff expenditure of individuals engaged in a project on the basis of any other contract but the contract on regular employment concluded with the LP/PP. All taxes and contributions which in conformity with legislation on individual types of work are actually chargeable to the LP/PP (with the exception of recoverable VAT, if applicable) are eligible for reimbursement.

In order to meet the conditions of truthfulness, correctness, efficiency and effectiveness, the LP/PP will submit the following evidence for externally engaged individuals or organisations:

⁹ See also chapter 3.3 on public procurement.

- evidence in relation to procedure for selection of an individual or organisation (public procurement or received comparison offers) - only required once at the time of the relevant application for reimbursement,
- copy of the contract (only required once at the time of the relevant application for reimbursement),
- records of completed work, if applicable,
- invoice or other accounting document of equivalent probative value,
- proof of payment.

The LP/PP must keep and on request submit all supporting documents and/or outputs proving the implementation and the scope of service delivered according to the contract. For example an invitation, a programme, a presence list, material samples given to participants, photographs, brochures, publications, newsletters, studies, analyses, etc.

2.3 INVESTMENT COSTS

This category includes three types of costs:

- Purchase of equipment;
- Construction works;
- Purchase of land.

Investments are only eligible if they are listed in the Application form and are therefore explicitly approved by the Monitoring Committee of the programme.

The national controllers are responsible to perform on-the-spot checks of investments for their designated project partners.

2.3.1 Investment in Equipment

It is to be distinguished between different kinds of equipment:

1. **Mobile equipment** (movable – e.g. PC, furniture);
2. **Immobile equipment** (installed, fixed on a place);

Ordering, selection of the best tenderer and the purchase itself has to be carried out by the LP/PP according to procedure defined by the relevant public procurement rules¹⁰.

Eligible expenditure for equipment includes payments for all the costs necessary to bring the asset to working condition for the intended use:

- Purchase of equipment;
- Extra costs, related to the purchase of equipment (i.e. delivery, handling or installation).

The purchased equipment has to be clearly marked with the stickers/tables and the wording as described in the Information and Publicity Guidelines for Beneficiaries (point 1.4)".

¹⁰ See also chapter 3.3 on public procurement.

Furthermore, different rules apply for:

- a) "Administrative" equipment (mostly related to project management tasks);
- b) "Technical, content related" equipment (mostly related to the content part of the operation implementation).

Generally, all equipment has to be strictly operation related. The full purchase price is only eligible if the item is used solely for the operation during its total economic and depreciable lifetime. In all other cases only depreciation costs shall be eligible.

If it is not exclusively used for project purposes, only a share of the actual cost can be allocated pro-rata to the project. This share has to be calculated according to a fair, justified and equitable method. This is for instance the case if the investment is used by staff working part-time for the operation.

Example:

Example of calculation for computer A:
Potential eligible costs: 144
% of time dedicated to the project by the officer using the computer: 50%
Final Eligible cost: 72

Furthermore, the equipment must be essential for the delivery of the operation, used solely for that purpose and purchased within the eligible operation period.

Please find below some special rules for the different kinds of equipment:

a) Administrative (supporting) equipment¹¹:

This category includes the purchase of equipment, which is not directly connected with the operation objectives and is not used only for the purpose of the operation. Example of such expenditure would be the purchase of a PC. In this case the cost of depreciation for the time of the project duration is eligible. The entire depreciation costs are eligible if the project duration is the same or longer than the duration of depreciation¹².

PC and costs related to line phones are considered as eligible (proportionally of employed staff and computer equipment has to be ensured – e.g. not more PC than employees). Laptops and mobile phones are only eligible in justified cases (necessity and efficiency).

b) Technical equipment:

This category includes expenditure for investment directly relating to the operation objectives. In this case the expenditure for the whole purchase price could be eligible.

Specific "technical" equipment software, technical instruments, PC, mobile phones, laptops, office furniture and printers are considered as eligible if they are content-related and essential for achieving the operation results.

¹¹ Equipment related to the pre-defined activities/work packages, project management and information & publicity.

¹² See also chapter 2.3.1.1 on depreciation.

Documentation

The investment in equipment is eligible only in case it is properly documented and evidenced:

- Original invoices or other documents of equivalent probative value;
- Proof of payment (bank statement);
- Documentation related to the public procurement procedures¹³;
- Evidence of accepting and installation of equipment

2.3.1.1 Depreciation

Depreciation costs are only eligible if the purchase itself has not already been co-financed by any other EU or public funds. The depreciation costs of depreciable assets shall be directly used for the operation concerned and incurred during the period of operation duration.

