



Eligibility Guideline for the EEA and Norwegian Financial Mechanisms 2009-2014

This Eligibility Guideline is to help the planning of projects funded within the framework of the EEA and Norwegian Financial Mechanisms 2009-2014 and provide guidance for the successful and correct implementation of the projects as well as for the documentation of eligible project expenditures. The Guideline is accordingly, composed of three parts: in the first part; the principles related to eligible expenditures are set out; in the second part, expenditures that are eligible within the framework of a project and all the related requirements are laid down; while in part three the supporting documents for the respective eligible expenditures are presented separately.

This Eligibility Guideline is the Annex 1 of the General Application Guide and its scope extends to the following programmes:

- HU02 – Energy efficiency
- HU03 – Renewable energy
- HU06 – Children and youth at risk
- HU07 – Conservation and revitalisation of cultural and natural heritage
- HU09 – Green industrial innovation
- HU11 – Capacity building and institutional cooperation
- HU12 – Public health initiatives

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This is an unofficial translation; in case of any inconsistency the Hungarian language version shall prevail.

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1. ELIGIBILITY PRINCIPLES

1.1. Eligibility period

In the case of projects funded by the EEA and Norwegian Financial Mechanisms 2009-2014, the starting date of the eligibility of expenditures shall be the day of the grant decision, unless specified otherwise in the project contract. The closing date for eligibility of expenditures shall be the date specified in the project contract or 30 April 2016 which is the latest date (cf. 3.3.2 of the General Application Guide). It is only the expenditures incurred, performed and paid between these two dates, the starting and closing dates specified in the project contract that qualify as eligible. Exceptions to this are expenditures in the case of which the accounting documents are issued in the last month of the eligibility period and payment is performed within 30 days following the closing date.

1.2. Settlement methods

The settlement of expenditures incurred during the implementation of the project shall be performed according to the following methods:

- document based settlement (based on invoice, other accounting document or expenditure summary);
- pro rata proportioning (in the case of indirect (overhead) expenses);
- flat rate settlement (on the lump sum basis);
- settlement based on audit report (in the case of Donor Project Partners).

1.2.1. Document based settlement

This is the most frequently used settlement method, used for expenditures actually incurred by the Project Promoter and the Hungarian Project Partner, the physical performance of which (by invoices or other accounting documents of equivalent probative value) as well as their legal basis (by contracts, order forms, public administration decisions, etc.) can be certified.

Depending on the ceilings, it is **the expenditure summaries included in the Appendix of this Guideline** that serve as the settlement documents for certain types of expenditure. Invoices or accounting documents with a grant equivalent of under HUF 500,000 net should not be submitted for settlement; it is enough to include these invoices in the summary.

We hereby wish to draw applicants' attention to the fact that the original copies of the invoices, the invoices entered in the summary and of all supporting documents related to the invoices to be elaborated on later in detail, are not to be submitted for settlement. At the same time, it is the Beneficiary's responsibility to preserve the original copies as well as to keep separate records of all expenditures related to the implementation of the project and to be settled, and make them available for the auditors during potential on-the-spot visits (cf. Chapter 5 of this Guideline).

1.2.2. Pro rata proportioning (indirect (overhead) expenses)

Pro rata proportioning, if allowed by the call for proposals, can be applied with reference to overhead expenses. The eligibility and rate of overhead expenses are laid down in the call. As a main rule, overhead expenditures are to be established on a pro rata basis to the total expenses of the project minus the costs of external services and acquisitions. The expense categories constituting the cost drivers of overheads are laid down in the call and can be the followings:

- 51 Material expenses;
- 54 Staff costs;
- 55 Other payments to personnel;
- 56 Contributions.

Overhead expenditures may be planned and settled both by the Project Promoter and the Project Partners. *(The application form automatically calculates the maximum amounts of overhead expenditures.)*

The maximum rate and amount of eligible overhead expenditures are laid down in the project contract. It is based on the calculation method specified in the call for proposals that Beneficiaries may apply for fund on the lump sum basis for this amount, in relation to the expenses incurred in the given eligibility period compared to the expenditures constituting the cost drivers. It is important that the sum of the overhead expenses settled **may not exceed 100%** of the sum total of invoices and accounting documents related to actually incurred **overhead expenses**, i.e. double financing is not allowed, of which Beneficiary is expected to attach a declaration when submitting the payment claim.

