GUIDELINES FOR GRANT CONTRACTS

Please note that this is a guide for beneficiaries of EU-funded grant contracts concluded with the EU Delegation to Albania.

In order to prove the eligibility of expenditure incurred in the framework of an EU-funded grant contract, the grant beneficiary shall submit supporting documents in accordance with these Guidelines.

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I. GENERAL PRINCIPLES

The main purpose of this guidance is to give support to the grant beneficiaries for the adequate implementation and proper administration of the Action in compliance with the rules set by the Contracting Authority and laid down in the contract. This guidance does not aim at covering all aspect related to the implementation of the Action, but only the most recurrent issues that affect the expenditure and financial reporting of the Action.

II. FINANCIAL REPORTING AND ELIGIBILITY

1. Submission of documentation

The Beneficiary must provide the Contracting Authority with all required information on the implementation of the Action by means of interim reports and final reports. Interim reports are required when the implementation period of the Action is more than 12 months and the EU contribution exceeds €100,000. Final reports are always mandatory.

Both interim and final reports shall consist of a narrative part and a financial part. The interim report, together with the forecast of the following year if applicable, shall accompany any request for further pre-financings, and the final report shall be submitted within 3 or 6 months after the end of the implementation of the Action depending on whether the Beneficiary has its Headquarters in or outside the country where the Action is implemented.

In the case of the interim reports, an expenditure verification report is not necessary (with the exception of a request for further pre-financing of €750,000 or more). Instead, the Beneficiary shall provide a list detailing each item of expenditure incurred in the period covered by the report, and indicating for each:

- relevant reference of the heading in the budget of the Action,
- date when the expense occurred (it is not necessarily the same as the date of disbursement),
- description of the expenditure,
- in case, the expense is related to an event/mission/etc., clear reference to this event with dates, names, unit prices applied, number of units (days, months, etc.),
- proper reference to the justifying documents which undoubtedly identifies the listed item against the document,
- amount in original currency,
- exchange rate applied,
- amount in EUR,
- VAT included in the invoice (if applicable),
- any further comments the Beneficiary thinks necessary to communicate to facilitate the financial checks.
Appendix II.a contains a sample of this "Detailed list of expenses" (annexed to these Guidelines) and the Beneficiary is requested to submit this list, in which all the expenses must be presented, together with all payment requests. The electronic format can be obtained at the EU Delegation's website: http://eeas.europa.eu/delegations/albania/funding_opportunities/grants/index_en.htm

When an expenditure verification report is not mandatory, the "Detailed list of expenses" has to be submitted and shall be accompanied by copies of all justifying documents in support of each item of expenditure listed.

The Contracting Authority reserves the right to ask further clarifications and supporting document, including the originals, in order to verify that the costs declared as eligible were actually incurred and paid, in accordance with Article 2.2 of the General Conditions.

2. General principles of eligibility

The general rules on the eligibility of expenditure are indicated in Article 14 of the General Conditions.

It must be stressed that subject to these rules, it is always up to the Contracting Authority 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 overall budget to be annexed to the Grant agreement (before the project actually starts), or when examining final statements of costs actually incurred for the purpose of determining the final amount of the Contracting Authority grant (after the project has been completed).

For further explanation on this article, only those costs are eligible, which are:

- incurred during the implementation of the Action. The dates which determine the eligibility of costs are the dates when the costs were generated, and not when the accounting documents were drawn up or the payment was made;

- indicated in the Estimated overall budget. This can only be amended by a written addendum (contract amendment). By way of exception, the Beneficiary may amend the budget by transferring EU-funds between budget headings or between items within the same budget heading in accordance with the conditions and under the limits set out in Article 9.2 of the General Conditions. It is worth to emphasise, however, that the Contracting Authority has to be notified in writing (e.g. via e-mail or official letter) immediately (without delay) after such limited amendment to the budget is made. "Without delay" shall be understood within 2 working days after the relevant cost was generated. Without such an immediate ex-post written notification, any transfer within budget lines will be considered as ineligible. Notwithstanding the above, any reallocation aiming at increasing unit costs under budget heading 1 (Human Resources) shall need the prior written approval of the Contracting Authority;
• actually incurred by the Beneficiary, recorded in its accounts in accordance with the applicable accounting principles, and declared in accordance with the requirements of the applicable tax and social legislation (in case of consortium this equally relates to the Beneficiary-coordinator and to other beneficiaries integrating the consortium);

• identifiable and verifiable and proven by relevant original supporting evidence; the Beneficiary’s internal accounting and auditing procedures must permit direct reconciliation of the costs and income declared in respect to the project with the corresponding accounting records, statements and supporting documents (in case of consortium, this equally relates to the Beneficiary-coordinator and to other beneficiaries integrating the consortium).

