



NORTHERN PERIPHERY PROGRAMME

DATASHEET 4: Eligible and Ineligible Costs

ELIGIBLE PROJECT COSTS

The Commission Regulation (EC) No 448/2004 of 10 March 2004 lays down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds. This reference document should be applied for the period 2000-2006 and can be downloaded from the Northern Periphery Programme website:

<http://www.northernperiphery.net/apply/frameset.html> (under *Regulations*)

All applicants should familiarise themselves with the above-mentioned regulation regarding eligibility. The purpose of this datasheet is to provide additional guidance in relation to individual projects and eligible costs. Every effort has been taken to ensure that this is consistent with the eligibility regulation and as appropriate specific rules have been identified for further clarification.

The following list is indicative of the types of expenditure, which will be considered eligible for European Regional Development Fund (ERDF) support and should not be viewed as exhaustive. Applicants do not have to use all of the headings, only those most appropriate to the individual project.

Please use the expenditure headings as they appear in the list adopting the same order and wording.

A detailed breakdown of some headings may be required as an annex to the application form to assist project appraisal and ensure good value for money etc. The Northern Periphery Programme Secretariat will provide additional guidance on this requirement.

ELIGIBLE PROJECT COSTS

GENERIC COST HEADINGS

EXPENDITURE HEADING	DESCRIPTION / DETAILS
1. External Experts and Consultancy fees (Subcontractors Charges)	<p>Costs for work done by an independent consultant or expert, i.e. a sub-contractor, will only be eligible if the work is essential to the project and the costs are reasonable. Costs for auditing of the projects' accounts are to be placed under this heading.</p> <p><i>Rates charged by consultants vary from one country to another, and rates charged to a project should correspond to standard rates in the consultant's country of origin. The rates should be in relation to level of experience and expertise/competence.</i></p> <p>The recommended maximum rate for a senior consultant is 600-700 EUR per day. Rates over 800 EUR per day will have to be justified in full by the applicant.</p> <p>Note that the hiring of consultants is subject to public tender regulations. At the European Union level, a call for tender procedure is compulsory for contracts over a certain amount awarded by a public sector body (public supply, works or service contracts). At the level of each EU Member State, other rules may exist and may be more binding, notably with regard to the amount of the contract which requires the issuing of a call for tender. In any event, in the case of a project implemented with financial assistance from the European Union/Northern Periphery Programme, the European rules must at least apply to all such contracts awarded within the framework of the project.</p> <p>For more information on public procurement regulations, see Datasheet 11.</p>

EXPENDITURE HEADING	DESCRIPTION/DETAILS
<p>2. Staffing Costs</p>	<p>Staffing costs, i.e. salary, tax and social contributions, will normally be considered eligible for personnel directly engaged on the project where the applicant can clearly demonstrate that the personnel concerned are employed in additional tasks. Staffing costs should include employer's social contributions.</p> <p>Note: Applicants should not list individual staff posts in the application form; a detailed breakdown of staffing should be included in an annex. This should include calculations showing the employee's annual salary (including employer's social contributions, etc.), the period for which the employee is directly engaged on the project and the resultant eligible direct labour cost.</p> <p>Project staff salary includes social contributions and should be calculated as follows: Hours worked per week x 52 weeks minus annual holidays = Annual hours worked Annual salary/Annual hours worked = Hourly rate</p> <p>All eligible staff costs for personnel employed by the applicant must be presented as outlined above and not as a daily rate charged for staff.</p> <p>It is recommended that no more than 50 % of eligible costs are accepted as staffing costs, but the amount of work in a project has to be assessed in relation to the nature of the project and the activities and outputs.</p> <p>Staffing cost activities should be detailed in the annex to Table 24.</p>
<p>3. Travel Costs and Subsistence</p>	<p>Travel costs must be directly related to and essential for the effective delivery of the project, and should be broken down into a rate per person mile, and/or the expected cost of economy class travel on public transport for the forecast number of journeys.</p> <p>Costs for subsistence allowances in connection to travelling are to be placed under this heading.</p>

EXPENDITURE HEADING	DESCRIPTION / DETAILS
4. General Costs	<p>Premises Costs This should include rent, heat, light and service charges associated with the premises where it can be clearly demonstrated that these are related to the project.</p> <p>Rent: The premises costs included must be additional and related solely to the ERDF project. If only part of the new and additional premises are used for this purpose, then the amount charged to the ERDF project application should be apportioned accordingly. In this case calculations should show the actual annual rental cost to the applicant, the period of project usage, the proportion of the building used for the delivery of the ERDF project and the resultant eligible rental cost.</p> <p>Other Charges: The amount charged to the ERDF project should, if necessary, be apportioned as outlined above for rental and rates.</p> <hr/> <p>Administration: This should cover telephone, consumables and other reasonable costs associated with the direct delivery of the project where it can be clearly demonstrated that these are additional costs being incurred by the organisation.</p> <p>Telephone costs must be directly related to and necessary for the effective delivery of the ERDF project. It must be possible to provide an itemised audit trail for the specific telephone. Consumables may include items such as postage, stationery, and other costs, which the applicant can demonstrate as essential to the effective implementation of the project.</p> <hr/> <p>Overhead costs (OH) Overhead costs are considered as eligible provided that they are <u>based on real costs directly related to the project</u>. The OH costs should be allocated pro rata according to a justified and fair equitable method (see Commission regulation (EC) No 448/2004 as of 10 March 2004 laying down detailed rules for the implementation of the Council regulation (EC) 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds, Rule No 1: Expenditure actually paid out, point 1.8)</p>

