



EEA/NORWEGIAN FINANCIAL MECHANISMS 2014-2021

GUIDELINE OF THE NATIONAL FOCAL POINT

**FOR
ELIGIBLE EXPENDITURES
UNDER EEA/NORWEGIAN FM 2014-2021**

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NATIONAL FOCAL POINT – MINISTRY OF FINANCE



**Ministerstvo financí
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LIST OF ABBREVIATIONS

AA	Audit Authority
BF	Fund for bilateral relations / bilateral fund
OHS	Occupational health and safety
CA	Certifying Authority
CR	Czech Republic
VAT	Value added tax
EEA	European Economic Area
EU	European Union
EUR	Euro
CSNF	Cultural and Social Needs Fund
FM	Financial Mechanisms
CZK	Czech crown (currency)
FMO	Financial Mechanism Office
PP	Project Promoter
MF	Ministry of Finance
MoLSA	Ministry of Labour and Social Affairs of the Czech Republic
NMFA	Norwegian Ministry of Foreign Affairs
Regulations	Regulation on the implementation of the EEA Financial Mechanism 2014-2021 and Regulation on the implementation of the Norwegian Financial Mechanism 2014-2021
NFP	National Focal Point
TA	Technical Assistance
FMC	Financial Mechanism Committee
SSPC	Small scale public contract
TS	Tender Specifications
PO	Programme Operator

BASIC TERMS

Audit Authority (hereinafter referred to as "AA") – a national public entity functionally independent of the National Focal Point, the Certifying Authority and the Programme Operator, which is designated by the beneficiary state and responsible for verifying the effective functioning of the management and control systems;

Certifying Authority (hereinafter referred to as "CA") - 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 between the EEA Financial Mechanism Committee / Norwegian Ministry of Foreign Affairs and the National Focal Point, setting up the implementation of each programme;

Fund for bilateral relations (hereinafter referred to as "BF") - fund intended to strengthen bilateral relations between donor states (Norway, Iceland, Liechtenstein) and the Czech Republic (hereinafter referred to as "CR");

Grant – funds provided to Project Promoters from the EEA/Norwegian Financial Mechanisms 2014–2021;

Financial Mechanism Office (hereinafter referred to as "FMO") – the office assisting the EEA Financial Mechanism Committee and the Norwegian Ministry of Foreign Affairs in managing the EEA/Norwegian Financial Mechanisms 2014-2021. Administratively, it is a part of the European Free Trade Association and is responsible for the day-to-day implementation of the EEA/Norwegian Financial Mechanisms 2014-2021 on behalf of the EEA Financial Mechanism Committee/ Norwegian Ministry of Foreign Affairs and serves as a contact point;

Project Promoter (hereinafter referred to as "PP") – a public or private, commercial or non-commercial entity, as well as a non-governmental non-profit organization, having the responsibility to initiate, prepare and implement a project/initiative;

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 2014–2021 and the implementation of Memoranda of Understanding;

Regulations on the Implementation of the EEA/ Norwegian Financial Mechanisms 2014–2021 (hereinafter referred to as the "Regulations") – the general rules of the EEA/Norwegian Financial Mechanisms 2014–2021;

Non-Governmental Organization – an organization established as a legal entity that has not been established or founded for the purpose of doing business and is independent of local, regional and central government, public bodies, political parties and commercial organizations¹. Religious institutions and political parties are not considered to be non-governmental non-profit organizations;

¹ Non-governmental non-profit organizations in the Czech Republic may be (provided the state has no participation in them and they are not dependent on the state), for instance, public benefit organisations pursuant to Act No. 248/1995 Coll., associations, foundations or endowment funds pursuant to Act No. 89/2012 Coll.

Irregularities Authority – a national public body responsible for preparing and submitting reports on irregularities to the FMO. For the 2014–2021 programming period, the Certifying Authority acts as the Irregularities Authority;

Programme Partner – a public or private entity, commercial or non-commercial, as well as a non-governmental non-profit organization, which is actively involved in, and effectively contributing to, the implementation of a programme;

Project/Initiative Partner – a public or private entity, commercial or non-commercial, as well as a non-governmental organization actively involved in, and effectively contributing to, the implementation of a project/ initiative;

Programme – a structure setting out a development strategy with a coherent set of measures to be carried out through projects with the support of the EEA/Norwegian Financial Mechanisms 2014–2021 and aimed at achieving the agreed objectives and outcomes. Each programme consists of one or more programme areas;

Project – an economically indivisible group of works fulfilling a precise technical function and with clearly identifiable aims related to the programme under which it falls. The project may involve several sub-projects, i.e. smaller projects together constituting one larger project;

Beneficiary of the funds - this means the following entities: NFP, CA, AA, PO, PP, programme partner, project/initiative partner;

Programme Operator (hereinafter referred to as “PO”) – public or private, commercial or non-commercial entity, as well as a non-governmental organization whose responsibility is to prepare and implement the programme;

Eligible expenditures – expenditures incurred for the set purpose and within a period specified in the implementation contract, which comply with the Regulations and other rules set by the FMC, the NMFA, the FMO, the NFP or the PO for the programme.

1 INTRODUCTION

This "**Guideline of the National Focal Point for eligible expenditures under the EEA/Norwegian Financial Mechanisms 2014-2021**" (hereinafter referred to as the "Guideline") lays down the rules for expenditures eligibility for the following beneficiaries of the funds from the EEA/Norwegian FM 2014-2021:

- entities of the national management structure - the National Focal Point (NFP), Certifying Authority (CA) and the Irregularities Authority, the Audit Authority (AA)
- programme operators (POs)
- programme partners from the Czech Republic (CR)
- project/initiative promoters (PPs)
- project/initiative partners

during the implementation of expenditures related to the EEA/Norwegian FM 2014-2021 regardless of the provider of the funds.

The Guideline is based on documents approved by donors, i.e. the EEA Financial Mechanism Committee and the Norwegian Ministry of Foreign Affairs:

- *Regulation on the implementation of the European Economic Area (EEA) Financial Mechanism 2014-2021*
- *Regulation on the implementation of the Norwegian Financial Mechanism 2014-2021*
- *Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2014-2021 between Iceland, the Principality of Liechtenstein, the Kingdom of Norway and the Czech Republic*
- *Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2014-2021 between the Kingdom of Norway and the Czech Republic*
- *Financial Guidance*
- *Bilateral Guideline*

The Guideline deals with the basic rules and principles and as such is not exhaustive. Cases and situations not specified herein are addressed on a case-by-case basis in consultation of the beneficiary of the funds with the NFP (for programmes, BF and the Technical Assistance) or in consultation of the project promoter with PO (for projects/initiatives).

More detailed rules of the expenditures eligibility may be further specified by PO as part of the implementation of each programme, BF or Technical Assistance provided that they comply herewith.

Only in programmes "Research" and "Education", the set rules may vary from this Guideline and take the form of special rules set by the donors². The beneficiaries of the funds under those programmes are obliged to follow primarily those specific rules.

If other documents are approved or procedures specified during the implementation of the EEA/Norwegian FM 2014-2021, the Guideline will be amended and updated based on the new facts.

² As regards the programme "Research", this means the document "*Guideline for Research Programmes*" and for programme "Education" it is the document "*Guideline for Educational Programmes*".

Every update of the Guideline will be published on the website of the EEA/Norwegian FM, established by the Ministry of Finance www.eeagrants.cz.

All beneficiaries of the funds are obligated to follow that website and to observe the current version of the Guideline. The NFP is not required to inform POs, PPs or programme partners and project/initiative partners of the Guideline updates.

The version of the Guideline in force on the day of performing the relevant act is binding.

2 ELIGIBILITY OF EXPENDITURES UNDER EEA/NORWEGIAN FM 2014-2021

2.1 GENERAL PRINCIPLES OF EXPENDITURES ELIGIBILITY

Expenditures are eligible for reimbursement from the EEA/Norwegian FM 2014-2021 grant, if they meet the following conditions³:

The expenditure was incurred in connection with the programme/ project/ initiative

The expenditure has been incurred provided that the subject of performance was delivered (in the case of goods) or provided (in the case of services and construction works), or implemented in another way in connection with the programme/ project/ initiative, the expenditure was accounted for and paid.