For equipment that will not be used by project partners or project target group after the operation completion and if the economic lifetime of the equipment is longer than the project duration, only the depreciation costs are eligible. In this case, the eligible expenditure will be its depreciation costs during operation duration. The equipment must be purchased for the purpose of the operation during its implementation. The depreciation rate has to be in line with national or internal partners' rules.

The cost of depreciation of equipment is eligible, provided that:

- The depreciation cost is calculated in accordance with the relevant accountancy rules;
- The cost is mentioned in the balance sheet or in the list of fixed assets;
- Depreciation cost of equipment does not exceed the purchase price of the equipment;
- The proportionate sum of the depreciation costs according to the use of equipment is reported.
- Depreciation is charged proportionally in each Partner Progress Report. The full value of depreciated costs on equipment in relation to the total operation duration cannot be charged as total amount in one particular period.
- The amount (percentage used and time duration) is auditable.

For the calculation of depreciation, the following information is required:

- The cost and description of the purchased item;
- The purchasing date;
- The number of years over which the item is being depreciated;¹⁴
- The % of the item use devoted solely to the operation, over the life of the item.

¹³ See chapter 3.3 on public procurement.

¹⁴ In line with the national accounting legislation.

The invoice shall be submitted to and checked by the designated national controller and shall be validated appropriately so to ensure that the depreciation costs are refunded only once.

2.3.2 Construction works

Expenditure for construction works is eligible if it is directly related to the objectives of a co-financed project. It can include payments of all activities related to the preparation and implementation of construction works, including investment technical documentation.

Documentation related to procurement, contracts for construction works, invoice(s) with specification(s) of performed activities and used material, final report and official receipt/final statement (if foreseen by the contract), operation permit or take-over certificate as well as proof of actual payment will have to be provided.

Documentation

The construction works are eligible only in case it is properly documented and evidenced:

- copy of investment documentation in line with Decree on the Uniform Methodology for the Preparation and Treatment of Investment documentation in the Field of Public Finance for Slovene partners
- copy of the authorisation to carry out works on certain property
- copy of a valid and legally effective construction permit
- copy of valid planning consent
- consent of land owners

2.3.3 Purchase of land

The purchase of land has to prove a direct relation to the operation objective. The purchase of land is eligible under the following conditions:

- a) A certificate of an independent qualified auditor or authorised body is acquired stating the purchase price does not exceed the market value;
- b) The purchase of land shall not exceed 10% of the total eligible expenditure of the operation co-financed by this programme.

Documentation

The purchase of land is eligible only in case it is properly documented and evidenced:

- Purchase and sales agreement written in notary form (submitted with the request for reimbursement);
- Proof of payment (bank statement);
- Approved land-register proposal;
- A certificate of an independent qualified auditor or authorised body is acquired, and the purchase price does not exceed the market value.

Example: Calculation of eligible costs for land purchase

Beneficiary would like to claim following expenditure:

Total land costs	125.000 €
<u>Other eligible operation costs</u>	<u>200.000 €</u>
Total costs	325.000 €

Presumption:

The beneficiary would like to claim maximum eligible costs of the purchased land, which is 10% of the total eligible operation costs.

Calculation example:

$$A = (b/c)*d$$

$$\text{Or: } A = (200000/0,9)*0,1=22.222,22$$

Whereby: A eligible costs of the land purchase

B other eligible operation costs

C share of the other eligible costs from the total eligible costs (90% which makes 0,9)

D share of the eligible costs of the land purchase (10% which makes 0,1)

Difference amounting to 102.778 € (125.000 € - 22.222 € = 102.778 €) is amount of the ineligible costs of the land purchase.

2.4 ADMINISTRATIVE COSTS

This category distinguishes between two kinds of expenditures:

- **Direct administrative costs:** costs that can be attributed specifically (and in its full amount) to the operation;
- **Indirect administrative costs (»overheads«):** costs that cannot be identified and charged directly to the operation without an extensive amount of tracking and accounting (e.g. electricity, rent and heating for offices that have not been installed for the operation only and that are prorated to the operation according to the hours of work dedicated to the operation).

The maximum limit for the administrative expenditure is 25% of those direct costs that can affect the level of overheads **of the operation**.