EXPENDITURE HEADING	DESCRIPTION / DETAILS
5. Promotion and publications	<p>This heading may include costs related to all aspects of promotion and publications specific to the project such as:</p> <ul style="list-style-type: none"> ➤ design and production of marketing materials, brochures and publications ➤ targeted advertising campaigns
6. Meetings, conferences and seminars	<p>This may include costs related to aspects of organisation of and participation in meetings and seminars, such as:</p> <ul style="list-style-type: none"> ➤ rent for premises used, catering, general transportation <p>Note that costs for travelling to and from meetings should be placed under expenditure heading 3. <i>Travel Costs and subsistence</i></p>
7. Equipment	<p>Only equipment, which is essential for the delivery of the project, and that will be used solely for that purpose and has been purchased from third parties within the eligible time period, will be considered eligible for ERDF.</p> <p>For equipment, which by its nature cannot be used for another purpose once the project has finished and which help to preserve certain specified results arising from the objectives of the project, is the whole purchase price eligible.</p> <p>Note: A detailed breakdown of all items included under this heading should be provided in an annex. If second-hand equipment is to be purchased please refer to Rule No. 4 of the Commission regulation (EC) No 448/2004 as of 10 March 2004 laying down detailed rules for the implementation of the Council regulation (EC) 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds.</p> <p>Depreciation of owned equipment The following information is required:</p> <ul style="list-style-type: none"> ◆ the cost and description of the item purchased; ◆ the purchase date; the number of years over which the item is being depreciated (this must be a minimum of 3 years); ◆ The % of the item use devoted solely to the ERDF project, over the life of the item.
8. Other costs	<p>Other eligible costs clearly needed and relevant to the project should be budgeted in this budget line. The applicant is asked to specify these costs and justify their relevance.</p> <p>Under Other costs, all in-kind contributions should be listed, as in-kind contributions are eligible expenditure, according to regulation (EC) No 448/2004, provided that:</p> <ul style="list-style-type: none"> (a) they consist in the provision of land or real estate, equipment or materials, research or professional activity or unpaid voluntary work; (b) they are not made in respect of financial engineering measures referred to in Rules 8 , 9 and 10 concerning

	<p>venture capital and loan funds, guarantee funds and leasing (see EC No 448/2004). Please consult the Secretariat or the Paying Authority if this applies to your project;</p> <ul style="list-style-type: none">(c) their value can be independently assessed and audited;(d) in the case of provision of land or real estate, the value is certified by an independent qualified valuator of duly authorised official body;(e) In the case of unpaid voluntary work, the value of that work is determined taken into account the amount of time spent and the normal hourly and daily rate* for the work carried out; and(f) The provisions of Rules 4, 5 and 6 concerning purchase of second-hand equipment, land or real estate and equipment are complied with where applicable (see EC No 448/2004). Please consult the Secretariat or the Paying Authority if this applies to your project. <p>*The method for calculating an hourly rate as explained in section 2. concerning Staffing Costs should be used whenever possible. If this cannot be done (this may be the case for one-man-businesses or for non-paid volunteers) the project may use a standard rate of € 20,00/hour. Using this standard rate should always be justified. Swedish and Finnish private partners may use the standard rate in all cases.</p> <p>N.B. Voluntary work only applies to private bodies.</p>
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INELIGIBLE PROJECT COSTS

The purpose of this datasheet is to provide additional guidance in relation to individual projects and non-eligible costs. The following examples of the type of costs will not generally be considered eligible for ERDF support. This list is not exhaustive and merely indicates the broad types of expenditure normally considered ineligible. For further advice please contact the Northern Periphery Programme Secretariat. Costs incurred outside the programme area are in general in-eligible.

1. **Loan charges** – The nature and amounts of any loan charges included in the overall project costs should be brought to the Northern Periphery Programme Secretariat's attention.
2. **VAT which is legally recoverable.**
3. **Any costs defrayed outwith the eligible project period.**
4. **Costs** prior to the official project start date.
5. **Service charges** arising on finance leases and hire purchase arrangements.
6. **Costs resulting from the deferral of payments to creditors.**
7. **Legal costs** in respect of litigation.
8. Costs involved in **winding up** a company.
9. **Redundancy payments.**
10. **Payments into private pension schemes.**
11. **Bad debts.**
12. **Gifts.**
13. **Payments for unfunded pensions.**
14. **Compensation for loss of office.**
15. **Costs of works being carried out as a statutory requirement.**
16. Costs of **public administration staff engaged in their usual duties** of monitoring and inspection as commissioners of projects undertaken by other bodies
17. **Daily allowances for those benefiting from certain measures taken under the project** (e.g. participation in seminars, training, publicity visits, study trips).
18. **Exchange rate losses** whether they are related to sums collected as NPP assistance, movements of funds between project partners, payment of suppliers and service providers.
19. **Overtime pay.**