Overhead costs and depreciations of assets occurred at the moment they were recorded in the accounts as expenditure of the programme/ project/ initiative.

The expenditure is included in the budget of the programme/ project/ initiative

The expenditure is eligible if it is included in the budget of the programme/ project/ initiative and approved. The expenditure must be immediately linked to the implementation of activities of the programme/ project/ initiative and be aimed at achieving the set objectives.

Expenditure that is not included in the budget of the programme/ project/ initiative is not eligible, even if it meets all other characteristics of eligible expenditure hereunder.

The cost was incurred between the start and end date of expenditure eligibility

Expenditure is eligible if the cost related to it was incurred between the start and end date of expenditures eligibility set out in the implementation contract.

In exceptional cases, expenditure is deemed eligible also if it was incurred in the last month of the expenditures eligibility, and was paid no later than 30 days following the end date of the expenditures eligibility. Such expenditure must relate to an activity implemented before the end date of expenditures eligibility of the programme/ project/ initiative.

If the planned activities are to be implemented through a public contract, it is possible to initiate and carry out a procurement/ selection procedure already before the approval of grant from EEA/Norwegian FM and before the start date of expenditures eligibility, but the implementation of the subject of the contract and the payment of invoices related to the performance covered by the public contract must take place only after the start date of the expenditures eligibility. That means that the contract with the winning supplier can be signed earlier but the contract must contain a suspensive condition that the subject of the contract will be implemented only if the grant from EEA/ Norwegian FM is approved and the implementation contract is subsequently issued.

The expenditure is adequate and necessary for implementing the programme/ project/ initiative

³ In the case of projects implemented by an international organisation, the Programme Agreement/ implementation contract may include a special provision on the eligibility of expenditure.

The expenditure must be adequate, i.e. correspond to the prices typical at the time and place, and necessary for implementing and achieving the outcomes of the programme/ project/ initiative.

The expenditure must be spent in line with the following principles:

- economy - minimising the expenditures while respecting adequate quality,
- effectiveness - such use of funds, which will ensure an optimal level of achieving the planned objectives,
- efficiency - optimising the sources in creating the results, i.e. ensuring maximum outcomes from the given sources, or achieving the required result with the minimum sources while maintaining the quality of the result.

The expenditure is identifiable and verifiable

The expenditure is identifiable and verifiable if it is recorded in the accounting records according to the applicable accounting standards of the country where the beneficiary of the funds is established, and according to generally binding accounting principles.

Expenditure incurred as part of the implementation of a programme/ project/ initiative must be supported by **originals of accounting documents (or their certified copies)**, i.e. by received invoices or other documents of equivalent probative value.

The expenditure must be implemented, recorded on bank accounts or must be supported by expenditures receipts.

The documents must bear the text "*Financed from the EEA and Norway Grants 2014-2021*" or similar, to avoid duplicity of financing. It must be clear from the documents which programme/ project/ initiative they relate to, either directly in a text on the accounting document or subsequently added in a non-erasable form.

The beneficiaries of the funds (including partners) are obligated to archive originals of the accounting documents for at least 10 years⁴ from 1 January of the year following the year in which the final report on the programme/ project/ initiative was approved, but at least until **31 December 2030**.

Detailed requirements and procedures for reporting the expenditures are provided in Section 5.

The expenditure complies with the requirements of applicable tax legislation and social security legislation

The expenditure implementation must always respect the applicable tax legislation and social security legislation, i.e. all related taxes shall be paid and social obligations towards employees as stated in the relevant legislation shall be complied with.

The expenditure complies with the public procurement rules

If the activities are implemented based on public procurement, the payments made by the beneficiary of the funds must be supported with received invoices based on signed contracts/ orders that have resulted from the award of public contracts.

⁴ In accordance with § 44a of Act No. 218/2000 Coll., on budgetary rules.

In the purchase of services, supplies and/or construction works co-financed by more than 50% from the EEA/ Norwegian FM 2014-2021 funding, the beneficiary of the funds follows the national legislation on public procurement as if the beneficiary was the contracting authority pursuant to Article 1(1) of Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC. That obligation also applies to project partners.

Beneficiaries of the funds from the CR (including project partners from the CR) shall follow Act No. 134/2016 Coll. on public procurement, as amended, and other specific rules of the EEA/ Norwegian FM 2014-2021 for public procurement set out in the recommending *Guideline of the NFP on the award of public contracts and small scale public contracts under the EEA/ Norwegian FM 2014-2021*, or those set out in the implementation contract.

Documents on public contracts including small scale public contracts (SSPCs) shall be archived for 10 years from 1 January of the year following the year in which the final report on the programme/ project/ initiative was approved, but at least until **31 December 2030**.

2.2 ELIGIBLE EXPENDITURES DIVIDED BY THE TYPE OF THE BENEFICIARY OF THE FUNDS

Expenditures on Technical Assistance (TA)

The operator of TA in the CR is the NFP which coordinates the use of TA in the CR. The TA project promoters are only the NFP, CA (and the Irregularities Authority) and the AA. Detailed procedures, rules and responsibilities for TA are set out in a separate Guideline "*Technical Assistance Administration Procedures under EEA/ Norwegian FM 2014-2021 in the Ministry of Finance*".

Expenditures on programme management

Expenditures on programme management are eligible up to the maximum amount set out in the Programme Agreement. They represent the expenditures of PO or programme partners from the CR, related to the due preparation and implementation of the programme. This applies also to expenditures related to BF management by the BF operator, which is the NFP.

The following categories of expenditures are considered eligible expenditures on programme management:

- (a) expenditures directly related to programme preparation, including the drafting of the programme, the logical framework and stakeholders consultations;
- (b) preparation of the programme implementation, including the development of procedures for programme administration;
- (c) providing assistance to potential applicants and PPs in fulfilling the requirements set by the PO for grant applications and/or implementation of projects/ initiatives;
- (d) selection of projects, including expenditures on experts, meetings and appeals;
- (e) verification of expenditures incurred, approval of payments and transfer of payments to PPs;
- (f) project monitoring and reviews;
- (g) audits and on-the-spot verification/ public control of projects;

- (h) information and publicity activities, including calls for proposals and information services during the period for submitting grant applications, as well as information events aimed at exchanging experience and evaluating the programme impacts;
- (i) expenditures related to reporting obligations towards donors (FMO), NFP and/or CA;
- (j) fees related to the establishment and operation of bank accounts required by the Regulations or the Programme Agreement, including costs of incoming and outgoing transfers;
- (k) overhead costs;
- (l) expenditures related to the operation of the Cooperation Committee in the case of programmes in partnership with the Donor State and/or an international partner organisation (expenditures related to the operation of the Programme Committee for the "Research" programme, if any);
- (m) expenditures related to strengthening bilateral relations;
- (n) activities aimed at strengthening cooperation and exchanging experience and best practices between the POs and similar entities within the Beneficiary States and/or Donor States, and/or international organisations, provided that at least one Donor State entity is involved in the activity.

Expenditures on project implementation

All direct and indirect expenditures of PPs and project partners included and approved in the project budget (the budget in the grant application or the budget in the amended grant application) are considered eligible expenditures on project implementation. The eligibility of those expenditures is detailed in Section 3 hereof.

As part of ensuring co-financing, eligible expenditure is also voluntary work if it meets the conditions set out in Section 5.4 hereof.

Expenditures on implementing a BF initiative

Under BF, the expenditures related to the following activities are eligible:

- (a) activities aimed at strengthening bilateral relations between Donor States and the CR;
- (b) searching for partners for projects implemented in partnership with a Donor State before preparing the grant application or during its preparation, development of such partnerships and preparation of the application for a project in partnership with the Donor State;
- (c) networking, exchanging, sharing and transferring knowledge, technologies, experience and best practices between the CR and Donor States entities, and/or international organisations, provided that at least one entity in the Donor State is involved in the activity;
- (d) activities aimed at strengthening cooperation and exchanging experience and best practices between the NFP, POs and similar entities in the CR and in Donor States, as well as in international organisations, provided that at least one entity in the Donor State is involved in the activity.

NFP bears overall responsibility for using the BF. Nevertheless, only a part of the BF is managed by NFP. The other part of BF is managed by POs. Initiatives implemented from BF can therefore be managed either by NFP or POs.

