



**ENI CBC MEDITERRANEAN**

**SEA BASIN PROGRAMME**

**2014-2020**

Call for strategic projects

Note on ENI CBC MED project eligible  
costs

The note on ENI CBC MED project eligible costs is the reference document for the preparation and the implementation of projects concerning financial issues.

The information herewith provided might be updated during programme implementation and will be published in the Programme website.

The scope of this note is thus two-fold:

- Define the **general criteria** for eligible and ineligible project costs;
- Detail the **specific rules** by cost categories.

In case of different interpretations between this note and the Grant Contract Model, the interpretation of the latter prevails.

## 1.1 Eligible costs

According to art. 48 of the Implementing Regulation ENI IR 897/2014, project eligible costs are “actual” costs incurred by the Lead Beneficiary and its partners, which are compliant with the Programme rules and meet all the following criteria:

- (a) They are incurred during the implementation of the project, in particular:
  - (i) Costs relating to services and works shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after expiry of the implementation period do not meet this requirement. Cash transfers between the Lead Beneficiary and/or the other partners shall not be considered as costs incurred;
  - (ii) Costs incurred should be paid before the submission of the final reports;
  - (iii) Exceptions are made for: “preparatory costs” incurred after the publication of the call for proposals and before the submission of the proposal, and “costs relating to final reports” e.g.: expenditure verification and final evaluation, as the case may be, which may be incurred after the project implementation period and may be paid after the submission of the final reports, provided that they are listed in the budget. The MA will pay the final balance under the condition that all expenses have been actually paid and demonstrated by the Lead Beneficiary and its partners;
  - (iv) Procedures to award contracts may have been initiated and contracts may be concluded by the Lead Beneficiary and partner(s) before the start of the implementation period of the project;
- (b) Are indicated in the estimated overall budget for the project;
- (c) Are necessary for the implementation of the project;
- (d) Are identifiable and verifiable, in particular being recorded in the accounting records of the Lead Beneficiary and partners and determined according to the accounting

standards and the usual cost accounting practices applicable to the Lead Beneficiary and partners;

- (e) Comply with the requirements of applicable tax and social legislation;
- (f) Are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency;
- (g) Are supported by adequate expenditure and payment documents (e.g. invoices, documents of equivalent probative value etc.);
- (h) Indirect costs, i.e. administrative costs incurred by the Lead Beneficiary and its partners, which are eligible for flat-rate funding, fixed at a maximum percentage of the total eligible direct costs laid down in Article 3.3 of the Grant Contract (up to 7%), according to the table (Annex 1).

## 1.2 Ineligible costs

According to art. 49 of the ENI IR 897/2017, the following costs relating to the implementation of the project shall not be considered eligible:

- (a) Debts and debt service charges (interest);
- (b) Provisions for losses or liabilities;
- (c) Costs declared by the beneficiaries and already financed by other programmes of the Union budget;
- (d) Purchases of land or buildings for an amount exceeding 10% of the eligible expenditure of the project concerned;
- (e) Exchange-rate losses;
- (f) Duties, taxes and charges, including VAT, except where non-recoverable under the relevant national tax legislation, unless otherwise provided in appropriate provisions negotiated with CBC partner countries, as per the provisions of the related Financing Agreement<sup>1</sup>;
- (g) Loans to third parties;
- (h) Fines, financial penalties and expenses of litigation;
- (i) Contributions in kind as defined in Article 14(1) of ENI CBC MED Implementing Rules<sup>2</sup>
- (j) Costs related to the development of project web site and design of project logo. Projects could developing a specific website only when related to a specific output/result, duly justified by the nature of project activities (specific e-learning, GIS, tourism promotion platforms);
- (k) Staff costs from non-partner organizations;

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<sup>1</sup> For details on VAT and tax provisions set in Financing Agreements, the potential applicants and partners may refer to their respective National Contact Points and in the F.A Special Conditions.

<sup>2</sup> The contribution in kind is defined as any provision of non-financial resources free of charge. The cost of staff assigned to a project or Programme shall not be considered a contribution in kind and be considered as eligible expenditure.

- (l) Travels and subsistence costs related to consultants in the preparatory phase (see Work Package 0 of the e-application).

## 2. Specific rules by costs categories

The budget of the ENI CBC MED projects foresees **A) DIRECT and B) INDIRECT costs**.