We wish to call applicants' attention to the fact that no supporting documents are required to be submitted for pro rata proportioning, but separate records are to be kept and the original copies are to be preserved (cf. Chapter 5 of this Guideline).

1.2.3. Lump sum settlement

In case of derogation from the general rule, if allowed by the call for proposals/project contract, **lump sum settlement must be applied. In this case**, no supporting documents are required to be submitted **for the financial settlement**. The ceiling of expenditures that can be settled by lump sum settlement is laid down in the call. In order to certify funding, it is only the actual progress and the implementation of the project that is to be presented in the report.

In the disbursement of lump sum funding, there is no room for pro rata proportioning. If performance is not 100%, the funds cannot be paid except if pro rata payment was fixed for interim performances in the project contract. Until the performance of the results, the lump sum qualifies as an advance.

Within the framework of lump sum settlement, funds may be provided only with respect to the following eligible expenditures (*the accounting categories and specifications of the eligible expenditures are provided in brackets*):

- monthly allowance (55 Other payments to personnel);
- expenses of study material and equipment (51 Material expenses);
- travel expenses, insurance and conference registration fees (52 Expenses of services used);
- tuition fees (52 Expenses of services used).

1.2.4. Settlement based on audit report

In the case of Donor Project Partners, it is sufficient to submit an audit report in the Hungarian or English language substantiating the settlement of expenses (audit reports in other languages must be submitted together with an attested translation). The audit report must include substantiation for the expenses to be settled by Beneficiary, specify their amounts and certify their legal compliance.

The audit report must be drawn up in compliance with the International Standard on Auditing 805¹.

1.3. Exchange rates for eligible expenditures

As is laid down in the call for proposals, funding can be applied for either in Hungarian forint or in euro, depending on whether the project contract was signed on a forint or a euro basis. The incurred, performed and paid expenses must be submitted for settlement in or converted to the currency specified in the project contract, according to the following:

| Currency specified in the project contract | Eligible expenditures incurred in a currency officially registered by the Hungarian National Bank (MNB) | Eligible expenditures incurred in currencies not registered by the Hungarian National Bank |
|---|--|--|
| Forint | Hungarian National Bank exchange rate valid on the date of payment | Exchanged, at the average exchange rate published by the European Central Bank valid at the time of payment, into euro first and, based on the Hungarian National Bank exchange rate, into forint thereafter |
| Euro | <i>Not applicable!</i> | Exchanged into euro at the average exchange rate |

¹ In the [Hungarian language](#) or [English language](#).

| | | |
|--|--|---|
| | | published by the European Central Bank valid at the time of payment |
|--|--|---|

Direct payment to contractor shall only be possible, in the case of forint-based project contracts, against invoices in forint and, in the case of euro-based project contracts, against invoices issued in euro. In such cases, funding shall be disbursed to the contractor without exchange, in the currency in which the invoice was issued.

1.4. The planning of eligible expenditures and the disbursement of funds

The call for proposals specifies the eligible expenditures, corresponding to the accounting categories, within the activities performed during the project implementation and may furthermore determine which pool of applicants (Project Promoter, Hungarian Project Partner, Donor Project Partner) may include the specific eligible expenditures in their budget planning and settlement.

The application for advance payment and the **submission of settlements**, including payments claimed for the Project Partners, **are within the Project Promoter's responsibility**. Project Partners shall submit their settlements, together with all supporting documents required for the settlement, to the Project Promoter. It is always the respective Beneficiary concerned that shall be responsible for preserving the original documents, i.e. Project Partners are only obliged to transfer to the Project Promoter the certified copies of the documents certified by themselves, while the originals are to be preserved by the Project Partners. It is the obligation of Project Promoters, on the other hand, to claim the funding due to the Partners and to make sure that the necessary supporting documentation be at the disposal of auditing organs during potential control.