Detailed information on the eligibility of expenditures under BF managed by NFP is provided in the "*Guidelines for Applicants and Final Beneficiaries from the Bilateral Fund within the Framework of the EEA and Norway Grants 2014-2021*", available only in English. Detailed information on eligibility of expenditures under BFs managed by POs will be set out in the guidelines of POs.

3 TYPES OF ELIGIBLE EXPENDITURES UNDER EEA/NORWEGIAN FM 2014-2021

3.1 DIRECT EXPENDITURES

Eligible direct expenditures are such expenditures that the entities involved in the EEA/Norwegian FM implementation (beneficiaries of the funds) specify, in line with their accounting principles and internal rules, as **specific expenditures directly related to the implementation of a programme/ project/ initiative**, and that can be accounted for and assigned directly to a programme/ project/ initiative.

Eligible direct expenditures are the following:

- (a) staff costs of employees;
- (b) travel costs;
- (c) participation fees;
- (d) expenditures on new or used assets (tangible and intangible);
- (e) expenditures on consumables and goods where expenditures on their purchase can be directly assigned to a programme/ project/ initiative⁵;
- (f) purchase of land and real estate;
- (g) expenditures arising from contracts/ orders concluded by the beneficiary of the funds in order to implement a programme/ project/ initiative (supplies, services, works).

In exceptional and duly justified cases, PO may propose other expenditures to be eligible or, on the contrary, may exclude some of the above expenditures from eligibility. Such deviations, if approved by donors (FMO), must be explicitly mentioned in the Programme Agreement and clearly specified in the specific call for proposals.

3.1.1 STAFF COSTS

The staff costs are:

- (a) the cost of staff performing a specific activity related to the implementation of a programme/ project/ initiative, i.e. an activity in related to substantive content of the programme/ project/ initiative implementation;
- (b) the cost of staff performing activities related to coordination, administration or management of a programme/ project/ initiative.

Staff expenses on civil servants are eligible if they relate to activities that the servant would not carry out if the programme/ project/ initiative was not implemented.

Relationships between employees and employers must be established in **written employment/ service contracts in line with the applicable legislation of the given State**.

Contracts or amendments to the original employment contracts must be concluded **before the relevant staff expenditure is incurred**.

⁵ In other cases, consumables are subject to rules for indirect costs (see Section 3.2).

Contracts/ agreements to perform work/ agreements to complete a job, and any amendments, must include:

- the type and description of the activity performed in implementing a programme/ project/ initiative⁶, including a specification of the programme/ project/ initiative;
- the remuneration that must match the typical level of expenditures on a similar activity of corresponding expertise and complexity of the work performed at the place of implementation.

Expenditures are eligible at the level of nominal wages/ salaries including gratuities, bonuses, statutory contributions for health insurance and social security paid by the employer, including any other levies that the employer is obligated to pay pursuant to applicable legislation (e.g. contribution to CSNF) at the ratio of the working time spent by the employee on implementation of a programme/ project/ initiative.

Nominal wage/ salary is the gross wage/ salary that covers the basic wage/ salary, gratuities and supplements to the wage or salary as well as compensations given by the law (e.g. paid vacation, time spent at a doctor, weddings, funerals, personal time off, sick leave or sickness benefits for the period in which they are paid by the employer) and any benefits included as a standard in the contract, net of income not directly related to the given programme/ project. Other wage/ salary compensations such as gifts for jubilees, contributions to supplementary pension schemes, contributions to recreation, or any other similar expenditures of the employer, which are not given by the law, are not included in the nominal wage/salary.

When an existing employee concludes an agreement to perform work/ to complete a job, such employee cannot perform their normal working duties at the same time as the work on implementation of a programme/ project/ initiative under those agreements, i.e. the working hours cannot overlap, they can only complement each other, and their sum may reach at maximum 1.5 full-time equivalent.

The reporting of overtime work of employees of the beneficiary of the funds as work on implementation of a programme/ project/ initiative **is not permitted** and therefore is not considered eligible expenditure.

Work reporting

If an employee works on the implementation of a programme/ project/ initiative **only in a part of their working hours**, eligible staff expenditures include only the expenditures corresponding to the relevant share of the working time of the employee, spent on the implementation of a programme/ project/ initiative, in the total working time. The supporting documents for calculating eligible staff expenditures on employees are timesheets⁷ maintained and signed by the employee and approved by their superior, alternatively by a fixed share specified in the contract or in the official job description. The eligible staff expenditures on employees are calculated as the product of the hours worked for the programme/ project/ initiative and the hourly rate of the eligible nominal wage/ salary.

⁶The type and description of the performed activity in the case of recruiting the existing staff must be formulated with regard to § 34 par. 2 of the Labour Code, according to which an employee must not perform work of the same type in another labour-law relationship with the same employer. The type of work in an additional employment relationship must be defined differently from the current employment contract.

⁷The hours worked are reported as rounded to a half/ whole hour.

If an employee works **fully on the implementation** of a programme/ project/ initiative, i.e. 100% of their working hours, the timesheets for the programme/ project/ initiative are not required.

Gratuities and bonuses provided only for work under a programme/ project/ initiative are eligible in full.

3.1.2 TRAVEL COSTS

Expenditures related to business trips of beneficiaries of the funds and their employees on trips related to the implementation of a programme/ project/ initiative are eligible.

A business trip means the time from starting the journey to perform work outside the standard place of work, including the performance of work at that other place, until the return from that journey.

An employee means also a person that has an agreement with the beneficiary of the funds on performing work/ completing a job and/or a partnership agreement.

The beneficiary of the funds must be able to substantiate implemented business trips by a written invitation or agenda of the meeting or the visited event, photo documentation⁸ and a report on a foreign business trip.

It is always necessary to prove that the expenditures related to the business trip were used, i.e. that the business trip was actually carried out by the relevant employee.

Travel costs mean in this Guideline the **direct expenditures related to the implementation of a domestic or foreign trip**, incurred in line with the applicable legislation of the country of the trip participant (Czech or foreign) and evidenced with accounting documents or **per diems** that can be claimed only for foreign entities as part of foreign trips⁹. Travel costs may be also determined as a **lump sum**.

Eligibility of expenditures for unrealized journey

1) Individual expenses of a participant to attend the event – travel and accommodation costs, attendance fee

Costs associated with an unrealized journey of a participant to a bilateral/multilateral event (e.g. travel costs, accommodation costs, attendance fee) are considered ineligible. When purchasing a flight/train/bus ticket, it is recommended to buy a ticket including the cancellation insurance allowing cancelling a ticket due to unforeseeable causes preventing a person from travelling. Cancellation insurance is an eligible expenditure, but not the cost of the cancelled ticket. It is also recommended to select accommodation which is possible to cancel shortly before arrival, if necessary. Expenses for unrealized accommodation are also considered ineligible.

⁸ Where relevant, e.g. as evidence of the estimated number of participants in major events, replacement of the attendance list or, if it is related to the substance of the activity.

⁹ Per diem may also be used by the Czech entities if they are set as a lump sum, see chapter 3.1.2.3.

2) Expenditures of an event organizer - refreshment costs, travel and accommodation costs of invited participants

In case of larger events (e.g. conferences), expenditures (e.g. travel and accommodation costs, refreshment) for an unrealized journey of an invited participant may be accepted as eligible in exceptional cases. In this case the compliance with the principle of sound management will be assessed, i.e. the organiser tried to solve the situation of absence of the invited person in the event with relevant service providers (e.g. hotel, travel agent) with the aim to respect the principle of economy. The situation will be assessed individually based on the explanation and relevant documentation provided by the organiser.

3.1.2.1 *Direct expenditures related to a trip*

(a) **Expenditures on fares**

Eligible expenditures on fares are expenditures related to transport on a business trip:

- **Expenditures on public transport tickets, seat reservation tickets, couchettes or sleeping berths** - eligible expenditure is a bus or train fare in the standard class. For trips above 300 km it is possible to report the fare in a higher than standard class.
- **Air tickets** - in the economy class and the directly related charges (e.g. airport charges) for flights to destinations further than 500 km - are eligible expenditures. For flights to destinations closer than 500 km it must be demonstrated that expenditures on the air ticket are more efficient than expenditures corresponding to the price of a first class ticket for a higher-quality train.