**A) DIRECT COSTS** are the costs that will be incurred by each organisation involved in the partnership (Lead Beneficiary and project partners). Moreover, they must be supported by original expenditure documents (“supporting documents”) as well as the occurred payment documents (bank receipts etc.).

The direct costs foreseen in the project budget consist of the seven costs categories and related eligibility conditions:

- 0. PREPARATORY COSTS** are part of the costs needed to prepare the project proposal. They are eligible provided that:
- a) They are incurred after the publication of the call for proposals and before the deadline for the submission of the proposal;
  - b) They cannot exceed the amount of 10.000 euro at project level;
  - c) Are limited **to travel and subsistence costs** only for staff employed by the Applicant and/or the Partners provided they do not exceed the costs normally paid by the concerned organisation according to its rules and regulations or the rates published by the Commission at the time of the mission if reimbursed on the basis of lump sums, unit costs or flat rate financing. Therefore, other types of costs (such as salaries of the staff, consultant services etc.) and/or travels and subsistence costs related to consultants are not eligible.
  - d) They are proven by supporting documents;
  - e) The preparatory costs need to be included as reported expenditures in the first interim report and, therefore, they can be claimed as eligible only if the project proposal has been selected and financed by the Programme.
- 1. HUMAN RESOURCES (ONLY STAFF COSTS)** are the costs related to the actual time worked for the implementation of the project by the permanent or temporary (*ad hoc* recruited) employees of the Lead Beneficiary and partners organisations. They include costs of employees in line with the employment contract, and costs of natural persons working for the partner organisation under a contract other than an employment contract and receiving salary payments as a form of remuneration. When salary payments are not used for remuneration of natural persons, they are funded from the costs under external expertise and services. They shall be related to the activities which the Lead beneficiary and partners would not carry out if the project was not undertaken; they shall correspond to actual gross salaries including social security charges and other components deriving from

the national legislation of the country. Variable costs (such as performance bonus, incentives etc.) cannot be included under the eligible staff costs.

Overtime can be charged to the project only if the total job time of the concerned staff is devoted to the project implementation. Only staff cost directly employed by the Beneficiary and Partners is eligible. Staff costs from non-partner organisations are not eligible.

Staff cost shall not include costs for consultancy services (such as the support to the technical and financial project management) as detailed in point (5).<sup>3</sup>

**How to insert “staff costs” in the budget of e-application form:**

Each cost category is listed in the menu of the e-application form when filling in the budgeted costs of each Work Package. The budget foresees only two positions: Senior and Junior that you can choose in the field “description”. The unit rate will then be an average of the cost per unit for the senior and junior staff, without indicating one row per Human Resources. The total amount at WP level will be the threshold in terms of amount of senior and junior staff costs that can be reported on the project, regardless the number of persons.

The actual time devoted by each person and its actual cost will be reported and checked by the auditor when these costs are reported in the periodic financial reports of the project.

Expenditure on costs of staff members employed by the partner organisation, who are formally engaged to work on the project, can be:

- full-time;
- part-time;
- part-time with a fixed percentage of time dedicated to the project per month;
- part-time with a flexible number of hours worked on the project per month;
- contracted on an hourly basis.

In case the staff member is working **part-time** for the project and part-time for other tasks in the partner organisation, the actual salary rate must be used, when calculating his/her costs in the project budget. Different hourly rates in the frame of the same employment contract should be avoided.

The payments of the salaries must be related to responsibilities specified in a job description of the individual staff members and subject to **a written appointment decision prior to the assignment of tasks within the project, foreseeing the amount of time to be dedicated to those activities.**

- 2. TRAVEL AND SUBSISTENCE (Daily allowances) COSTS** are foreseen to cover travel expenditures of the **staff** and other persons involved in the Project such as speakers or participants, including those of associated partners. These persons may not be directly involved in project activities but they might be invited to attend a specific

<sup>3</sup> For further information on specific national rules concerning the applicable national legislation, refers to the National Contact Point.

event such as: meetings, seminars or conferences organised within the project activities. Travel and accommodation costs must be clearly related to project activities and necessary for project implementation. Travel and subsistence costs for external experts and service providers fall under external expertise and services costs listed in budget line n. 5

Direct payment by a staff member of the partner organisation must be supported by a proof of reimbursement from the employer.