For calculation and presenting the administrative costs, two options are possible:

- If the PP claims reimbursement of administrative expenditure in the total amount not exceeding 7% of those direct cost that can affect the level of overheads, the **flat rate** method can be applied. Documents proving the administrative expenditure are kept by the PP concerned and not forwarded with Partner Progress Reports.

- In case the share of administrative expenditure of a PP is higher than 7% and lower than 25% of those direct cost that can affect the level of overheads all expenditures will have to be fully documented in each Partner Progress Report.

2.4.1 Direct administrative costs

Direct administrative costs are eligible if they are in line with the following general principles:

- They are direct costs (attributed specifically to the operation);
- They have actually occurred and have been paid;
- They are justified by receipted invoices or accounting documents having a probative equivalent value;

Examples of eligible direct administrative costs:

- Premises costs such as rent, heat, light, water and service charges related solely to the operation concerned and corresponding to the square meter space used for operation activities.
- Costs such as phone calls, postage, copying and office supplies related solely to the operation concerned.

Documentation for direct administrative costs:

The direct administrative costs are eligible only in case they are properly documented and evidenced:

- Documentation on the selection of the Contractor (including on request all documentation related to the awarding procedure showing adherence to the public procurement rules);
- Service order or contract;
- Original invoices;
- Copy of the proof of payment.

2.4.2 Indirect administrative costs

Indirect administrative costs are eligible if they are in line with the following general principles:

- It must be impossible to allocate the costs directly to the operation concerned;
- Proportionally distributed indirect administrative costs must be attributable to the implementation of the operation concerned;
- The costs must be properly documented through accounting material and periodically reviewed;

Examples of keys:

- The ratio “number of people working for the operation / number of people working in the partner's organisation or department”;
- The ratio “number of hours performed on the operation / number of hours performed in total in the organisation or department”;
- The ratio “square meter/surface used by the personnel working for the operation / square meter/surface of the organisation's building or department”.

Examples of eligible indirect administrative costs:

- Accounting costs – if external (book-keeping, salary administration);
- Office material and services (e.g. photocopying, mailing, telephone, fax, internet);
- Rent of premises, maintenance, heat, water, electricity;
- Accounting costs (if external);

Documentation for indirect administrative costs:

The indirect administrative costs are eligible only if they are properly documented and evidenced:

- The calculation should be done on pro-rata basis of the actual costs according to a duly justified, fair and equitable key of division that should remain the same during the whole operation implementation.
- Original invoices;
- Copy of the proof of payment.

Costs already included in any other cost category directly attributed to the project cannot be included in this category.

2.4.3 Other costs eligible under administrative costs

Other costs, which are eligible according to the general principles and regulations and necessary for the implementation of the operation, should be placed under the category administrative costs:

1. Charges for **transnational financial transactions** between PP;
2. **Bank charges** for opening and administering an account or accounts where the implementation of an operation requires a separate account or accounts to be opened;
3. **Guarantee costs:** the costs of guarantees provided by a bank or other financial institution is eligible to the extent that the guarantees are required by national or Community legislation;

Any other costs under financial charges that are not listed above (e.g. fines, financial penalties, interests) are not eligible.

3. OTHER REQUIREMENTS REGARDING THE ELIGIBLE EXPENDITURES

3.1 REVENUES / RECEIPTS¹⁵

Revenue can be defined as payments made by users. Revenue can be generated either by infrastructures or by any operation involving the sale or rent of land or buildings. Receipts include money earned by an operation, during the period of its co-financing, from sales, rentals, services, enrolment fees or other equivalent receipt.

According to the Community regulation the eligible expenditure of revenue/receipts-generating operations shall not exceed the costs reduced by the revenues. It is therefore to be ensured that all revenues generated by the operations during operation implementation but also those revenues that are generated within **five years after the operation implementation** are deducted from the operation costs and therefore reducing the funding accordingly.

Eligible expenditure shall be reduced with revenues/receipts generated by the operation. The following is to be regarded as revenue/receipt:

- Revenues/receipts generated by attendance fees (e.g. for workshops), advertisements, sale revenues of books and brochures, lease, rentals, incomes, services and fees or other similar activities;
- Revenues in other form than money.

There are two options for taking revenues/receipts into account:

- **Revenues calculated in advance:** In this case, the operation has to indicate a first estimation of possible revenues within the application form and will have to report them steadily through Partner Progress Reports. Furthermore, the amount of generated revenues has to be monitored and validated by the national controllers.
- **Revenues not calculated in advance:** In this case, all revenues generated within 5 years from operation completion shall be deducted from total expenditures. The revenue has to be monitored only during this period.