In the case of purchasing air/train tickets, we recommend buying the ticket with a so-called "**air ticket cancellation insurance**" that will enable the return of the ticket in the event of an unexpected absence of the trip participant for whom the ticket was bought.

If the purchase of such ticket is not economical, it is possible to use "**trip cancellation insurance**" as other expenditure related to the business trip in order to minimise the expenditures paid for the trip participant in the case of their absence.

The air ticket/ trip cancellation insurance is eligible expenditure also in the case of an unexpected absence of the business trip participant.

As regards expenditures on air/train tickets, the charge for changing the name of the traveller on the air/train ticket is also eligible expenditure.

- **Expenditures related to the use of a private car** (compensation expressing the estimated level of wear and tear of the vehicle and compensation for the consumed fuel) **or a company car** (compensation for the consumed fuel) - the amount and the entitlement to such compensation are limited by Act No. 262/2006 Coll., the Labour Code, as amended, and by decrees of the Ministry of Labour and Social Affairs (MLSA) that lay down the level of travel allowances for the given year. If an employee uses their own road motor vehicle upon their own request and with approval of the employer instead of a specified means of public transport, the employee is entitled only to compensation of travel expenses at the amount of the fare for the specified means of public transport. If an employee uses their own road motor vehicle upon request of the employer, the employee is entitled to depreciation payment and compensation of expenses on the consumed fuel. *Business trips of the employees of foreign beneficiaries of the funds shall be governed by applicable*

legislation of the country where the employer of the employee sent on the business trip is established.

- The rent of a vehicle (including insurance, parking fees and fuel) can be used while respecting the principle of proportionality, economy, effectiveness and efficiency of the expenditure.
- Other expenditures on transport (e.g. in connection with visiting a project as part of a meeting) in the form of a hire of micro-buses, buses and the use of taxi and services of a similar type of transport (e.g. Uber) can be used while respecting the principle of proportionality, economy, effectiveness and efficiency of the expenditure.

The eligible travel expenses must be substantiated with the relevant documents, i.e. not only accounting or similar documents and evidence of expenditure, but also train tickets, seat reservation tickets, air tickets, boarding passes etc.

(b) Accommodation expenses

Accommodation expenses are eligible in the demonstrated amount, while respecting the principle of economy, i.e. must correspond to standard prices in the given place and time. They include the cancellation insurance and tourist tax.

(c) Subsistence allowance and pocket money for foreign trips

The cost of meals is compensated if meals are not included in the price of the accommodation or provided as part of the visited event. If a meal (breakfast, lunch, dinner) or at least one of them is provided, the amount of subsistence allowance is proportionally cut. In case of non-use of the provided meal (if stated in the program or other proof that the food is included in the price) it is always necessary to provide justification.

Pocket money is also eligible expenditure that can be provided by the beneficiary of the funds to employees on foreign business trips in a foreign currency at up to 40% of the subsistence allowance.

In the case of a Czech entity, the amount of the subsistence allowance including pocket money for foreign trips is governed by Act No. 262/2006 Coll., the Labour Code, as amended, and by a decree of the Ministry of Finance that defines the basic rates for foreign subsistence allowance for the given year.

An entity from a Donor State follows the relevant national legislation/ internal rules of the given entity.

Expenditures covered by the provided subsistence allowance and/or pocket money cannot be claimed separately as other related expenditures.

(d) Domestic subsistence allowance of a Czech entity

Subsistence allowance on business trips of Czech employees is governed by Act No. 262/2006 Coll., the Labour Code, as amended, and by a decree of MLSA that determines the level of domestic subsistence allowance for the given year.

(e) Domestic travel allowances of a foreign entity

Domestic travel allowances for trips of foreign entities are governed by the applicable legislation of the given country.

(f) Necessary incidental expenses

Eligible expenditures under travel allowances include also other payments of expenses directly related to the business trip, pursuant to § 164 of the Labour Code. This may include parking fees, motorway charges (adequate to the duration of the business trip), left luggage storage charges, dry cleaning charge, travel insurance etc.

As regards the expenditures on air/rail tickets and accommodation, the prices of which vary in time, it is not required to follow the public procurement rules set out in Act No. 134/2016 Coll., on public procurement, as amended, and the Recommending Guideline of NFP for Public Contracts and Small Scale Public Contracts.

Expenditures made in other currencies may be converted to CZK in accordance with the internal written procedures of the organization claiming the expenditure.

Settling foreign business trips of Czech entities

When settling foreign business trips, the conversion of currencies is governed by the Labour Code (§ 183 and § 184) or by internal rules of the employer (e.g. directives specifying the conditions for making business trips, settlement of travel expenses and their compensation to the employee or directives on the circulation of accounting documents). An internal directive may contain other special provisions, e.g. a fixed exchange rate (usually annual) for converting travel expenses or the maximum amount of pocket money provided to an employee. A procedure differing from the provisions of the Labor Code must always be clearly explained.

An advance payment for business trip expenses was provided	The exchange rate of the Czech National Bank valid on the day of providing the advance payment shall be used for conversion from a foreign currency to CZK.	
An advance payment for business trip expenses was not provided	The exchange rate of the Czech National Bank valid on the day of starting the business trip shall be used for conversion from a foreign currency to CZK.	If the business trip starts on a Saturday, Sunday or a bank holiday, the exchange rate announced by the Czech National Bank for the nearest preceding/coming working day shall be used.
Payments abroad made in cash	The exchange rate of the Czech National Bank valid on the day of providing the advance payment or of	If cash is exchanged from EUR to a local foreign currency and the exchange rate can be

	<p>starting the business trip shall be used for conversion from a foreign currency to CZK depending on whether or not the advance payment was provided.</p>	<p>demonstrated (e.g. a receipt from the exchange office), the given exchange rate shall be used for converting the expenses paid in cash in the local currency to EUR. The exchange rate of the Czech National Bank valid on the day of providing the advance payment or of starting the business trip shall be used for further conversion from EUR to CZK.</p> <p>If cash is exchanged from EUR to a local foreign currency and the exchange rate cannot be demonstrated, the following procedure must be used: The exchange rate of the Czech National Bank valid on the day of providing the advance payment or of starting the business trip shall be used for conversion of expenses to CZK. The exchange rate of the Czech National Bank valid on the day of providing the advance payment or of starting the business trip shall be used for further conversion from CZK to EUR.</p>
<p>Electronic payments abroad (e.g. by payment card)</p>		<p>The conversion is based on the amount in CZK set out on the bank account statement. If further conversion of CZK to EUR is needed, the exchange rate of the Czech National Bank valid on the day of providing the advance payment or of starting the business trip, or the exchange rate set out in the bank account statement, shall be used.</p>

3.1.2.2 *Per diems for foreign trips of foreign participants*

Per diems cover the expenditures on accommodation, meals and local fares ¹⁰ in the Czech Republic and abroad.

Per diems for foreign participants are set pursuant to the EU rates published in the last update on the website: https://ec.europa.eu/europeaid/diem-rates-applicable-eu-funded-external-aid-contracts-17032017_en.

If accommodation or meals are provided for free, the daily rate of per diems will be cut by an amount corresponding to 40% of per diems for accommodation (identical amount for accommodation including and excluding breakfast), 20% for lunch and 20% for dinner. If a foreign participant does not stay overnight, the per diems are automatically cut by 40%.

Expenses covered by the provided per diems cannot be claimed separately as direct expenditure related to the trip.

3.1.2.3 *Lump sum expenditures*

With regard to the proportionality principle, the PO may set rules based on which travel expenses will be calculated as a lump sum. In that case, the lump sum expenditures will not be supported with accounting documents; however, they must be supported by documents confirming the realisation of the activity related to the lump sum. For BF initiatives, the rules for lump sum expenditures set by the PO are subject to approval by NFP.

3.1.3 TANGIBLE AND INTANGIBLE FIXED ASSETS

Expenditures on technical upgrade of buildings, purchase of new or second-hand equipment of tangible nature (equipment) and expenditures on intangible assets that are used in direct relation to the programme/ project/ initiative, are eligible under the following conditions:

- (a) in general, eligible expenditures are only (tax) depreciations related to the purchased assets, or only that part of depreciations that corresponds to the duration of the project and the level of the actual use of the assets for the purposes of the project;
- (b) if the PO decides that the given assets form an integral and necessary component for achieving the project results, the whole purchase price of those assets, approved in the grant application or amended grant application, can be eligible.