In the case of advance payment or reimbursement, the grant is disbursed to Project Promoter's bank account specified in the project contract, and it is the Project Promoter's responsibility to transfer the funding due to the Project Partners in accordance with the partnership agreement. The Project Partner's expenditures may be disbursed directly to Project Partner's bank account only within the framework of a contract on assignment (where the Project Partner is the assignee with respect to the funding due to the Project Partner). In the case of direct payment to contractor, the funding is disbursed directly to contractor's specified bank account. With the Programme Operator's approval, the funding with reference to the expenses certified by the Implementing Agency shall be disbursed by the National Development Agency.

1.5. General conditions of eligibility

Eligible expenditures must meet the following conditions:

- They must be expenses actually incurred by the Beneficiaries, whose legal basis and payment can be certified (by contracts, order forms, public administration decisions, etc. and invoices, declarations or other authentic accounting or other

internal documents²) respectively, (except for the cases of advance payment claims or pro rata and lump sum settlement).

- They must be directly related to the targets and the achievement of the expected results of the funded projects, they must be indispensable for the implementation and must be included in the approved project budget and the effective amendments thereof, i.e. must be among the eligible expenditures related to the respective activities eligible for funding.
- The prices per unit serving as the basis for expenses calculation must not exceed the usual market prices (cf. Section 4 of this Guideline) and must comply with the principles of economy, efficiency and effectiveness.
- The expenditures shall be eligible only to the extent by which they are related to the funded projects and serve the targets thereof.
- In the settlement of respective expenses double financing must be avoided.
- It is only expenditures included in the project contract of the project concerned that shall be eligible for funding.
- The amount from the total eligible expenditures approved according to the project contract that has been unused during the project implementation shall reduce the funding proportionately. Potential extra expenses shall not be refunded; potential exceptions to these are cases mentioned under Articles 56 and 58 of Government Decree 326/2012 (XI.26.) on the Implementation of the EEA Financial Mechanism and the Norwegian Financial Mechanism 2009-2014 (hereinafter: Implementation Decree).
- It is expenditures that are identifiable and verifiable, which appear separately in Beneficiary's accounting records and which comply with the accounting, taxation and social insurance legislation in force, that shall qualify as eligible.
- It is exclusively expenditures that incurred within the eligibility period specified under Chapter 1.1 that shall be eligible.
- The date of depreciation to be settled in relation to asset acquisition shall be the date when the expenses of depreciation were registered by Beneficiary, in compliance with their accounting policy, in their accounting records.

² Articles 166-167 of Act C of 2000 on Accounting

2. THE RANGE OF ELIGIBLE EXPENDITURES

In the framework of the EEA and the Norwegian Financial Mechanisms 2009-2014 the next types of expenditure elaborated on below that qualify as eligible. The call for proposals or the project contract may, set further narrows, restrictions or conditions with reference to the eligible expenditures.

2.1. Personnel expenditures and related contributions

Personnel expenditures shall qualify as eligible if related **to the activity of the project management** supporting the implementation of the project or **to the implementation of other professional activities** specified in the call for proposals.

2.1.1. Staff costs, other personnel expenditures and contributions (54, 55 and 56)³

The personnel expenditures of the project management/professional implementation shall qualify as eligible provided that the employer's contract or the service contract signed by the employee and the beneficiary and the description of duties/service contract clearly specifies the employer's responsibilities in the implementation of the project funded by the EEA and the Norwegian Financial Mechanisms 2009-2014.

The call for proposals specifies the members of the project management organisation, who can execute their duties as the followings at most:

- general project manager;
- project assistant;
- financial officer;
- legal officer;
- public procurement expert;
- technical expert;
- communication expert;
- professional coordinator.

The possible range of employees participating in the professional implementation may be included in the call for proposals.

The people participating in the project management/professional implementation and employed by the Beneficiary and as well as their roles in the project (e.g. project manager, project assistant, professional implementation employee, etc.) must be outlined in the application and in the budget of the Project Promoter and/or Project Partner. *In the detailed budget of the application form, the individual members of the project management/professional implementation assistants are to be entered as separate items. If a member of the project management/a professional implementation assistant is not yet selected before the submission of the application, the employer's expectations of the employee concerned are also to be laid down in the application.*

³ The accounting categories for which the expenditures concerned can be planned are included in brackets

The wages of the members of the project management/professional implementation assistants as well as the taxes and contributions involved shall be settled in compliance with the legislation in force.