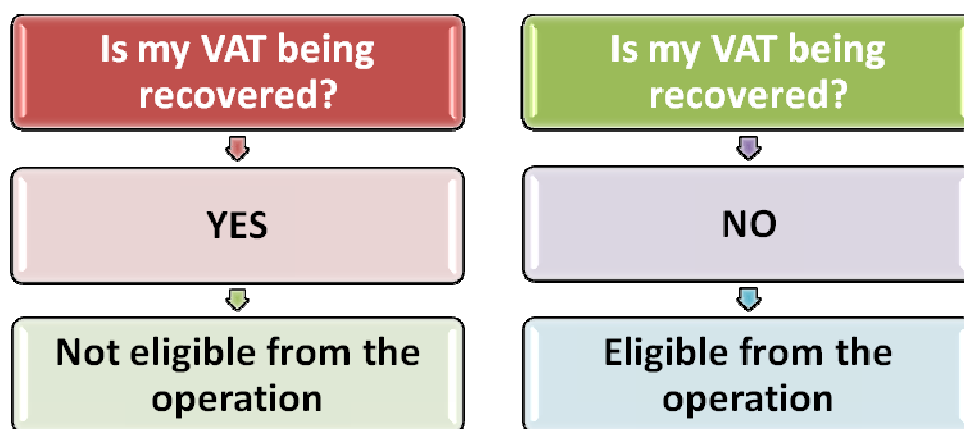
Rules governing revenues/receipts do not apply to the projects subject to the State aid rules.

¹⁵ Please note, that revenue should not be mistaken for profit. In addition, revenues apply only to the projects, co-financed within the first Call for Proposals.

3.2 VAT

For this type of expenditure please be aware that VAT is:

- **NOT ELIGIBLE FROM THE OPERATION** (recovered). In this case the beneficiary is identified as a taxable person and engages in activities for which he is entitled to VAT recovery in whole.
- **ELIGIBLE FROM THE OPERATION** (not recovered in whole or recovered partly). In this case VAT is actually covered by the project partner. VAT as eligible expenditure has to be planned within the operation and has to be taken into account in every request for reimbursement.



a) VAT is eligible in whole:

- If the beneficiary is NOT identified as a taxable person.
- If the beneficiary is identified as a taxable person and engages in operation or part of an operation as a non-taxable or/and tax exempted activity for which he is not entitled to VAT deduction.

b) VAT is eligible in part:

- If the beneficiary is identified as a taxable person and engages in operation or part of an operation as a non-taxable or/and tax exempted activity for which he is not entitled to VAT deduction and as a taxable activity for which he is entitled to VAT deduction.

In case the VAT is eligible (in whole or in part), the signed and stamped Statement on VAT status (Annex 2) has to be presented with the first Partner Progress Report. In case VAT status changes during the operation implementation, the new Statement on VAT status has to be presented with the first following Partner Progress Report.

3.3 PUBLIC PROCUREMENT

Public procurement rules have to be observed and full documentation of the procurement is obligatory for expenditure to be regarded as eligible.

In general, Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts shall be respected: it includes means to respect equal treatment between candidates, to ensure a sufficient publicity and to use appropriate award and selection criteria.

Public procurement rules have to be applied by organizations either public or bodies governed by public law. In any case public procurement rules are to be followed strictly in order to make all contracting of services as well as purchasing of material and equipment eligible. These rules apply also to entities established by private law acting as final beneficiaries in the project since they have been granted public funds.

For this programme all beneficiaries shall follow for the award of service, supply and work contracts, the procurement procedures the provisions of Chapter 3 of Part 2, Title IV of Regulation (EC, Euratom) No 1605/2002 and Chapter 3 of Part 2, Title III of Regulation (EC, Euratom) No 2342/2002, as well as Commission Decision C (2007) 2034 on the rules and procedures applicable to service, supply and work contracts financed by the general budget of the European Communities for the purposes of cooperation with third countries, with the exclusion of the Section II.8.2.

All supplies and materials purchased must originate from the Community or an IPA beneficiary country or a country that is a beneficiary of the European Neighborhood and Partnership Instrument, or a Member State of the European Economic Area (Article 19 of the Council Regulation (EC) No 1085/2006 and its amendments). The term 'origin' is defined in the relevant Community legislation on rules of origin for customs purposes.