The purchased assets must be included in the accounting records and in the PP's asset records in line with the accounting principles.

If the assets are used for other purposes that are not directly related to the project objectives, the eligible expenditures will be only a proportionate part of those expenditures/ depreciations. The methodology of calculating a part of the eligible expenditures must be preserved throughout the project/ programme/ initiative (including the final financial statement and any subsequent audit). The calculation methodology serves as a supporting accounting document and the beneficiary of the funds must be able to demonstrate it during and after the end of the project/ programme/ initiative.

¹⁰ Local transport at the destination of the business trip.

Expenditures on repair and maintenance during the implementation of the project/ programme/ initiative (i.e. repairs related to the assets that were included as eligible expenditure of the project) are eligible, provided that it is economical, i.e. it must correspond to the prices typical at the place and time.

Expenditures on/ depreciations of the purchase of vehicles are eligible expenditures only in exceptional and duly justified cases approved as part of the grant application or amended grant application.

Eligible depreciations of fixed tangible and intangible assets

The definition of the term fixed tangible and intangible assets and their valuation for the purposes of the Income Tax Act and for determining tax depreciations is regulated in § 26 and § 32a of Act No. 586/1992 Coll., on income taxes, as amended.

As regards fixed tangible or intangible assets (that are depreciated) only **tax depreciations** can be eligible expenditures. The entry price that is the basis for calculating tax depreciations must be modified, for the purposes of eligibility, so that it contains only items of eligible expenditures.

For fixed tangible assets¹¹ it is possible to choose straight-line depreciation (§ 31) or accelerated depreciation (§ 32). The depreciation period for tangible assets is set in § 30 and in the Annex 1 to Act No. 586/1992 Coll., on income taxes, as amended.

For fixed intangible assets¹² the period and method of depreciation for the various kinds of assets are set in § 32a of Act No. 586/1992 Coll., on income taxes, as amended.

The beneficiary of the funds is not entitled to change the selected method of calculating tax depreciations during the depreciation.

Depreciations are eligible provided that the following conditions are met:

- depreciations relate only to the period of project implementation or the period in which the given assets are used for the purposes of the project (if that period is shorter than the period of the project implementation). A depreciation up to the proportionate part of annual depreciations, determined with an accuracy of months or days falling on the project implementation period or the period in which the assets were used for the project, is eligible expenditure;
- depreciations apply only to the proportionate part of the assets that are used for the project (see above);
- for the eligibility of depreciations, the beneficiary of the funds must substantiate the purchase price of the asset to be depreciated with an accounting document.

¹¹ **Fixed tangible assets** – investment - movable assets, or sets of movable assets with an independent technical and economic purpose, the entry price of which is higher than CZK 40 000 (per item) and the operational and technical function is longer than 1 year, buildings, apartments, commercial premises and structures, other assets (e.g. technical upgrade).

¹² **Fixed intangible assets** – intangible results of research and development, software, valuable rights or other assets pursuant to the Accounting Act, which have been acquired through purchase, transformation, donation, inheritance or were created by own activity, and at the same time their entry value is higher than CZK 60 000 (per item) and their usability is longer than 1 year.

As regards **non-profit entities/ organisations** that claim, as part of a programme/ project, depreciations of fixed capital assets as eligible expenditures and those fixed capital assets were purchased with the contribution of funds from certain public sources, **the entry price of the fixed capital assets is reduced by the subsidies provided earlier from:**

- the state budget,
- the budget of municipalities and regions,
- state funds,
- Regional Council of a cohesion region,
- funds (grants) provided pursuant to the Act on Support for Research and Development,
- EU grants,
- subsidies, contributions and supports from public budgets and other monetary funds of a foreign country.

The entry price is reduced by those funds from public sources not only for the purchased fixed capital assets but also for its technical upgrade and also if the asset is created through own activity.

That way, duplicities in the financing of capital assets are prevented. If the **purchase of tangible assets is to be fully financed from any of the above public sources**, depreciations will not be claimed as eligible expenditure at all because the **entry price will be zero**. In that case, it is, of course, pointless to examine what purpose and activity the assets were used for.

Depreciation also excludes tangible assets acquired free of charge, that were subject to gift tax and were exempted from gift tax at the time of acquisition. That means that if a non-profit entity is exempt from the gift tax upon accepting a non-monetary gift, it cannot claim depreciation calculated in the above way as eligible expenditure, even if the other conditions for claiming depreciations as eligible expenditures are met.

Eligible purchase price of fixed tangible and intangible assets

For fixed assets, for which PO approved the whole purchase price as eligible, the PP shall:

- keep the given assets in its ownership for at least five years following the end of the project and shall continue to use the given assets for the benefit of the project objectives for that period;
- keep the assets duly insured against loss, e.g. due to fire, theft or other normally insurable risks¹³ both during the project implementation and for at least five years following the end of the project;
- ensure adequate resources for maintaining the assets for at least five years following the end of the project.

The specific method of fulfilling the above conditions will be specified in the implementation contract.

¹³ Damage to property is, pursuant to Act No. 363/1999 Coll., on insurance, as amended, Annex 1, caused by fire, explosion, storm, natural phenomena other than storm (e.g. lightning, flood, hailstorm, frost), nuclear energy, land slide or soil subsidence, other causes (e.g. robbery, theft or damage caused by wild animals).

PO may dispense any PP from the above duties in connection to any specified asset, provided that the PO believes that the continuing use of the given asset for the general objectives of the project would not serve an economically useful purpose with regard to all relevant circumstances.

3.1.4 PURCHASE OF CURRENT ASSETS AND CONSUMABLES

Expenditures on purchasing the equipment, furnishing and intangible assets that do not fall within the group of fixed (depreciable) assets, i.e. current tangible and intangible assets, are eligible in full, provided that the assets are related to an approved project/ programme/ initiative. If the assets are used for other purposes that are not directly related to the project/ programme/ initiative objectives, the eligible expenditures will be only the proportionate part of those expenditures/ depreciations. The methodology of calculating a part of the eligible expenditures must be preserved throughout the project/ programme/ initiative. The calculation methodology serves as a supporting accounting document and the beneficiary of the funds must be able to substantiate it during and after the end of the project/ programme/ initiative.

This category of eligible expenditures also includes expenditure on consumables and goods, such as office supplies, operating materials and other similar expenses for which the beneficiary of the funds can prove that they are necessary for the effective implementation of the project/ programme/ initiative and which can be clearly supported with relevant accounting documents; in such case, that expenditure is not included in indirect costs.

3.1.5 PURCHASE OF LAND AND REAL ESTATE

No national or other grant has been provided to a real estate and/or property to be purchased over the last 10 years, as this would result in double financing.

The project applicant/ PP proves that fact with a declaration of honour confirming that neither the current nor any previous owner of the real estate and/or land received funds from other public sources for the purchase of the given real estate/ land in the last 10 years before submitting the grant application.

Expenditures on the purchase of real estate (building)¹⁴ and/or purchase of land not built on, the acquisition of which is necessary for the project implementation, are eligible under the following conditions:

- (a) there must be a **direct link** between the purchase of the real estate and/or land and the project objectives;
- (b) the purchase of real estate and/or land **may not represent more than 10% of the total eligible expenditures of the project**. In exceptional cases, the donors (FMO) may approve a higher percentage which will be explicitly authorised in the Programme Agreement and in the implementation contract;
- (c) a certificate shall be obtained prior to the purchase of the real estate/ land from an independent qualified expert or duly authorised official entity¹⁵ **confirming that the purchase price does not exceed the current market value in the given location and that it is free of all obligations** in terms of mortgage and other liabilities, particularly in respect of damage related to pollution. It is also necessary to obtain a certificate of the condition of the building confirming that the current constructional and technical condition

¹⁴ Real estate means buildings built or under construction and the relevant rights to the land on which they are built.

¹⁵ An expert pursuant to Act No. 151/1997 Coll., on evaluation of assets, as amended.