It is important to emphasise that the Estimated overall budget must be as realistic as possible and can only by way of exception take the form of lump sums (e.g. for daily subsistence allowance, or eligible indirect costs). Any costs contained in the Estimated overall budget must be justified and supported by a detailed calculation (except 10. Administrative costs).

The Beneficiary must ensure that:

• the organisation does not derive a profit from the Action supported by the Contracting Authority contribution (in case of consortium, this no-profit rule equally relates to the Beneficiary-coordinator and to other beneficiaries integrating the consortium);

• each item of costs is only included under one heading of the Estimated overall budget, thus no duplication is allowed;

• at the end of the project, all costs must be justified by supporting documents, e.g. received invoices or other accounting supporting documents of an equivalent value.

3. Eligible direct costs

The eligible direct costs for the project are those costs which, with due regard for the conditions of eligibility set out above, are identifiable as specific costs directly linked to the implementation of the project and which can therefore be booked to it directly and in full. The following text describes headings of the Estimated overall budget dedicated to eligible direct costs.

3.1. Human resources and daily subsistence allowances

3.1.1 Human resources (Budget Heading 1)

This budget heading refers to either salaried technical staff (e.g. project manager, project assistant) or salaried administrative/support staff (e.g. secretaries, drivers, financial officer) employed by the Beneficiary who are assigned to the Action.

The costs of these salaried staff corresponding to their actual gross salaries and other statutory costs integrating part of their remunerations are eligible according to Article 14.2 of the General Conditions provided that they do not exceed the average rates corresponding to the Beneficiary’s usual remuneration policy or the average rates of the 12 last available salary slips. The Contracting Authority can ask for supporting documents at any time in order to check the compliance with this rule.
Any reallocation aiming at increasing unit costs under budget heading 1 (Human Resources) shall need the prior approval of the Contracting Authority.

The costs of staff to be recruited to work specifically on the Action and to be paid a monthly salary based on a temporary contract of employment concluded with the Beneficiary (temporary staff of the Beneficiary) should also be included in the budget heading 1 of the Estimated overall budget. The costs of this staff shall be based either on the salary slips from a salaried staff employed by the Beneficiary holding a similar position or, in its absence, the average fees available in the market of the country where the Action is implemented. The Contracting Authority can ask for supporting documents at any time in order to check the compliance with this rule.

The amounts paid to persons who are not bound by an employment contract to the Beneficiary (such as consultants) can not enter into this heading. Instead, the budget heading 5 “Other Costs, Services” should be used. The costs of this category shall be based on the average fees available in the market of the country where the Action is implemented.

The Beneficiary must be able to justify the staff costs at the end of the project with supporting documents.

With the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- employment contracts;
- any modification in the fee and remuneration of the staff and only in pre-agreement with the Project Manager of the Contracting Authority;
- the timesheets of the staff of which a template is annexed to this guideline (see Appendix I) and which is to be used obligatorily;
- salary slips which contains detailed payroll calculation where gross salary, deductions of withdrawn tax, social contributions, etc., net salary and paid amount and payment method (cash, bank transfer, etc.) are visible;
- standard table submitted to the Tax Authority as part of their monthly tax and social contribution declaration practise;
- all other supporting documents required to justify the costs.

In case of consortium, these above rules apply equally to both Beneficiary–coordinator and other beneficiaries integrating the consortium.

3.1.2 Daily subsistence allowances (Budget Heading 1.3)

Daily subsistence allowances of staff included under budget heading 1 taking part in the project are eligible provided that they are in line with the terms of the grant contract and do not exceed the scales approved regularly by the European Commission.