The standard contracts and operational instructions are annexed to the "Practical Guide to contract procedures for EC external actions", published in Commission Decision C(2007) 2034.

"Practical Guide to contract procedures for EC external actions" is defining the thresholds and the related procedures, as presented in the table 1. For detailed information please see the Practical Guide to contract procedures for EC external actions and Guidelines for Eligibility for Slovenian and Croatian partners.

Table 1: Financial thresholds and the related procedures

SERVICES	≤ 20.000 EUR	> 20.000 EUR < 300.000 EUR		≥ 300.000 EUR
	Single tender	Framework contracts or Competitive negotiated procedure		International restricted tender procedure
SUPPLIES	≤ 20.000 EUR	> 20.000 EUR < 100.000 EUR	> 100.000 EUR < 300.000 EUR	≥ 300.000 EUR
	Single tender	Competitive negotiated procedure or framework contract	Local open tender procedure or framework contract	International open tender procedure
WORKS	≤ 20.000 EUR	> 20.000 EUR < 300.000 EUR	> 300.000 EUR < 5.000.000 EUR	≥ 5.000.000 EUR
	Single tender	Competitive negotiated procedure	Local open tender procedure	International open tender procedure, International restricted tender procedure

Documentation for public procurement procedures:

For documentation to be presented by the project partner for Public procurement awards see:

- for services the section 3 of the Practical Guide to contract procedures for EC external actions;
- for supplies section 4 of the Practical Guide to contract procedures for EC external actions and
- for works section 5 of the Practical Guide to contract procedures for EC external actions

together with the section's corresponding annexes.

National Controllers and MA/JTS can at any time check all documentation connected with the public procurement procedure while performing on-the-spot checks.

3.4 INFORMATION AND PUBLICITY RULES

The costs for information and publicity are eligible. Detailed programme rules regarding this topic are covered in the Information and publicity guidelines for beneficiaries (available on www.si-hr.eu).

Expenditure under this heading may include the following costs:

- a) Costs related to all aspects of promotion and publications specific to the operation
- b) Costs related to organising and participating in seminars/conferences and meetings

a) Costs related to all aspects of promotion and publications specific to the operation

Examples of these costs:

- Costs for producing or upgrading the web page;
- Costs related to design and production of marketing materials, brochures and publications;
- Costs related to targeted advertising campaigns (e.g. adds, media announcements)

b) Costs related to organising and participating in seminars/conferences and meetings

Examples of these costs:

- Organisation costs (e.g. rent for meeting premises);
- Meals/catering¹⁶;
- General transportation,
- Conference fees.

Documentation:

- Documents related to public procurement procedures;
- Contract or purchase order;
- Invoice or other document of equivalent probative value;
- Proof of payment (bank statement);
- Other documentation justifying the eligibility, such as printed material, brochure, book, media article etc.

3.5 STATE AID

If the support to operation or its parts could mean State aid, beneficiaries have to respect relevant legislation in force and instructions of the responsible body when preparing reports.

4. INDICATIVE LIST OF INELIGIBLE EXPENDITURE

The following list provides an overview on some ineligible expenses. Please keep in mind that this list is not exhaustive. Expenses not listed are therefore NOT automatically to be considered as eligible.

According to Article 34(3) and Article 89(2) of Commission Regulation (EC) No 718/2007 and its amendments the following costs shall not be eligible:

- (a) taxes, including value added taxes;
- (b) customs and import duties, or any other charges;

¹⁶ Please note that meals/catering should be of a moderate nature and according to normal standards in each partner country. Excessive entertainment is not to be regarded as eligible expenditure. All meals/catering must be supported by a list of participants and a statement outlining the purpose of the occasion.