- of the building is in conformity with national regulations and that there are not legal obstacles preventing the use of the building for the purpose of the project, or stating the shortcomings that will be rectified as part of the project. The certificate must not be older than 3 months before the date of submitting the grant application;
- (d) the real estate and/or land shall be **used for the purpose and for the period** set out in the implementation contract. The ownership must be transferred to the PP, or those explicitly designated by the PP in the grant application as recipients of the real estate and/or the land, prior to the completion of the project. The real estate and/or the land cannot be sold, rented, or mortgaged during the project implementation and within five years of the completion of the project (or longer if stipulated in the implementation contract). **This restriction applies also to any other buildings that are built, reconstructed or refurbished using a financial contribution from the EEA/Norwegian FM 2014-2021.** The donors (FMO) may waive this restriction if it would result in an unreasonable burden on the PP;
- (e) the real estate and/or land may **only be used in conformity with the objectives of the project.** In particular, buildings may be used to accommodate public administration services only where such use is in conformity with the objective of the project;
- (f) the purchase of real estate and/or land shall be **explicitly approved by the PO prior to the purchase**, either in the implementation contract or by a later decision.

The restriction concerning mortgage (point (d) above) does not apply to a mortgage concluded by PO or NFP if the only purpose of the mortgage is to ensure compliance with the above point (d).

The expenditures on the purchase of real estate are proven with a purchase contract, bank account statement proving the transfer of the purchase price and a valid extract from the Land Register.

The expenditures on preparation of the construction site and on the construction, which is essential for the project implementation, can also be eligible.

Expenditures on the real estate and/or land already owned directly or indirectly by PP or purchase of real estate and/or land directly or indirectly owned by the project partner or public administration bodies are not eligible.

Real estate and/or land shall not be, under any circumstances, purchased for speculative purposes.

3.1.6 PURCHASE OF SERVICES

Services are such activities in the programme management or project/ initiative implementation that cannot be, due to their nature and capacities, carried out directly by the beneficiary of the funds/ partner. They include the following types of services (the list is not exhaustive):

- publicity expenses;
- translations of documents;
- creating and implementing courses/ training;
- drawing up methodologies, manuals, analyses, studies;
- drawing up design documentation for construction/ supplies, technical supervision of the investor, coordinator of occupational health and safety, author's supervision;

- expenses on services related to the organisation of training, seminars, meetings and/or conferences (e.g. the rent of the space, catering, interpretation, the services of a presenter, lecturers, photographer etc.);
- expert assessment and appraisal of project proposals;
- management, administration and/or coordination of the programme/ project/ initiative provided by external entities;
- external financial audits or checks/ verifications on the spot;
- management of public contracts provided by external entities;
- legal advice;
- insurance of the assets, the purchase price of which is eligible expenditure of the project, only during the project implementation;
- financial services of banks approved in the budget of the programme/ grant application etc.

Expenditures on services are considered sub-contracts and for that reason cannot be included in the direct eligible expenditure amount for the calculation of indirect costs (pursuant to point (b) of Section 3.2).

3.1.7 VALUE ADDED TAX

If the beneficiary of the funds cannot claim deduction of value added tax (VAT) in the input and bears the costs of VAT exclusively and finally, then VAT is eligible expenditure of the programme/ project/ initiative.

Information whether the applicant or PP is or is not a VAT payer entitled to deduct the input VAT must be set out in the submitted grant application. Any change to the PP status during the implementation of the project/ initiative with an impact on VAT eligibility must be immediately announced to PO of the programme/ BF and the eligibility of VAT expenditure must be modified.

3.2 INDIRECT COSTS - OVERHEADS

Eligible indirect costs (overheads) are all eligible expenditures for which the beneficiary of the funds cannot determine that they are directly assignable to a project/ programme/ initiative but can be identified in its accounting system and justified as expenditures incurred in direct connection with the implementation of a project/ programme/ initiative. Indirect costs (overheads) represent a relevant share of all total overheads of the beneficiary of the funds, linked to the implementation of a project/ programme/ initiative.

This means expenditures on operating the organisation of the beneficiary of the funds, such as office rent, purchase of water, fuel, energy, cleaning, maintenance, insurance, office supplies, internet connection, telephone and postal charges, operation of a company car and expenditure on cross-cutting activities such as human resources management, accounting and administration, training, legal advice etc.

Indirect costs shall not include any direct expenditure.

Beneficiaries of the funds may determine their eligible indirect costs using one of the methods below:

- (a) **actual indirect costs** in the case of those beneficiaries of the funds who have an analytical accounting system enabling them to determine indirect costs in a ratio related to the project/ programme/ initiative. The beneficiary of the funds can use this method if it is able to calculate the share of indirect costs in an adequate and verifiable way. The calculation of the eligible indirect costs must clearly indicate the actual amount of overheads of the beneficiary of the funds, their share related to the implementation of the project/ programme/ initiative and the resulting eligible indirect costs. The calculation methodology must be preserved throughout the project/ programme/ initiative (including the final financial statements and any subsequent audit). The calculation methodology serves as a supporting accounting document and the beneficiary of the funds must be able to substantiate it during and after the end of the project/ programme/ initiative. This means e.g. the calculation of the consumed heat according to the heated area of offices used for the project/ programme/ initiative or according to the working hours of the staff working for the project/ programme/ initiative. The calculation of the amount of rent (similar to all kinds of indirect costs) should indicate the actual annual rent of the beneficiary of the funds, the period for which the office/ part of a building is used for the project/ programme/ initiative and the resulting eligible expenditure on the rent. As regards payment for energies, we recommend agreeing with the supplier on a meter reading and billing as of the end date of the implementation of the project/ programme/ initiative. If the service provider submits the billing only after the end of the project/ programme/ initiative implementation, then the final payment request may include the actually billed expenditure. If the provider does not present the billing by the date of submitting the final payment request, the final payment request may include amounts corresponding to a qualified estimate based on actual expenditure paid in the past corresponding accounting period, but at maximum up to the level of the actually paid advance payments. This calculation/ qualified estimate must be supported with a calculation and copies of relevant documents based on which it was calculated.
- (b) **a flat rate at 25% of the total (net) direct eligible costs**, i.e. excluding direct eligible costs of sub-supplies (based on a contract/ order) including expenditures on resources provided by third parties that the beneficiary does not use in its premises. Third parties mean organisations or persons involved in the project/ programme/ initiative but not acting as a contracting party of the implementation contract. The application of this method is contingent on a calculation of the rate made in an adequate and verifiable way or using any of the methods applied in grant schemes, financed in full by the Beneficiary State, for similar types of projects and beneficiaries of the funds. The calculation methodology must be preserved throughout the project/ programme/ initiative (including the final financial statements and any subsequent audit). The calculation methodology serves as a supporting accounting document and the beneficiary of the funds must be able to substantiate it during and after the end of the project/ programme/ initiative.
- (c) **a flat rate up to 15% of direct eligible expenditures per employee**, without the beneficiary of the funds being required to make a calculation to determine the rate used.

- (d) **a flat rate applied to direct eligible expenditures** on the basis of existing methods and corresponding rates applied to similar types of projects and beneficiaries of the funds in EU programmes (e.g. Horizon 2020).
- (e) as regards beneficiaries of the funds who are international organisations or their agencies, the indirect costs may be determined, in accordance with special provisions of the Programme Agreement, **according to the relevant rules set by those organisations.**

The method of calculating indirect costs and their maximum amount shall be set in the implementation contract.

The method of calculating indirect costs of a project partner shall be set in the partnership agreement.

4 NON-ELIGIBLE EXPENDITURES

Non-eligible expenditures are expenditures that:

- (a) were not incurred as part of a project/ programme/ initiative;
- (b) were not incurred between the start and end date of expenditure eligibility;
- (c) were not incurred in connection with the subject of the project/ programme/ initiative and were not included in the detailed budget;
- (d) are not adequate and necessary for the implementation of a project/ programme/ initiative;
- (e) were not incurred exclusively to achieve the objectives of a project/ programme/ initiative and its expected results in a way that complies with the principles of economy, effectiveness and efficiency;
- (f) are not identifiable and verifiable, in particular through being recorded in the accounting records as expenditure of the EEA/Norwegian FM 2014-2021 (with the exception of voluntary work that is not entered in the accounting records), and are not determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost accounting practices;
- (g) were not recorded on bank accounts of the beneficiary of the funds or supported with expenditure receipts (with the exception of voluntary work);
- (h) were not incurred in compliance with the requirements of applicable tax legislation and social security legislation;
- (i) do not comply with the public procurement rules;
- (j) are in conflict with the rules set out herein.