The staff costs of public administration employees may only qualify as eligible expenditures if these are related to the project activities rather than to the legislative obligations and the regular performance of the basic functions of the employees concerned. In the case of public administration employees, the allocations paid for target tasks based on target duty agreements signed with the employees concerned with respect to the tasks related to the project implementation also qualify as eligible expenditures.

If the members of the project management or the professional implementation assistants have an employment relationship, public employment relationship or public administration employment relationship with the Beneficiary and perform the project-related tasks part-time, it is exclusively a part of their work hours in proportion to their contribution to the project implementation that can be considered as eligible expenditures. In this case, the Beneficiary must certify that the activity of the employee concerned is directly related to the project implementation and this is also supported by a document (description of duties), and that the part of his/her work hours she/he is expected to devote to the project-related activity was laid down in the description of their duties. The part of the work hours of individual employees to be devoted to their project activity shall be certified by Beneficiary by the working time recording system or in accordance with the pro rata proportioning method described in the application. Beneficiary is entitled to settle wage and related contribution expenses in proportion to the work hours devoted to the project, based on the working time recording system. Target-specific allocations, carried over wages or wage supplements paid to the employee for duties outside their basic functions, on the basis of a target duty agreement signed with the employee, shall also be eligible as personnel expenses.

It is only personnel expenses in compliance with the Beneficiary's general remuneration regulations that may qualify as eligible expenditures, provided that the rate of personnel expenditures does not exceed the usual rate of salaries and bonuses within Beneficiary's organisation. Fringe benefits, if they are related to a project activity, are eligible in proportion to the time devoted to the project.

Bonuses, performance fees or severance pays do not qualify as eligible expenditure.

2.1.2. Travel, accommodation and subsistence expenses, daily allowances
(52, 53, 55, 56)

Travel expenses, daily allowances and accommodation expenses incurred in relation to the project implementation and directly related to the implementation and the activities funded shall qualify as eligible.

Conditions of eligibility:

- the travel which expenses are to be settled must be clearly related to the implementation of the funded project;
- it is only the person contributing to the implementation of the project that may participate in the travel;
- in case of the settlement of the travel expenses a proof must be provided that the travel was procured in compliance with the requirements of cost efficiency, transparency and the principles of economy;
- if the travel organiser company was selected through public procurement or centralised public procurement then additional procurement procedure is not required; the arrangement of the travel can be proceeded in compliance with the contracts in force.

[Travel expenses \(52\)](#)

Inland travel expenses shall be eligible based on the use of the second class of public transport or. The use of a motor vehicle shall be settled if the vehicle is owned by the Beneficiary organisation, the person participating in the travel or a family member of the participant (the use of a rented or leased company car is also eligible). Fuel use is only eligible in accordance with the consumption norms and fuel prices established by the National Tax and Customs Administration of Hungary (NTCA). Tax on company cars does not qualify as eligible expenditure.

If the Beneficiary's **foreign travel expenses** are also eligible in accordance with the call for proposals, Beneficiary must prove that the travel which costs are to be settled was clearly related to the implementation of the project funded by the EEA and the Norwegian Financial Mechanisms 2009-2014. The call may set ceilings for foreign travel expenses. Eligible expenditures include the costs of second class airline tickets, airport tax, transfers from and to the airport as well as transport within the country unless the destination is the city where the airport is located (52).

In the case of a Partnership project, it depends on the Project Promoter's decision whether the Partner's travel expenses should be included in the Project Promoter's or the Project Partner's budget. It is the party in whose budget the travel was planned that shall bear the travel expenses and indicate these in the settlement.

Expenses of travel insurance (personal, baggage and accident insurance) are also eligible (53).

[Accommodation and subsistence expenses \(52\)](#)

In the case of the settlement of accommodation expenses (in the case of both inland and foreign travels) the Beneficiary may only use up to three-star hotels. If it is not possible, if the mission requires higher category accommodation or if there is evidence proving that the higher category accommodation is more cost efficient, then higher category accommodation can also be used. If the Beneficiary also wishes to settle subsistence expenses (expenses incurred during the travel like meals or material expenses), the expenses must be certified by invoices and the total amount of eligible expenditures may not exceed half of the accommodation expenditures.