Flat-rate daily subsistence allowance covers all subsistence expenses during missions, including accommodation, meals and local transport within the place of the mission (taxi and/or public
transport). The daily subsistence allowance varies depending on the country in which the mission is carried out. The applicable daily subsistence allowances to be used for calculations are shown in the table of Per Diems published by the Contracting Authority and downloadable on the following link:
http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm

The applicable rate must not exceed the scales published in the above-mentioned web address at the time of contract signature, if otherwise not specified in the Special Conditions. The Beneficiary will take into consideration whether the mission/travel is within or outside the country where the Action is implemented (budget lines 1.3.1 or 1.3.2. respectively) for the determination of the eligibility of the per diems claimed. For missions within the country, local per diems shall be determined by the Beneficiary in accordance with its own internal policy, with the limits established in the aforementioned applicable rates.

Please note that if there is no overnight stay, no per diem can be charged. If the costs of accommodation are reimbursed in the context of another EU-funded contract, or by another administration or third party, the daily subsistence allowance shall be reduced by 70% for the day concerned.

The Beneficiary should declare all meals provided by or reimbursed under another EU-funded contract, or by another administration or third party. The daily allowance is to be reduced by 10% for each meal provided by others.

The length of a mission is calculated from the time of the departure of the means of transport used to the time of its arrival on return to the place of employment. Travel must be organised so that the mission lasts as short a time as possible given the means of transport used and is as cost-effective as possible.

Missions in or outside the country where the Action is implemented which are not mentioned in the original budget will require either a prior formal contract amendment signed between the contracting parties or, if the conditions of Article 9.2 of the General Conditions are fulfilled, a transfer between budget lines or between items within the same budget line by the Beneficiary and notified thereafter to the Contracting Authority without delay (i.e. within 2 working days after the relevant cost was generated). Non-immediate notification will lead to the declaration of the relevant expenditure as ineligible.

With the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- invoices issued by the supplier/seller which support the related costs (accommodation, meals, transport, etc.) and which are in accordance with the requirements set in the Albanian law;
- hotel bills need to contain a detailed list of all the expenses (with at least nature of the item, dates, unit price and quantity indicated) either within the invoice or as an attachment properly validated by the issuer of the invoice;
- a presence list signed by all participants in case of an event, conference, seminar, etc.;
• list of all people who received daily subsistence allowance which complies with the presence list of the event;
• taxi cheque which is in accordance with the requirements set in the Albanian law;
• all other supporting documents required to support the costs.

3.2. Travel costs (Budget Heading 2)

Only travel directly related to the project, set in the original budget and concerning precise activities, which must be clearly identifiable, shall be eligible. No lump sums will be applied to travel costs.

The following rules will be applied to travel costs:

Travel costs for missions/journeys in the context of the Grant agreement are eligible under the following conditions:

• travel by air: by the most direct and most economic route;
• travel by air: non flexible economy class, unless a cheaper fare can be used (e.g. Apex);
• travel by air is allowed only for international missions where the use of surface transportation (e.g. car) would be exceedingly difficult in terms of duration of the travel (i.e. more than 12 hours) or economically detrimental (e.g. expenditure on petrol not justifying the use of car over air transport);
• travel by taxi: full reimbursement based on market conditions prevailing in Tirana. The Beneficiary is required to keep documents justifying this cost (official taxi invoice).
• travel by road: use of private/project vehicle will be reimbursed on the basis of cost per kilometre. In order to consider these costs eligible, a logbook with the following information will need to be submitted: dates of travel, purpose of travel, persons travelling, plate number of the car used, departure and arrival place, number of kilometres.

It is worth stressing that when organising missions in the context of the project the most economical fares must be sought as far as travel by air is concerned. At least three options (online quotations are sufficient) should be considered in order to obtain the best possible prices and the proof of such documentation must be submitted with the other supporting documents attached to the final financial report. (e.g. print-outs from the relevant websites)

Please also note that when preparing the final financial report of costs and incomes of the project, the actual travel costs will have to be taken into account and not those foreseen in the Estimated overall budget, unless the actual travel costs are higher that those foreseen in the Estimated overall budget, in which case the latter will be taken into account. In any case, the Contracting Authority reserves the right to verify all the supporting documents for travel/missions organised (e.g. boarding passes, travel agency invoices).