In accordance with the respective national legislation, daily allowances may be paid also to third parties i.e. persons who are not working in partner organisations based on employment contracts or public service act, associated partner, young learners mobility etc.. Daily travels of project staff from home to office and return are not eligible.

These costs should neither exceed those normally borne by the Lead Beneficiary or its partners according to its internal rules and regulations nor the rates published by the Commission at the time of the mission if reimbursed on the basis of flat rate allowances. Therefore, the usual policy for such costs has to be documented, based on internal regulation, or on the accounting for trips paid prior to project implementation.

**Travel costs include:**

- a) Fuel (for vehicle belonging to the Beneficiary/Partner organization);
- b) Kilometre costs (in case of private car rental);
- c) Taxi or car rental, only when public transport means are not available or for other exceptional reasons;
- d) Public transportation (planes, trains, buses, etc.);
- e) VISA and Insurance costs.

**Cost Category specific rules**

Travels and subsistence costs related to activities outside the programme area are eligible, provided that these activities have been included in the approved application form. They can also be allowed by the MA during project implementation with specific limitations as long as are relevant to achieve project's expected results.

**Subsistence costs include:**

- a) Accommodation;
- b) Meals;
- c) Local travel within the place of mission and

These costs can either reported as "reimbursed actual costs", "per diem" or "daily allowances". However, regardless how they are reported, they must not exceed the rates (per diems) published by the European Commission at the time the travel takes

place or the thresholds foreseen by the internal regulation of each organisation (if lower than the EC rates). EC rates are available at: [http://ec.europa.eu/europeaid/work/procedures/implementation/per\\_diems/index\\_en.htm\\_en](http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm_en).

**How to include “travel and subsistence costs” in the budget of the e-application:**

Select the “Travel and Subsistence” cost category when filling in the budgeted costs for each Work Package. In the column “specification” indicate “travel” or “subsistence”.

Note that no more than two rows for partner (one for the travels and one for the subsistence costs) should be selected for each WP. Therefore, insert in the column “unit cost”, the “average” of travel costs rather than a “specific” travel cost. The same applies for “subsistence costs”: indicate the “average” value for subsistence costs for each travel.

Since associated partners cannot manage project funds, their travel and subsistence costs must be included in the budget of the Applicant/partner that will cover these costs. These costs may be either indicated in the same rows of the ones of the Applicant/partner in the related WP or in two separate rows of the Applicant/partner. In this latter case please indicate, in the column “specification” the wording “travels (or subsistence) of associated partners”.

- 3. INFRASTRUCTURES.** Infrastructures (e.g. solar plants, organic waste treatment plants etc.) are defined as basic facilities, and installations providing services needed for project implementation.

Public works for restoring/adapting existing infrastructures – to be exploited mainly for project activities implementation – are to be considered in this cost category too. The related budget line includes costs to financing infrastructure and construction works as well as the purchase of physical objects not falling into the scope of the equipment budget line and which may be either linked or independent from the infrastructure and construction works themselves.

Costs for infrastructure and works may refer either to an investment that will be set up ex-novo or to adaptation of an already existing infrastructure. Whatever the case, these costs are only eligible if referring to pilot actions having a demonstrative effect. This includes costs for site preparation, handling, installation, renovation, etc. Costs of feasibility studies and environmental impact assessments needed prior to realisation of the Pilot Actions and delivered during project implementation should be allocated to the “External expertise” budget line. They must be carefully described and justified in the relevant sections of the application form, in order to allow their assessment. In particular, it is essential to highlight their potential environmental impact in the concerned territories (See Section 3. of the Application Form and par. 5.5 of the Guidelines for Grant Applicants). Following the Guidelines for Applicant (5.5), **Project applications including an infrastructure component of at**

**least 1 million euro**<sup>4</sup> shall provide the information included in the check list C and additional documents as follows:

- a) A detailed description of the infrastructure investment and its location;
- b) A detailed description of the “capacity building component” of the infrastructure;
- c) A full feasibility study or equivalent carried out including the option analysis, the results, and independent quality review;
- d) An assessment of its environmental impact in compliance with the Directive 2011/92/EU of the European Parliament and of the Council and, for participating countries which are parties to it, UM/ECE Espoo Convention on Environmental Impact Assessment in a Trans-boundary Context of 25 February 1991;
- e) Evidence of ownership by the beneficiaries or access to the land;
- f) Building permit.