The following specific expenditures are also non-eligible:

- interest on debt (credit), debit interest, debt service charges and late payment charges;
- charges for financial transactions and other purely financial costs (e.g. bank service charges, currency exchange services, charges for setting up an account and for maintaining an account, charges for bank transfers), except costs related to accounts required by the donors (FMO), NFP or the applicable law and costs of financial services required by the implementation contract (see Section 3.1.6);
- provisions for losses or potential future liabilities and debts;
- exchange losses;
- recoverable VAT, i.e. VAT with the right to deduct input tax;
- paid tax (road tax, real estate tax, gift tax, inheritance tax etc.) and customs duties;
- administrative fees (extract from the land register, extract from the commercial register etc.);
- expenditures covered from other sources or to be claimed as eligible under other subsidy programmes;
- fines, penalties, financial punishments, sanctions and costs of litigation, except where litigation is an integral and necessary component for achieving the outcomes of the project/ programme/ initiative and is included in the detailed budget;
- costs of legal disputes.

5 EXPENDITURES REPORTING

5.1 EXPENDITURES REPORTING IN A PROGRAMME/ PROJECT/ INITIATIVE

Expenditure incurred as part of the implementation of a programme/ project/ initiative must be supported by **originals of accounting documents (or their certified copies)**, i.e. by received invoices or other documents of equivalent probative value.¹⁶

The expenditure must be implemented, recorded on bank accounts or must be supported by expenditure receipts.

An exception from the condition of actual payment are depreciations for which the implementation of the "expenditure" is proven only with its record in the accounts. However, that record of depreciations in the accounts must be demonstrable, supportable and verifiable.

An exception from the condition of direct documentability by means of accounting documents are overheads.

If the subsidy is provided as a lump sum or standard scales of unit costs, the evidence of expenditure is limited to proving the relevant units and paying the total amounts.

The expenditure item must be identifiable and verifiable, i.e. the internal accounting and audit procedure of the beneficiary of the funds must enable a direct match of expenditure and income reported in relation to the programme/ project/ initiative with the corresponding financial statements and supporting documents. The beneficiary of the funds must be able to provide documented evidence for all operations upon subsequent checks and audits.

PO may set a limit for providing accounting documents for expenditure at up to CZK 10 000 for each item of expenditure in the case of bilateral initiatives and at up to CZK 50 000 for an item of expenditure in projects. If this procedure is applied, the PP remains obliged to properly archive the related accounting documents for possible controls. At the same time, the PO is obliged to determine for each project/initiative reported by this method an adequate sample of expenditure for control (administrative or on-site).

Alternatively, PPs and project partners may agree that they will prove expenditures by means of **a report of an independent auditor or a report issued by a competent and independent public entity** that has been recognised by the relevant national authorities as having a budget and financial control capacity over the entity incurring the costs and that did not take part in compiling the financial statements.

PO may restrict that alternative only to international organisations or entities or their agencies and to project partners whose main place of operation is outside the Czech Republic.

Entities from the Czech Republic report expenditure within the meaning of § 11 of Act No. 563/1991 Coll., on accounting, as amended.

¹⁶ PO shall set up such systems and control mechanisms that will ensure sufficient level of verification of expenditure that will be incurred by the project promoters and partners. Therefore, PO does not have to require 100% of accounting documents in each payment request.

Entities from Donor States and international organisations follow the applicable accounting standards and generally binding accounting principles of the country where the entities are established.

Beneficiaries of the funds from the Czech Republic are **obliged to keep accounts or tax records** in accordance with Czech regulations.

The beneficiaries who keep their accounts¹⁷ pursuant to Act No. 563/1991 Coll., on accounting, are obliged to ensure a clear assignment to each project/programme/ initiative of all transactions directly related to the project/programme/ initiative in their accounting systems.

Beneficiaries of the funds who do not keep accounts pursuant to Act No. 563/1991 Coll., on accounting, as amended, shall - in the case of implementing a programme/ project/ initiative co-financed from EEA/Norwegian FM 2014-2021 - keep tax records pursuant to Act No. 586/1992 Coll., on income taxes, as amended, extended to include the following requirements that will be mentioned in the implementation contract, namely that:

1. the relevant documents shall meet the prescribed particulars of accounting documents in accordance with § 11 of Act No. 563/1991 Coll., on accounting, as amended (with the exception of point (f));
2. the documents must be correct, complete, conclusive, comprehensible and chronologically kept in a manner that guarantees their sustainability;
3. upon an inspection, the beneficiary of the funds will provide the control authority, on demand, with its tax records in their entirety;
4. the revenues and costs are recorded with a clear link to the relevant programme/ project/ initiative to which they are connected.

Recommendation: Documents with general formulations, such as the text “I am invoicing construction works” are insufficient. Documents are always required to indicate the purpose/specification of the expenditures in relation to the relevant items of the programme/ project/ initiative budget. A detailed description may be provided in an attachment to the invoice.

In the case of internal accounting documents ("in-house invoices"), the documents shall meet the prescribed particulars of a document pursuant to internal rules of the beneficiary of the funds. Internal documents, which capture accounting movements within the organisation of the beneficiary of the funds and are claimed for reimbursement, must not contain any margin of one of the sections against another section of that organisation.

Prepayment invoices received from suppliers are permitted but are not eligible expenditure. Only the clearance of advance payments can be claimed as eligible expenditure.

¹⁷ It includes both double-entry and single-entry accounting. The accounting for costs must be documented by an output from the accounting system (in PDF or Microsoft Excel), which must clearly identify from what accounting system and when it was generated. In the case of single-entry bookkeeping, it is possible to submit a scan of the books.

As regards advance payments for energies/ water/ sewage, we recommend agreeing with the supplier on the meter reading and billing as of the end date of the implementation of the project/ programme/ initiative. If the supplier submits the billing as of the end of the project/ programme implementation, then the final payment request may include the actually accounted expenditure. If the supplier does not present the billing as of the end date of the programme/ project/ initiative implementation, the final payment request may include amounts corresponding to a qualified estimate based on actual expenditure paid in the past corresponding accounting period, but at maximum up to the level of the actually paid advance payments. This calculation/ qualified estimate must be supported with a calculation and copies of relevant documents based on which it was calculated.

Proof of expenditures by a report certifying the costs claimed within the project/initiative (see template in Annex 1 of the Guideline)

Expenditures may be evidenced - apart from originals or certified copies of accounting documents (i.e. received invoices or other documents of equivalent probative value and documents proving the payment of the expense) - also by:

- **a report of an independent auditor** capable of performing mandatory audits of accounting documents attesting that the reported costs have been incurred in accordance with the Regulations, national legislation and relevant national accounting procedures of the project/ initiative partner¹⁸;
- **a report issued by a competent and independent public entity**, which was recognized by the competent national authorities as being competent for the exercise of budgetary and financial control of the entity incurring the cost and which was not involved in the preparation of the financial statements, certifying that the reported cost was incurred in accordance with the Regulations, national legislation and relevant national accounting procedures of the project/ initiative partner.

The reports certifying the reported expenditures of a project/ initiative must prove at least that:

- the expenditures were incurred in the eligibility period of the project/ initiative and are eligible in line with all standards and rules of expenditure eligibility;
- the expenditures relate to items and activities approved under the project/ initiative;
- the expenditures were supported with accounting documents or documents of equivalent probative value and documents proving the payment of the expenditure, and comply with contracts concluded on the basis of public procurement rules valid in the partner's country.

Such reports cannot be replaced with an annual audit of financial statements.

Upon request of donors (FMO), NFP, PO and institutions or audit authorities authorised by them, the project promoter/ or project/ initiative partner is obligated to provide access to supporting documents based on which the relevant report attesting the reported expenditure was issued.

PO/ NFP (in case of BF) may restrict the proof of expenditures by such reports, e.g. in the relevant call for proposals or in the implementation contract.

