

RULES ON ELIGIBILITY OF COSTS

Eligible costs are an essential instrument for guaranteeing compliance with the principle of sound financial management and ensuring that the Community grant serves to reimburse real costs. Eligible costs are the cost base from which the maximum Community grant is determined, expressed as a maximum amount and percentage of such eligible costs.

Eligible costs of the action receiving ECDC grants must be shown in detail in the estimated budget annexed to the grant agreement. These costs must satisfy the eligibility criteria laid down by the Financial Regulation applicable to the general budget of the European Communities¹. It must be stressed that subject to these criteria, it is always for ECDC to take the final decision on the nature and amount of the costs to be considered eligible, either when analysing proposals for the establishment of the estimated budget to be annexed to the grant agreement or when examining statements of costs actually incurred for the purpose of determining the final grant.

According to the Financial Regulation and its Implementing Rules, the eligible costs should meet all the following criteria:

- (a) They are incurred during the lifetime of the action or of the work programme, with the exception of costs relating to final reports and audit certificates;
- (b) They are indicated in the estimated overall budget of the action or work programme;
- (c) They are necessary for the implementation of the action or of the work programme which is the subject of the grant;
- (d) they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost-accounting practices of the beneficiary;
- (e) They comply with the requirements of applicable tax and social legislation;
- (f) They are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

The beneficiary of a grant shall keep at ECDC's disposal all original documents, especially accounting and tax records, or, in exceptional and duly justified cases, certified copies of original documents relating to the agreement for a period of five years from the date of payment of the balance. ECDC may have an audit of the use made of the grant carried out either directly by its own staff or by any other outside body authorised to do so on its behalf. Such audits may be carried out throughout the period of implementation of the agreement until the balance is paid and for a period of five years from the date of payment of the balance.

¹ COUNCIL REGULATION (EC, Euratom) N° 1995/2006 of 13 December 2006 amending Regulation N° 1605/2002.

1) List of costs which may be considered eligible

About the eligible costs, there is a distinction between **direct costs** and **indirect costs**, relevant only in the case of a grant for an action. At all events any one cost cannot be taken into account twice as a direct cost and an indirect cost.

I). Direct costs

They are defined in the standard agreement as costs which, with due regard for the conditions of eligibility set out above, are identifiable as specific costs directly linked to performance of the action and which can therefore be booked to it direct.

The following direct costs (this list is not exhaustive and extra details can be included or additions made depending on the nature of the actions involved) may be considered eligible:

(a) the cost of staff assigned to the action:

Staff assigned to the action is understood to mean permanent or temporary staff employed by the beneficiary (or the associated beneficiaries). If they are service providers, the corresponding costs must be presented under the head of implementing contracts or subcontracting.

The cost of such staff must be actual salaries plus social security charges and other statutory costs included in the remuneration.

(b) travel and subsistence allowances for staff taking part in the action:

In order to prevent any cheating on travel costs, such costs can be considered eligible provided that they are in line with the beneficiary's usual practices on travel costs or do not exceed the scales approved annually by ECDC.

DESTINATIONS	Daily allowance in €	Maximum hotel price in € (reimbursement will be made against invoice up to the stated maximum ceiling)
Austria	95	130
Belgium	92	140
Bulgaria	70	205
Cyprus	93	145
Czech Republic	75	155
Denmark	120	150
Estonia	71	110
Finland	104	140
France	95	150

Germany	93	115
Greece	82	140
Hungary	72	150
Iceland	85	160
Ireland	104	150
Italy	95	135
Latvia	66	145
Liechtenstein	80	95
Lithuania	68	115
Luxemburg	92	145
Malta	90	115
Netherlands	93	170
Norway	80	140
Poland	72	145
Portugal	84	120
Romania	60	170
Slovakia	80	125
Slovenia	70	110
Spain	87	125
Sweden	97	160
Switzerland	80	140
United Kingdom	101	175

Missions in other countries not mentioned in the table above shall be submitted to the prior agreement from the services of ECDC. This agreement shall be related to the objectives of the mission, its costs and its motivation.

Travel and subsistence expenses shall be reimbursed, where appropriate, on the basis of the shortest itinerary on production of original supporting documents, including receipts and used tickets.

Travel expenses shall be reimbursed as follows:

- travel by air shall be reimbursed up to the maximum cost of an economy class ticket at the time of the reservation;
- travel by boat or rail shall be reimbursed up to the maximum cost of a first class ticket;
- travel by car shall be reimbursed at the rate of one first class rail ticket for the same journey and on the same day;
- travel outside Community territory shall be reimbursed under the general conditions stated above provided ECDC has given its prior written agreement.