Daily subsistence allowances and travel costs of Contracting Authority representatives shall in no case be entered into any heading of the Estimated overall budget. This is because when there is a meeting foreseen within the project between the Beneficiary and Contracting Authority
representatives, any daily subsistence allowances and travel costs of the Contracting Authority representatives will be borne in full by Contracting Authority itself.

In case of consortium, these above rules apply equally to both Beneficiary–coordinator and other beneficiaries integrating the consortium.

With the final financial report, and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- invoices issued by the supplier/seller which support the related costs and which are in accordance with the requirements set in the Albanian law;
- validated boarding pass, ticket or any other document which proves that the journey took place and the traveller was the relevant person who needed the travel for the accomplishment of the project;
- taxi cheque/invoice which is in accordance with the requirements set in the Albanian law indicated the name of the person transported;
- all other supporting documents required to support the costs.

3.3. Equipment and supplies (Budget Heading 3)

The purchase of second-hand equipment shall not be considered eligible under the Action, in accordance with Article 34(3) of the IPA Implementing Regulation (EC N° 718/2007 of 12 June 2007).

The costs relating to the acquisition of new equipment shall be eligible if such acquisition is strictly necessary for the performance of the project. The Beneficiary is obliged to follow the rules and regulations stated in the contract with special attention to the relevant articles in the General Conditions and Annex IV of the contract.

Because of the principle that grants may not be awarded retrospectively, equipment items purchased prior to the project start (either the signature of the Grant agreement by the last of the contracting parties or a later date specified in the contract), even if they are used for the purposes of the project, cannot be considered eligible direct costs of the project.

Please note that the Beneficiary shall not include in this budget heading expenditure claimed from the use of its existing own equipment for the implementation of the Action. This should be included in budget heading 10 "Administrative costs" (see below). The amount that can be claimed as a result of the use of own equipment shall be calculated by the Beneficiary according to the depreciation rules applicable in the country where the Action is implemented.

Please also note that the property of any equipment purchased for the implementation of the Action shall be transferred in accordance with Article 7.3 of the General Conditions.

With the final financial report, the Beneficiary shall submit:

- invoices issued by the supplier/seller which support the related costs and which are in accordance with the requirements set in the Albanian law;
• accounting documentation which supports the calculation of the depreciation of the related equipment;

• in case the ownership of the equipment will be transferred to another party, the proof of the transfer of ownership needs to be attached;

• all other supporting documents required to support the costs.

In case of consortium, these above rules apply equally to both Beneficiary–coordinator and other beneficiaries integrating the consortium.

3.4. Local office (Budget Heading 4)

Vehicle costs refer to expenditure such as petrol of those vehicles purchased or rented under budget item 3.1 (purchase or rent of vehicles). It may also refer to petrol of vehicles which are the property of the Beneficiary and which are used for a special event/mission/etc. and can be undoubtedly linked to this particular activity. The purpose of the purchase should be shortly described in the "Detailed list" (see sample in Appendix II.a) such as mission/event/etc. reference. In case, fuel is purchased or repairs are made for the vehicle used for a particular activity, the number plate reference should be clearly mentioned on the invoice. The documents of the car might be requested as justification for purchasing fuel.

If the use of the fuel is related to general matters, general maintenance, etc., such expenses should not be reported under this budget line but should be covered by the lump sum of the administrative costs under Budget Heading 10.

The vehicle costs must also be differentiated from the costs of local transport (taxis tickets, bus tickets) indicated in budget item 2.2.

Office rent costs can include either the rent of new premises specifically for the implementation of the Action or a part of the rental costs of the office space of the Beneficiary if it intends to use it for the implementation of the Action. If the Beneficiary fully owns his office space and it offers it for the implementation of the Action, no cost in connection with it will be considered eligible.

Please note that only by way of exception the Contracting Authority will consider eligible whole office rental costs when the Beneficiary puts its office space for the implementation of the Action.

In both situations, i.e. partial or full eligibility of office rent cost when the Beneficiary puts its office space for the implementation of the Action, the Beneficiary has to submit the lease contract of the office and needs to maintain a proper documentation about the usage of the whole office to be able to set a proportion of the total rent. If such a proportion cannot be calculated or the Beneficiary fails to submit appropriate supporting documents, 10% of the total rental fee will be taken into account as eligible.