¹⁸ The reports shall - apart from the opinion of an independent auditor or independent public entity on the above points - contain a detailed description of the purpose of the audit, the auditing procedures, the scope of the audit and its results. The audit must be carried out in line with the relevant international accounting standards (e.g. *International Standard on Related Services ISRS 4400*).

5.2 EXPENDITURES REPORTING OF PARTNERS IN A PROGRAMME/ INITIATIVE

Expenditures incurred and paid by a partner of a project/ initiative¹⁹ are eligible under the same conditions as expenditures incurred and paid by a PP.

The relationship between PP and its partner must be based on a non-commercial principle and must be established in a partnership agreement.

The partnership agreement determines - among other things - a detailed budget of the expected expenditures of the partner and specifies financial flows between PP and partner, i.e. the method of reimbursing the partner's expenditure, the procedure for checking the expenditure claimed by the partner, matters concerning the use of currencies and the related exchange rate differences (whether they are to be borne by PP or the partner), liability for damage, archiving of accounting documents and documents proving the payment of expenditure by the partner and other.

Expenditures incurred on the basis of a valid partnership agreement are not considered a supplier-client relationship and such expenditure can be claimed on the basis of a **report certifying the costs claimed within the project/initiative** in line with the budget set out in the partnership agreement.

The overall responsibility for a correct and effective use of the provided funds is borne by PP who is also legally and financially responsible to the provider of the funds based on the implementation contract. The partnership agreement does not relieve PP from the obligations set out in the implementation contract.

We, therefore, recommend paying increased attention in the partnership agreement to the procedures related to financial settlement of the partnership and the method of financial reporting between PP and the partner of a project/ initiative.

PP is obligated to ensure that the project/ initiative partner will archive originals of accounting documents of the partner and documents proving the payment of expenditure by the partner for 10 years from 1 January of the year following the year in which the final report on the project/ initiative was approved, but at least till 31 December 2030.

The method of reimbursing expenditures of the project/ initiative partner

PP may provide an advance payment to the project/ initiative partner for its expected expenses but such payment is not eligible expenditure. The amount of the advance, the manner of its provision and settlement must be specified in the partnership agreement and must be reflected in the PP's accounting.

Only implemented and reported expenditure of the project/ initiative partner can be claimed as eligible expenditures of the project/ initiative.

In the partnership agreement, it is possible to agree on one of the following methods of reimbursing the expenditures of a project/ initiative partner:

¹⁹ Similar rules apply also for project partners from the Czech Republic.

- (a) The partner implements and reports an item of expenditure by submitting a copy of the accounting document and a document proving the payment of the expenditure by the project/ initiative partner or by submitting a report **certifying the costs claimed within the project/initiative**. PP checks the expenditure, verifies its eligibility and then includes it among eligible expenditures on the list of documents/ in a payment request. As the payment request is issued in CZK, the conversion of foreign currency to CZK is carried out using the monthly rate of ECB valid for the month in which the expenditure was paid or by using the exchange rate set in accordance with the internal written procedures of the entity claiming the expenditure. After the eligible expenditures of a project/ initiative are reimbursed by the provider of the funds to the PP's bank account, PP is obligated to transfer the amount for the relevant eligible expenditures of the partner to a bank account specified by the partner within a set time period, or pay it in cash to an authorised representative of the partner (as set out in the partnership agreement). **This does not apply to initiatives under BF operated by NFP.**
- (b) The partner implements and reports an item of expenditure by submitting a copy of the accounting document and a document proving the payment of the expenditure by the project/ initiative partner or by submitting a report **certifying the costs claimed within the project/initiative**. PP shall check the expenditure, verify its eligibility and directly/ immediately reimburse the expenditure to the partner. PP will then include that item of expenditure in the relevant list of documents/ payment request as expenditure of PP (evidenced with a copy of the document proving the reimbursement of the expenditure to the partner). After the provider of the funds reimburses the eligible expenditures, PP does not send any more funds to the partner.
- (c) In the case of expenditures related to direct cooperation of PP with the project/ initiative partner (e.g. air tickets for representatives of the partner, accommodation etc.), such expenditures can be paid directly by PP.
- (d) If the Czech partner of a project/ initiative is a contributory organisation financed only by PP who is its founder, the founder (PP) shall increase for the partner (i.e. its contributory organisation) the contribution that will be used to finance the eligible expenditures of the project/ initiative and subsequently the founder (PP) will include such expenditures in the list of documents/ payment request.

5.3 EXPENDITURES REPORTING BASED ON STANDARD SCALES OF UNIT COSTS

Project grants may - in exceptional cases approved by donors (FMO) and explicitly set out in the Programme Agreement and in the implementation contract - take the form of **standard scales of unit costs**.

In that case, the amount of the grant shall be determined in one of the following ways:

- (a) in accordance with the rules for the application of the relevant standard scales of unit costs that are used for similar types of projects and stakeholders in EU policies;
- (b) in accordance with the rules for the application of the respective standard scales of unit costs that are used for similar types of projects and stakeholders within grant schemes fully

financed by the Beneficiary State in which the PP or the partner has its registered office, or by the Donor State if the project partner has its registered office in that Donor State.

Each use of the existing rules for the application of the relevant standard scales of unit costs must be assessed by the PO in such a way that the method is applied to similar types of projects and stakeholders, ensuring that the method is used as a whole.

The maximum amount of the grant (or part thereof) is then equal to the number of units of the relevant eligible cost item multiplied by the specified unit rate.

The use of standard scales of unit costs, their amount and how they are determined must be specified in the implementation contract.

The use of standard scales of unit costs, their amount and how they are calculated in the case of a project partner must be determined in the partnership agreement between PP and the project partner.

Where standard scales of unit costs are applied, the proof of expenditures is limited to the proof of the relevant units.

The use of standard scales of unit costs may be applied to all types of eligible expenditures set out in Section 3.1, if this is allowed in the relevant call for proposals.

5.4 REPORTING VOLUNTARY WORK IN PROJECTS

For projects where the PP or the project partner is a non-governmental non-profit organisation or a social partner (associations of employers and trade unions), **in-kind contribution in the form of voluntary work** may constitute up to 50% of the co-financing required by the programme for the project. This part of co-financing can only be provided by PP or the project partner who is a non-governmental non-profit organisation or a social partner.

In exceptional cases, and subject to approval by the donors (FMO), in-kind contribution in the form of voluntary work may constitute up to 100% of the co-financing required.

Voluntary activity means a publicly beneficial activity organised pursuant to Act No. 198/2002 Coll., on voluntary service and amending some other acts (the Voluntary Service Act), as amended, and a publicly beneficial activity that is carried out by a volunteer who has reached at least 15 years of age, based on their free will, in their free time and without receiving any remuneration, reciprocal service or other advantage²⁰.

In order to perform voluntary activity, the volunteer and PP shall conclude a written contract that will contain at least the place of performance and the subject of the voluntary activity, its scope and period for which it is to be performed. **PP shall keep confirmative records of the voluntary activity performed, proving the duration and scope of the voluntary work.**

PP shall set suitable unit prices for voluntary work, which shall be in accordance with the standard wage paid in the Czech Republic for such work, including the required statutory contributions. The prices may vary depending on the region where the work is carried out or

²⁰ This does not concern the meals and accommodation provided.

depending on the kind of voluntary work, and may be adjusted during the implementation of the project in order to account for changes in salaries.

The reported amount of voluntary work that will be included in the project co-financing will be the product of the unit price for voluntary work, set by PO, and the time (number of hours) of voluntary work carried out under the project.

When setting the unit price for voluntary work, we recommend starting from the median of gross monthly wage in the wage sector for the previous calendar year.²¹ To calculate the hourly price of voluntary work, that median is divided by the average number of hours worked in the calendar month²² and then rounded up to the nearest whole CZK.

The records of voluntary work are not part of the accounting records under the project because they represent neither costs nor expenditures.

²¹ According to the Information System on Average Earnings of the Ministry of Labour and Social Affairs.

²² According to the Information System on Average Earnings of the Ministry of Labour and Social Affairs.

Annexes

1. Template for the certification of costs claimed within the project/initiative (taken from Financial Guidance)