Hotel expenses may be settled based on an invoice made out to the name of the Beneficiary/person using the hotel room.

[Daily allowances \(55 and 56\)](#)

Daily allowances may be paid in relation to inland or foreign travels made in framework of the grant; the amount of the daily allowance and the related contribution qualify as eligible expenditures according to the applicable national legislation.

Daily allowances must not exceed the extent specified in Beneficiary's internal regulations for missions and allowances or if the extent is specified in the call, then the extent specified therein.

Daily allowances related to foreign missions must be considered and entered in the summarized statement at the exchange rate applied at the time of accounting the allowances.

2.2. Land and property purchase (12)

If the call makes land and property purchase possible, the Project Promoter shall represent it as a separate activity.

The purchase of land or property required for the implementation of the project can be funded with the following restrictions exclusively:

- the expenses of land and property purchase can only be settled by the Project Promoter;
- land and property purchase can only be settled with the Programme Operator's prior approval; the Program Operator shall make the approving decision either in or after the project contract;
- the property and land to be purchased must be essentially necessary for the implementation of the project (*which must be demonstrated in details in the application*); there shall be a direct relation between the purchase and the project objectives;
- the purchase of property and/or land directly or indirectly owned by Beneficiary at the time when the grant decision was made shall not qualify as eligible expenditures;
- only the purchase price of land and/or property that was not provided any grant from domestic, EU or other international sources in the 10 years preceding the submission of the application may qualify as eligible expenditures;
- the purchase price may not exceed the usual market value, which must be supported by an expert opinion issued by an independent valuer or an official body specified in the legislation prior to the purchase;
- the land and/or property must be free, clear and unencumbered and this must be certified by a land registry extract;
- the land and/or property is free of permanent environmental damage (cf. Act CXLI of 1997 on Real estate registration), except if the Project Promoter undertakes environmental remediation within the framework of the project;
- prior to the completion of the project, the land and/or property must be transferred to the ownership of the Project Promoter or a Beneficiary clearly specified by Project Promoter in the application;

- the purchased land and/or property must be used in accordance with the project objectives and for the maintenance of the project results for at least 5 years after the project completion or until the end of the maintenance period set in the project contract;
- the land and/or property must not be alienated – sold, leased or mortgaged – within at least 5 years after the completion of the project or up to the end of the maintenance period set in the project contract, except if a special approval is given by the Programme Operator. An exception to the requirement on mortgage exemption shall be the mortgage registered as collateral for the benefit of the Grant Provider.

*The expenses of the land and property purchase may not exceed **10%** of the total eligible expenditures of the project.*

2.3. Construction, refurbishment, expansion (12)

If made possible by the call, the expenses of construction, refurbishment or expansion necessary for the implementation of the project shall qualify as eligible expenditure.

Construction shall qualify as eligible only if it is essential for the project implementation, i.e. the construction expenses of buildings or structures to which the funded activities specified in the call for proposals can be linked. Construction costs shall mean, beyond the construction of new structures, any reconstruction, demolition, refurbishment or expansion that enable the normal use of the structure.

Construction, refurbishment or expansion activities can be performed through external service providers primarily, in compliance with the procurement rules outlined under 4.1. Unless ruled out by the call, the procurement can be self-performed (for more details cf. Section 4.2 of this Guideline).

The expenses of construction, refurbishment or expansion shall be eligible provided that the following conditions are met:

- before the completion of the project, the property must be transferred to the ownership of the Project Promoter or a Beneficiary clearly specified by Project Promoter in the application and
- the property must be used in conformity with the project objectives for the maintenance of the project results for at least 5 years after the project completion or until the end of the maintenance period set in the project contract; the property must not be alienated – sold, leased or mortgaged – for 5 years after the completion of the project or up to the end of the maintenance period set in the project contract, except if special approval is given to this by the Programme Operator. An exception to the ban on mortgage shall be mortgage registered as a collateral for the benefit of the Grant Provider;

or

- the expenses of construction, refurbishment or expansion performed on a property leased by the Project Promoter shall qualify as eligible only if a lease agreement between the owner of the property and the Project Promoter for the project implementation period and at least the maintenance period of 5 years was submitted as a condition for signing the project contract. The early termination of

the lease agreement, except if for the purpose of the transfer of ownership to Project Promoter, may be sanctioned by the Programme Operator.