Other Services related to the office and included on budget item 4.4 (e.g. telephone, fax, electricity, heating, maintenance) cannot be included in the office rent. Such expenses need to be disclosed separately and supported by proper invoices and calculation on the proportion. Alternatively, if the Beneficiary is not able to identify, separate and undoubtedly link these
overhead costs to particular events/missions/etc., such costs have to be covered by the Administrative costs under budget heading 10. Once these costs are entered as administrative costs, they shall not be registered again as direct eligible costs, and vice versa.

Costs of consumables and supplies (budget item 4.3), provided that they are identifiable and assigned to an Action, are eligible within direct costs.

Unlike the equipment mentioned above and referred to in budget heading 3, these are “consumables”, i.e. items that are not entered as fixed assets in the accounts of the Beneficiary. The terms “identifiable” and “assigned in full to the project” are of utmost importance in order to avoid double cover by way of indirect costs. The nature of the project and the fact that the costs are specific to the project are key factors justifying direct cover of these costs.

With the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- invoices issued by the supplier/seller which support the related costs and which are in accordance with the requirements set in the Albanian law;
- contracts which serve as supporting documents (e.g. office rent);
- calculation on the proportion of the office rent;
- proof of the ownership of the office site;
- all other supporting documents required to support the costs.

In case of consortium, these above rules apply equally to both Beneficiary–coordinator and other beneficiaries integrating the consortium.

3.5. **Other costs and services (Budget Heading 5)**

Publications, studies, research (Budget items 5.1-5.2)

With the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- proof of the publication such as an original copy of the bulletin, handbook, studies, research etc.;
- price offers by service providers (if applicable, see Annex IV);
- invoices issued by the supplier/seller which support the related costs and which are in accordance with the requirements set in the Albanian law;
- contracts which serve as supporting documents;
- all other supporting documents required to support the costs.

Auditing and evaluation (Budget items 5.3-5.4)

Audit costs cannot be more than 3% of the total amount of the budget.
According to Article 9.2 of General Conditions, change of the Auditor is to be communicated to the Contracting Authority.

If applicable, with the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- proof of the audit and evaluation (such as a report of the auditor/evaluator);
- invoices issued by the supplier (auditor/evaluator) which support the related costs and which are in accordance with the requirements set in the Albanian law;
- contracts which serve as supporting documents;
- all other supporting documents required to support the costs.

In those cases where an evaluation of the project is foreseen under the grant contract, the Contracting Authority shall be duly informed on the selection procedure to contract the service provider. The evaluation report must at least cover the following evaluation criteria: relevance, effectiveness, efficiency, sustainability and impact.

Translations, Interpreters (Budget item 5.5)

Translation costs must include details of the number of languages, the number of pages, the rate applied per page. In addition, applicants should explain the nature of the documents to be translated in the detailed budget explanation. Translation costs shall not be higher than the market prices in the country where the translation is done.

Similarly, interpretation costs must be necessary in specific activities such as speeches in conference, seminar or related events, meetings with final beneficiaries of the Action, public authorities, etc. Interpretation costs shall not be higher than the market prices in the country where the interpretation is done.

Special attention is necessary regarding the total amount of translation/interpretation services used throughout the implementation period of the contract. In line with Annex IV (Contract award procedures) of the contract, the Beneficiary needs to provide evidence that it applied the rules of this Annex properly. It means that in case the total amount paid to the translator/interpreter exceeds the threshold indicated in Annex IV, the rules established in the Contract Award Procedures must be applied regardless of the amounts of individual invoices of the service provider. The sum of expenses needs to be done by service provider.

With the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- proof of the work done (such as translated report or signed attendance of the interpreter to a particular event);
- further explanation on the purpose of the translation/interpretation service used (such as documents translated, events/mission/training/etc. attended as interpreter, training material translated, etc.);
• invoices issued by the supplier which support the related costs and which are in accordance with the requirements set in the Albanian law;
• contracts, as well as all supporting documents justifying the payments of the fees to the translator/interpreter;
• all other supporting documents required to support the costs.