- (c) purchase of land if exceeding 10 % of the total eligible expenditure for the operation concerned, and rent or leasing of land and purchase, rent or leasing of existing buildings;
 - (d) fines, financial penalties and expenses of litigation;
 - (e) operating costs except where otherwise provided for under framework agreements with international organizations;
 - (f) second hand equipment;
 - (g) bank charges, costs of guarantees and similar charges;
 - (h) conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;
 - (i) contributions in kind;
 - (j) interest on debt.
- Any expenditure paid before or after the eligible period of the operation, as defined in the subsidy contract;
 - Expenditure for activities implemented outside the programme area unless they are necessary for the project and approved by the JTS/MA or JMC;
 - Expenditure not directly associated with the LB or its partners (except the small project fund);
 - Expenditure invoiced further to third parties and thus not born by the LB or its partners;

Indicative list of project ineligible costs is:

- items such as gifts (flowers, greeting cards);
- subcontracts in which payment is defined as a percentage of the total cost of the operation unless such payment is justified with reference to the actual value of the work or services provided;
- expenditure on housing;
- tax on purchase of real estate;
- purchase of artist works;
- personnel salaries (including civil servants) financed from the national/regional or municipal budgets for the implementation of regular activities (usual day-to-day management tasks and statutory responsibilities of an employee);
- special awards and bonuses to employees;
- for the products which are considered as author works, the LP or its PP can not claim for reimbursement deriving from copyrights;
- unpaid partial amounts of invoices (e.g. compensation for damages, guarantee payments, cash discounts, rebates, etc);
- commissions and dividends, profit payment;
- purchase of business share and stock exchange shares;
- fines, financial penalties and expenditure on legal disputes;
- currency exchange commissions and losses in currency exchange rates;
- charges for financial transactions within one country (national);
- guarantee costs with the exception of guarantees from banks or other financial institutions in the amount demanded under the national or Community legislation;
- membership fees and meeting honoraria;

- tax counselling;
- sponsorships;
- individual scholarships or expenditure for formal studies or vocational education;
- financial awards.

5. ANNEXES

Annex 1: Monthly report

Annex 2: Time-record

5.1 MONTHLY REPORT

Mesečna časovnica projektne sodelavca-ke / Mjesečni vremenski plan projektnog suradnika-ce

Akronim operacije / Akronim operacije:			
Naziv organizacije (vodilni partner / projektni partner) / Naziv organizacije (vodeći partner / projektni partner):			
Ime in priimek sodelavca-ke ter vloga v projektu / Ime i prezime suradnika-ce i i uloga u projektu:			
Mesec/ Mjesec:		Leto/ Godina:	

Jednato opišite aktivnosti v okviru operacije za navedeni mesec (po kronološkem zaporedju)./
 Sažeto opišite aktivnosti u okviru operacije za navedeni mjesec (po kronološkom redosljedu):

Opis dejavnosti / Opis Aktivnosti

Izdatki za celotno delo (projektno in neprojektno) v obdobju / Izdaci za cjelokupan rad (na projektu i van projekta) u razdoblju

Prepišite podatke iz mesečnega plačilnega lista/
Prepišite podatke iz mjesečne platne liste

Številka dokumenta /
Broj dokumenta

Leto/Godina

Mesec/Mjesec

Datum plačila/
Datum plaćanja

Bruto plačilo (BTO1)//Isplačeno bruto

Prispevki in davki delojemalca/
Doprinosi i davanja posloprimca

Prispevki in davki delodajalca/
Doprinosi i davanja poslodavca

Povračilo prevoza/
Dodatak za prijevoz

Povračilo malice/
Dodatak za topli obrok

Drugo* / *Drugo**

**Izjava in podpis odgovorne osebe/
*Izjava i potpis odgovorne osobe***

Izjavljam, da podatki v časovnici odražajo resnično in pravilno količino opravljenega projektne delo v mesecu./
Izjavljujem da podaci u vremenskom planu odražavaju stvarnu i pravilnu količinu.

Izjavljam tudi, da podatki o izdatkih za celotno mesečno delo odražajo resnično in pravilno višino vseh izdatkov za delo osebe, zaposlene pri prijavitelju izdatkov./
Također izjavljujem da podaci o izdacima za cjelokupan mjesečan rad odražavaju stvarnu i pravilnu visinu svih izdataka za rad osobe zaposlene kod prijavitelja izdataka.

Ime, priimek in funkcija odgovorne osebe /
Ime, prezime i funkcija odgovorne osobe

Podpis odgovorne osebe in žig organizacije /
Potpis odgovorne osobe i pečat organizacije

* Drugi stroški dela, ki so v skladu z nacionalno zakonodajo in pogodbo o zaposlitvi. Obvezno ločeno navedite vrsto stroška./*Drugi troškovi rada koji su u skladu s nacionalnim zakonodavstvom i ugovorom o zaposlenju. Obavezno navedite vrste troškova odvojeno.*

Datum/*Datum:*

Obrazec je oblikovno in vsebinsko zavezujoč za vodilne oziroma projektne partnerje iz Slovenije. Za partnerje iz Hrvaške služi kot možen vzorec. / Obrazac je oblikovno i sadržajno obvezujući za vodeće odnosno projektne partnere iz Slovenije. Za partnere iz Hrvatske služi kao mogući uzorak.