The above-mentioned documents for a more detailed environmental assessment are to be submitted together with the supporting documents (see Guidelines par. 5.4.2). Exceptionally and in duly justified cases, **the MA may accept a later submission of the documents**. After receiving all these documents, the MA could require a consultation of the concerned National Environmental Authorities, in order to prescribe mitigation measures or reject the project.

#### **Cost category specific eligibility requirements**

Works are purchased following specific procurement procedures according to the thresholds indicated in art. 52, 55 and to 56 of the ENI Implementing Regulation 897/2014.

Depending on the nature of the investment, all compulsory requirements set by Community and national legislation related to the respective investment, and ensuring the respect of environmental policies (e.g., feasibility study, environmental impact assessment, building permission, etc.), must be fulfilled. In particular, any requirement deriving from the different European Directives in force must be strictly observed.

#### **4. EQUIPMENT AND SUPPLIES**

Equipment are defined as purchasing, or leasing costs for equipment and durables (new or used) specifically identified and exclusively devoted for the purpose of the project, as well as the costs of services for their transportation and installation, provided they correspond to market rates. It refers to all materials (durable goods with a lifetime of at least one year) that are used to perform the project activities and which usually have to be (after the purchase) listed in the “inventory of durable goods” of the organization. Equipment for projects operations such as computers,

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<sup>4</sup>Similar infrastructures - composed by several units in different territories - are not considered as a “one component”. Therefore, the submission of the check list C may not be required to those proposals including infrastructures, in case the check list A and B is deemed compliant with the environmental standard set by the Programme.

office furniture, etc. should be purchased as soon as possible during project implementation in line with the fact that they shall be necessary for project implementation. Finally, according to art. 48 of the Implementing Regulation 987/2014, purchase or rental costs for equipment (new or used) and supplies specifically for the purpose of the project is eligible provided they correspond to market prices.

Supplies are purchased following specific procurement procedures according to the thresholds indicated in art. 52, 54 and to 56 of the ENI Implementing Regulation 897/2014.

In all cases, the rules of nationality and origin set forth in Articles 8 and 9 of Regulation (EU) No 236/2014 shall also apply. No restriction may be applied to the nationality of the contractors and the supplies may be originated from any country for purchases below 100.000€. (See art.15 of the Grant Contract).

According to art. 22.6 of the Grant Contract, equipment, vehicles and supplies paid for by the Budget for the Project must be transferred to partners in the countries where the activities were carried out or to the final recipients of the Project, at the latest when submitting the final report. Copies of the proofs of transfers of equipment's and vehicles, the purchase cost of which was more than EUR 5.000 per item, must be attached to the final report. Such proofs must be kept for control purposes in all other cases.

## **5. SUBCONTRACTED SERVICES**

It refers to support technical and financial project management, external expenditures verification<sup>5</sup>, information and dissemination activities, evaluations, translation, etc. and financial services costs such as the cost of bank transfers and financial guarantees. They have to be aligned with the current market rates.

As far as the service provider is concerned, the purchasing of services must respect, X the "Nationality rule" set by Articles 8 of Regulation (EU) No 236/2014..

Services are purchased following specific procurement procedures according to the thresholds indicated in art. 52, 53 and to 56 of the ENI Implementing Regulation 897/2014. Therefore it is not possible to indicate the name of the sub-contractor in the Application Form.

There is no pre-defined maximum percentage of the total direct costs of the projects that can be subcontracted. However, according to art. 2 of the Grant Contract, it is not possible to subcontract the bulk of the project to any third parties including *in-house* organisations. This means, for example, that the management of the project shall remain under the responsibility of the Lead Beneficiary and Partners and only limited and specific portions of the activities can be sub-contracted.

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<sup>5</sup> Costs for external expenditures verification shall not exceed 3% of the total eligible budget costs.

In case that in-house providing is applied within a project by a public organisation acting as Lead beneficiary or partner, the following conditions have to be fulfilled:

- the in-house provider has to be controlled by the Lead beneficiary or partner exercising on it a control analogous to the one exercised over its own departments (“structural subordination”);
- it carries out the essential part of its statutory activities for the controlling body (“economical dependency”);
- it is totally owned by the Lead beneficiary or partner and its capital is not intended to be opened to private parties in the course of the performance since, should the private partner have a if minority share, the analogous control would not actually exist.