Financial Services (Budget item 5.6)

Example of these costs might be the cost of establishment and management of a dedicated bank account to be opened specifically for the project (e.g. costs of bank transactions related to the Action or bank statements), if required by the Contracting Authority in the guidelines for applicants, or the cost of relating to a bank guarantee or comparable surety to be lodged by the Beneficiary. However, conversion costs, exchange losses, charges relating to establishing or maintaining lines of credit or overdraft, as well as other purely financial expenses, such as costs related to the management of bank accounts, are not eligible.

With the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

• invoices issued by the supplier (bank or other financial institution) which support the related costs and which are in accordance with the requirements set in the Albanian law;
• all other justifying documents required to support the costs.

Costs of conferences, seminars (Budget item 5.7)

This item of eligible costs must cover all costs linked to organization of a workshop, seminar or conference. This item of the Estimated overall budget must in particular cover:

1. rental of premises;
2. rental of equipment;
3. travel and subsistence costs for participants and speakers (conditions regarding travel and subsistence costs – point 2.2. of these Rules must be adhered to);
4. interpretation (rental of booths). The cost of interpreters can only be considered eligible if it has not been itemized under budget item 5.5;
5. external speakers' fees, i.e. speakers who are not part of the staff of either the Beneficiary or the Contracting Authority;
6. translation costs in connection with workshop/seminar/conference in case it is needed and justified; the costs of translation can only be considered eligible if it has not been itemized under budget item 5.5;
7. other costs (e.g. reproduction costs for documentation to be distributed to participants, various supplies, reception staff).

Special attention is needed regarding the total amount of conference/seminar costs spent throughout the implementation period of the contract. In line with Annex IV of the contract, the Beneficiary needs to provide evidence that it applied the rules of this Annex properly. It means
that in case the total amount paid for conference/seminar costs exceeds the threshold indicated in Annex IV, the rules established in Annex IV must be applied regardless of the amounts of individual invoices of the service provider. The sum of expenses needs to be done by service provider.

With the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- invoices issued by the supplier which support the related costs and which are in accordance with the requirements set in the Albanian law;
- a presence list signed by all participants in case of an event, conference, seminar, etc.;
- all other justifying documents required to support the costs.

Visibility actions (Budget item 5.8)

With the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- proof of the work done and proof for the visibility achieved, e.g. together with the interim/final reports, pictures that evidence the display of the EU logo in each of the activities undertaken;
- invoices issued by the supplier which support the related costs and which are in accordance with the requirements set in the Albanian law;
- all other justifying documents required to support the costs.

3.6. Other (Budget Heading 6) (miscellaneous costs directly linked to the project and arising directly from requirements imposed by the Grant agreement)

This heading of the Estimated overall budget may include any other additional costs not falling within any of the other categories mentioned above and it is supposed to cover the costs arising directly from the requirements of the Grant agreement.

These costs may be allowed, provided they are:

- necessary for the performance of the project;
- clearly itemised in the Estimated overall budget;
- not indicated under any other heading of the Estimated overall budget;
- fully documented and, recorded in the Beneficiary’s accounts or tax documents and duly identifiable.

In case of consortium, these above rules apply equally to both Beneficiary–coordinator and other beneficiaries integrating the consortium.
4. **Contingency reserve (Budget Heading 8)**

The contingency reserve cannot exceed 5% of the “Subtotal direct eligible costs of the Action” (Budget heading 7) which has to be calculated according to the actual costs incurred. Therefore, the Beneficiary has to calculate the percentage of the contingency reserve in accordance with the final figures of the eligible direct costs;

Similarly the Contracting Authority reserves the right to recalculate the percentage in accordance with the final figures of the eligible direct costs.

It is important to bear in mind that the contingency reserve can only be used with the prior approval of the Contracting Authority. Failure from the Beneficiary to obtain such prior approval will lead to the ineligibility of the relevant costs incurred.

5. **Eligible administrative costs (Budget Heading 10)**

The Administrative Costs cannot exceed 7% of the “Total direct eligible costs of the Action” (Budget heading 9) which has to be calculated according to the actual costs incurred. Therefore, the Contracting Authority reserves the right to recalculate the percentage in accordance with the final figures of the eligible direct costs.