(c) the purchase cost of equipment (new or second-hand):

Only equipment purchased for the purposes of carrying out the action can be charged as direct costs, and as a rule only in respect of the portion of the equipment's depreciation corresponding to the duration of the action and the rate of actual use for the purposes of the action, provided that it is written off in accordance with the tax and accounting rules applicable to the beneficiary and generally accepted for items of the same kind.

Because of the principle that grants may not be awarded retrospectively (Article 109 FR), items purchased prior to the action, even if they are used for the purposes of the action, cannot be considered eligible direct costs of the action. (The use of existing equipment and the beneficiary's installations is partly covered via the indirect cost.)

Costs relating to the purchase of buildings and land should not give rise to Community financing by way of grants and are not included in the list of eligible costs mentioned in the standard agreements..

(d) the costs of consumables and supplies, provided they are identifiable and assigned to the action:

Unlike the equipment referred to above, these are "consumables", i.e. items that are not entered as fixed assets in the accounts (or inventory) of the organisation and are not written off. The terms "*identifiable*" and "*assigned to the action*" are of utmost importance in order to avoid double cover by way of indirect costs. The nature of the action and the fact that the costs are specific to the action are key factors justifying direct cover of certain costs.

(e) miscellaneous

the costs arising directly from requirements imposed by the agreement (dissemination of information, specific evaluation of the action, audits, translations, reproduction, etc.), including the costs of any financial services (especially the cost of financial guarantees):

The most frequent examples are:

- financial guarantee for prefinancing (the cost of this guarantee is eligible for the duration of validity of the guarantee as laid down in the agreement)
- audit costs, where an external audit is required when the beneficiary submits a request for payment as stipulated in the agreement (including when the audit is carried out upon completion of the action)
- costs of opening a specific bank account for the action where this is required by the agreement
- translations required by the Commission.

II. Indirect costs

These costs are not identifiable as specific costs directly linked to performance of the action which can be booked to it direct, but can be identified and justified by the beneficiary using his accounting system as having been incurred in connection with the eligible direct costs for

the action. Indirect costs make up a proportion of the action's overheads and may eligible for a flat rate funding fixed at not more than 7% of the total eligible direct costs for the action .

Overheads are all the structural and support costs of an administrative, technical and logistical nature which are cross-cutting for the operation of the beneficiary body's various activities and cannot therefore be booked in full to the action for which the grant is awarded because this grant is only one part of those activities.

Overheads comprise costs connected with infrastructures and the general operation of the organisation such as hiring or depreciation of buildings and plant, water/gas/electricity, maintenance, insurance, supplies and petty office equipment, communication and connection costs, postage, etc. and costs connected with horizontal services such as administrative and financial management, human resources, training, legal advice, documentation, etc.

2) Non-eligible costs

In the interests of sound financial management certain costs are, as a matter of principle, to be excluded from the costs for which an ECDC grant may be awarded. The list of these costs appearing in the standard agreements must be regarded as a minimum reference list and must be fully complied with; additions may be made to the list or details may be specified if ECDC consider this appropriate in connection with certain actions.

The standard agreement provides that the following costs are not eligible:

- *return on capital*
- *debt and debt service charges*
- *provisions for losses or potential future liabilities*
- *interest owed*
- *doubtful debts*
- *exchange losses*
- *VAT, unless the beneficiary can show that he is unable to recover it*
- *costs declared by the beneficiary and covered by another action or work programme receiving a Community grant*

3) Flexibility within the budget

After the estimated budget has been approved by ECDC it becomes part of the Grant Agreement.

Due to the fact that the estimated budgets based on estimates, from a practical point of view, it is important that the beneficiary has the opportunity to adjust it, to a certain extent, during the course of the project implementation, if it proves necessary. Therefore, the beneficiaries may, when carrying out the action, adjust the estimated budget by transfers between items of eligible costs, provided that:

- this adjustment of expenditure does not affect implementation of the action,
- the transfer between items does not exceed 10% of the amount of each item of estimated eligible costs for which the transfer is intended,

- the transfer does not cause the original total amount of eligible costs to be exceeded.

Please note that the first and the third conditions must be met in all cases. If the second condition is met then the beneficiary only has to inform ECDC in writing. If the second condition is not met, i.e. the 10% ceiling is going to be passed, a prior approval must be sought from ECDC and an addendum to the Grant agreement will then be necessary.

This transfer procedure may not be used to amend the heading for the eligible indirect costs.