When the conditions for an *in-house provider* are given, costs of the contracted company must always be charged on a real-costs basis, thus without any profit margin, and be in compliance with all the aforementioned eligibility rules for expenses and they should be charged and reported under the budget line subcontracted services.

Lead Beneficiaries, Partners are not allowed to transfer project funds among them or to Associated partners neither through contracting internal or external staff (including members of the management board, shareholders, associates etc.) nor subcontracting services, supplies and infrastructures among each other within the project.

## **6. OTHER COSTS**

Any cost not falling in the scope of the previous budget lines should be validated under the “Other costs” budget line. Nevertheless, only those costs mentioned as such in the approved Application Form can be considered as eligible (e.g. sub grants, rent of an office exclusively devoted to the implementation of a specific project and concerned costs etc..).

According to the General principles no cost item can be taken into account twice, i.e. no double funding is allowed. Purchase of office equipment, IT hardware and software, and furniture and fittings cannot be included under this budget line; the cost must be reported as equipment and supplies expenditure.

They may not include ineligible costs as referred to in section 4.6.2. of the Guidelines for Applicants or costs already declared under another cost item or heading of the budget of the project.

## **SUBGRANTS**

Sub-grants refers to financial support to third parties involved in the proposal (for example the need for involving Start-up companies to carry out a pilot project etc.). They should be duly justified and compliant with the State Aid provisions (*de minimis regime*) as referred in par. 4.5 of the Guidelines for Applicants. The Applicant will

explain how the sub grants procedures will be managed<sup>6</sup> in terms of: selection criteria, indicative number of sub-grants to be awarded, category of final beneficiaries and expected impact. Sub-grants have to be included in the Budget heading “Other costs” with the following limitations:

- a) Maximum 30% of the total direct costs can be awarded as sub-grants;
- b) Maximum amount of the sub-grant per each third party is € 60.000.

Sub-grantees will need to report the costs to the Beneficiary or Partner that has awarded them, according to the same general eligibility principles depending on the type of activity to be carried out.

**B. INDIRECT COSTS** include Administrative and Contingency costs:

- a) **ADMINISTRATIVE COSTS** are the indirect costs incurred by the Lead Beneficiary and its partners. They shall be eligible for flat-rate funding, up to a maximum of 7% for each partner of the estimated total eligible direct costs excluding infrastructures costs. The calculation method is explained in the Excel file “Calculation of administrative costs” to be filled by the Applicant and each partner (available in the application pack). The method refers to costs per partner reported in the last year certified historical data such as: “balance sheets” for profit organisations and/or “financial statements” for non-profit organisations. Therefore, costs based on estimations without certified historical data are not accepted.

Administrative costs cannot include ineligible costs as referred to in section 4.6.2. (Guidelines for Applicants) or costs already declared under another cost item or heading of the budget of the project. The approved flat-rate percentage will be indicated in the Grant Contract at the project level. Distribution of administrative costs among partners will be detailed in the Partnership Agreement but they cannot exceed the 7% per partner.

No supporting documents will be requested to justify these costs during regular reporting. However, the MA may request supporting evidence to verify the actual calculation method during the project implementation period. This means that despite the application form allows choosing only a common percentage at project level, if the partner does not demonstrate, from the justification of the methodology of calculation, that its usual share of administrative costs is equal to the project percentage, the MA will recognize, as eligible, a lower percentage for that partner.

Administrative costs are not eligible due to double funding, if the Beneficiary or Partner has already claimed these costs to another project or if it is receiving another “operating grant” that forbids to claim other administrative costs from other grants that might be awarded to the same organization.

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<sup>6</sup> The sub-grants are subject to the “Nationality rule” set forth in Articles 8 of Regulation (EU) No 236/2014 shall also apply.

- b) **CONTINGENCY RESERVE.** A contingency reserve not exceeding 3% of the direct eligible budgeted costs **may** be included in the Project budget<sup>7</sup>. It can only be used with the prior written authorisation of the MA.

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<sup>7</sup> The use of the contingency reserve is allowed, for instance, in case of exceptional fluctuations in the exchange rates preventing the purchase of goods, works or services needed by the project. For this reason in the budget of the project the contingency reserve, if foreseen, is not pre-allocated to any specific organisation. Only when the Beneficiary requests its use to the MA, it will need to indicate under which cost category of direct costs and by which partner the amount is going to be managed.