The eligible administrative costs for the project are those costs which, with due regard for the conditions of eligibility described above under point 1, are not identifiable as specific costs directly linked to performance of the Action, which can be booked to it direct in full, but which can be identified and justified by the Beneficiary using its accounting system as having been incurred in connection with the eligible direct costs for the Action. These include, amongst others, rent of the premises and related costs such as electricity, water, heating, maintenance, cleaning, insurance and safety costs; miscellaneous recurring consumables such as office supplies, toner, paper, stationary; telecommunication costs such as telephone, fax, internet connection; general postage costs etc.

The above must be understood in connection with the principle of avoiding duplication of costs in the Budget of the Action: an item shall never be financed twice by the budget. Therefore, once an item has been entered in the Budget as eligible direct costs (e.g. cost registered under budget heading 4 such as office rent, consumables, tel/fax, etc) it shall not be registered as a eligible indirect costs under budget heading 10.

Please note that indirect costs are not eligible where Beneficiary already receives an operating grant from EU budget.

With the final financial report and further to the requirements of Article 16.3 of the General Conditions, the Beneficiary shall submit:

- detailed list of items which can be reconcilable with the terms and conditions of the grant contract. It cannot include such type of items which are already covered under other budget headings to avoid duplication;
- all other justifying documents required to support the costs.
The Contracting Authority reserves the right to ask any further supporting document in order to verify that the costs declared as eligible were actually incurred and paid, in accordance with Article 2.2 of the General Conditions.

In case of consortium, these above rules apply equally to both Beneficiary–coordinator and other beneficiaries integrating the consortium.

6. **Ineligible Costs**

The following items of costs are not eligible and should therefore not be included under any headings of the eligible costs in the Estimated overall budget. **Please note that the below list is NOT exhaustive!**

- return on capital;
- interest owed;
- doubtful debts;
- currency exchange losses;
- taxes, including VAT;
- extravagant, excessive or reckless costs;
- purchases of land or buildings;
- entertainment or representation costs;
- replacement costs of persons involved in the project;
- provisions for losses or potential future liabilities;
- provisions for liquidation, winding up of business, breaking off of a lease or legal liabilities;
- provisions for contractual or moral obligations;
- fines, financial penalties and costs of legal proceedings;
- external co-financing involving real estate;
- contributions in kind;
- costs declared by the Beneficiary and already covered by another project receiving a grant from EU budget. If there should be complementarity between funds, this must be explicitly justified, clarified and proved;
- costs not entered in the accounts which are not identifiable or not verifiable;
- costs incurred before signature of the Grant agreement by the second party (Contracting Authority signature) and after the end of project indicated in the Grant agreement.

7. **Flexibility within the Approved budget**

After the Estimated overall budget has been approved by Contracting Authority, it becomes the Approved budget and it will form an integral part of the Grant agreement. Due to the fact that the
Estimated overall budget and the Approved budget are both based on estimates, from a practical point of view, it is important that the Beneficiary has the opportunity to adjust, to a certain extent, the Approved budget during the course of the project implementation, if it proves necessary.

If the Beneficiary wishes to replace key staff members whose their profile is indicated in the guidelines for applicants, prior approval of Contracting Authority should be sought. No budgetary implications in direction of increase can be associated with this change.

However, to avoid significant changes in the Approved budget which might jeopardise the achievement of the project objectives, these budget adjustments are subject to certain ceilings and rules which are indicated in Article 9.2 of the General Conditions.

The Approved budget may be adjusted by the Beneficiary by making transfers between budget headings or between budget items within the same budget heading provided that such adjustments do not affect the basic purpose and the completion of the project and on condition that:

- the financial impact is limited to a transfer between budget items within a single budget heading or the transfer between budget headings that does not exceed 15% of the amount originally entered (or as modified by a formal written addendum);

- it does not cause the original total Budget amount of eligible costs to be exceeded;

- the Contracting Authority is informed without delay (i.e. within 2 working days after the relevant cost was generated) of the variation to the budget;

- any reallocation aiming at increasing unit costs under budget heading 1 (Human Resources) shall need the prior approval of the Contracting Authority.

It must be emphasised that the above transfer method not involving a formal addendum can only be used for transfer between direct budget lines/headings, and in no case to amend the headings for administrative costs or the contingency reserve.

8. **Preservation of documents**

The Contracting Authority reserves the right to audit (itself or by an external audit body commissioned by the Contracting Authority) all actual costs and incomes (sources of financing, income established – both amounts already collected and not yet collected) of the Action.