5.2 TIME RECORD

Dnevna časovnica projektnega sodelavca-ke / Dnevni vremenski plan projektnog suradnika-ce

Akronim operacije / Akronim operacije:

Naziv organizacije (vodilni partner / projektni partner) / Naziv organizacije (vodeći partner / projektni partner):

Ime in priimek sodelavca-ke ter vloga v projektu / Ime i prezime suradnika-ce i uloga u projektu:

Mesec/Mjesec:

Leto/Godina:

Vpišite dneve (datume), jedrnato opišite aktivnosti in opravljene ure namenjene delu v okviru operacije po posameznih dnevih./
Upišite dane (datume), sažeto opišite aktivnosti i odrađene radne sate u okviru operacije po pojedinim danima:

	Datum / Datum	Dan / Dan	Opis aktivnosti / Opis Aktivnosti	Število ur / Broj sati
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
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19				
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21				
22				

23			
24			
25			
26			
27			
28			
29			
30			
31			
Skupno mesečno število projektnih ur / Ukupno broj sati na projektu u mjesecu:			0

Upravičeni mesečni izdatki za delo / Prihvatljivi mesečni izdaci za rad:

Urna postavka/ <i>Prosječni izdaci na sat</i>		Skupno mesečno število projektnih ur / <i>Ukupno broj sati na projektu u mjesecu:</i>		Upravičeni izdatki za delo / <i>Prihvatljivi izdaci za rad</i>
0	x	0	=	0

Izdatki za celotno delo (projektno in neprojektno) v obdobju / Izdaci za cjelokupan rad (na projektu i van projekta) u razdoblju

Prepišite podatke iz mesečnega plačilnega lista/
Prepišite podatke iz mjesečne platne liste

Številka dokumenta / <i>Broj dokumenta</i>	
Leto/Godina	
Mesec/Mjesec	
Datum plačila/ <i>Datum plaćanja</i>	
Bruto plačilo (BTO1)//Isplačeno bruto	
Prispevki in davki delojemalca/ <i>Doprinosi i davanja posloprimca</i>	
Prispevki in davki delodajalca/ <i>Doprinosi i davanja poslodavca</i>	

**Izjava in podpis odgovorne osebe/
*Izjava i potpis odgovorne osebe***

Izjavljam, da podatki v časovnici odražajo resnično in pravilno količino opravljenega projektne delo v mesecu./ *Izjavljujem da podaci u vremenskom planu odražavaju stvarnu i pravilnu količinu*

Izjavljam tudi, da podatki o izdatkih za celotno mesečno delo odražajo resnično in pravilno višino vseh izdatkov za delo osebe, zaposlene pri prijavitelju izdatkov./ *Također izjavljujem da podaci o izdacima za cjelokupan mjesečan rad odražavaju stvarnu i pravilnu visinu svih izdataka za rad osebe zaposlene kod prijavitelja izdataka*

Ime, priimek in funkcija odgovorne osebe /
Ime, prezime i funkcija odgovorne osebe

Povračilo prevoza/ Dodatak za prijevoz

Povračilo malice/
Dodatak za topli obrok

Drugo* / Drugo*

Skupaj/Ukupno

0

**Opravljen ure/
Odrađeni sati**

**Urna postavka/
Prosječni izdaci na sat**

#DEL/0!

Podpis odgovorne osebe in žig organizacije /
Potpis odgovorne osebe i pečat organizacije

* Drugi stroški dela, ki so v skladu z nacionalno zakonodajo in pogodbo o zaposlitvi. Obvezno ločeno navedite vrsto stroška./*Drugi troškovi rada koji su u skladu s nacionalnim zakonodavstvom i ugovorom o zaposlenju. Obavezno navedite vrste troškova odvojeno.*

Datum/Datum:

Obrazec je oblikovno in vsebinsko zavezujoč za vodilne oziroma projektne partnerje iz Slovenije. Za partnerje iz Hrvaške služi kot možen vzorec. / Obrazac je oblikovno i sadržajno obvezujuć za vodeće odnosno projektne partnere iz Slovenije. Za partnere iz Hrvatske služi kao mogući uzorak.