The European Court of Auditors and the European Anti-Fraud Office (OLAF) shall have the same audit inspection rights as the Contracting Authority. These audits may take place also at any time before, during or after the implementation of the Action. For the purposes of these audits the Beneficiary must continue keeping all the supporting documents of costs and incomes of the project for a period of 7 years from the date when the Contracting Authority transfer to the Beneficiary the balance of the EU contribution (final payment)

In case of consortium this equally relates to the Beneficiary-coordinator as well as to other beneficiaries integrating the consortium).
III. INVOICE FORMAT

Any costs need to be supported by an invoice issued by the seller/supplier of the goods or services. The format of such invoices has to be in line with Article 49-54 of the Law of the Republic of Albania nr. 9920, dated on 19.05.2008.

According to the Article 3 paragraph 4 and 5 of the Law of the Republic of Albania nr. 7928, dated 27.04.1995, the small businesses below the set minimum annual turnover limit are not subject to VAT. However, according to Article 47 of the Law of the Republic of Albania nr. 9920, dated 19.05.2008, they are obliged to "issue simple tax invoices or tax receipts according to provisions of Law no. 9632, dated 30.10.2006".

According to these regulations, such small businesses have to issue a simple tax invoice which is compliant with the legislation established by the Law (See Law nr. 8438 and Paragraph 4.6 of the Instruction Nr. 5, dated 30.01.2006). The models for the invoices were published together with the Instructions by the Albanian Authorities.

In case of businesses subject to VAT, the invoice format which is established by the Tax Authority has to be applied.

The Contracting Authority accepts only those invoices as supporting documents which follow the above mentioned rules. Any invoice which differs from the aforementioned models cannot be taken into account as admissible document.

IV. CASH MANAGEMENT

Any payments need to be supported by a proof of transfer. The Beneficiary has to make sure that the payments are in line with Article 59 of the Law of the Republic of Albania nr. 9920, dated on 19.05.2008, i.e. if the amount of the transaction exceeds 300,000 ALL such amount can only be processed via bank transfer. The applicable exchange rate is the one applicable for the preparation of the financial report and which is indicated below.

The Beneficiary should not artificially split transactions with the purpose to stay below the above mentioned threshold.

V. EXCHANGE RATE APPLICABLE FOR CALCULATION

All amounts which are indicated in currency other than EUR, has to be recalculated to EUR in the financial report. The applicable exchange rate is the one published by the European Commission on the below website.

http://ec.europa.eu/budget/inforeuro/

VI. TAXES

VAT

As it was mentioned above, as a rule, taxes including VAT are not eligible under any budget item. There is only one exception to that principle, namely if the Beneficiary can prove:

− that the VAT is effectively borne by the Beneficiary;
− that the Beneficiary submitted to the Tax Authority the necessary tax returns to reclaim the VAT;
− that an appropriate statement was issued by the responsible state authority (Ministry of Finance) that the Beneficiary cannot get reimbursement from the state budget for its reclaimable VAT occurred in connection with the EU grant.

**Withholding tax**

According to the Article 10 of the Law of the Republic of Albania nr. 8438, dated on 28.12.1998, any employer who pays a salary or other remuneration withhold personal income tax in accordance with the law and pays the tax to the Tax Authority.

Furthermore, the Beneficiary is obliged to prove with supporting documents that it deducted the relevant withholding tax from the total salary of the employees and paid to the State Budget. If the Beneficiary fails to submit such documentation, the Contracting Authority will take the respective expenditure elements into account as ineligible.

**VII. COMMUNICATION WITH CONTRACTING AUTHORITY**

The Beneficiary is obliged to inform the Contracting Authority without delay about any change of address or event affecting its legal status by submitting an updated Legal Entity Form. In general, to be able to implement the project smoothly, it is inevitable to maintain a continuous communication with the Contracting Authority which also gives possibility to clarify any questions before the end date of the activities and the preparation of the final reports.

**VIII. FINAL CLAUSE**

All other aspects are covered by the contract and its annexes and are considered self-explanatory with the possibility for the beneficiaries to seek the interpretation of the Contracting Authority by contacting them.

Appendix I - Timesheet
Appendix II.a/b – Detailed list of expenses