Construction, refurbishment and expansion expenditure may not exceed **the proportion** of the total eligible project expenditures **specified in the call**.

All expenses that may be activated as investment under Article 3 (4) 7 of the Act on Accounting must be entered under construction, refurbishment and expansion expenditure in the project budget. The ceiling set in the call for proposals with reference to construction, refurbishment and addition expenditure shall be applicable with reference to all such activated expenses.

2.4. Equipment purchase (13, 14 or 57)

In the case of equipment purchase, the expenditures of new and second-hand equipment necessary for the implementation of the project are eligible, in compliance with the detailed rules relating to procurements under point 4.1.

If it is allowed by the grant scheme, the total expenses of the procurement of the new/second hand equipment shall be eligible provided that the following conditions are met:

- the new /second-hand equipment shall be purchased at the end of the project implementation period and its use shall begin after the completion of the project and/or;
- after the completion of the project the new/second hand equipment shall be exclusively used for activities serving the project objectives the maintenance of the project achievements.

The expenses of the second-hand equipment's procurement shall be eligible provided that the following three other conditions are also met:

- the seller shall certify that no financial aid from national or EU sources or from the EEA or the Norwegian Financial Mechanisms was used for the purchase of the equipment or the obligatory maintenance period is over;
- the sale price of the equipment shall not exceed the market price and shall be lower than the sale price of a similar new equipment; these shall be certified by a certificate issued by an independent valuer submitted by the Beneficiary;
- the seller shall certify that the equipment has the technical characteristics necessary for operation and complies with the relevant regulations and standards.

With reference to equipment to be settled at the purchase value in 5 years following the completion of the project or until the end of the maintenance period set in the project contract the Beneficiary shall:

- keep possession of the equipment and use it for activities serving the project objectives throughout this term;
- have the equipment duly insured against fire, theft and other damage;
- separate the necessary financial sources providing the servicing of the equipment.

If the call for proposals does not allow the eligibility of the total cost of equipment purchase, in this case the amount of the depreciation of the new and second hand equipment shall be indicated (in line 57) in the budget. The depreciation shall only be eligible with reference to the implementation period. The extent of depreciation shall be defined in accordance with the extent determined for the depreciation of similar equipment applied in the accounting policy as well as with the provisions of Act C of 2000 on Accounting (hereinafter Acc. Act).

The useful life of the equipment, the calculation method of the depreciation and the extent of the annual depreciation shall be reported in the application and during the settlement. From the amount of the annual depreciation only the pro rata temporis part in terms of the use for the achievement of the project objectives shall be eligible (until the end of the project implementation period). The rate of the depreciation methodology and its annual amount shall not exceed the extent stipulated in Act LXXXI of 1996 on Corporate Tax and Dividend Tax.

Depreciation, amortisation or asset disposal beyond plans and the purchase of vehicles shall **not** be eligible expenditures.

Expenses related to the lease of equipment can be settled also on this budget line, provided that the following conditions are met:

- the lease of equipment shall only be implemented in the form of closed-end leasing, which shall terminate by the end of the project implementation with gaining ownership by the Beneficiary;
- the lease shall continue for at least five more years after the project closure – in the case of small and medium enterprises for three more years – or if a longer maintenance period is established until the end of the maintenance period.

2.5. Purchase of intangible assets (11 or 57)

The fair value of the intellectual products purchased within the framework of the given activity and serving this activity shall be settled under the expenses of intangible assets.

In case of intangible assets those eligibility rules are in force which are laid down for equipment purchase, i.e. if it is allowed by the call for proposals, either the total expenditures of intangible assets purchase or depreciation shall be eligible.

The eligible expenditures of equipment and intangible assets shall not exceed the part of the total eligible project expenditure specified in the call for proposals.

2.6. Material expenses (51)

According to the provisions of the grant scheme, the purchase of (low value) tangible assets and consumables that may be settled in one lump sum in compliance with value limit pursuant to the Accounting Act in force shall be represented in the material expenses. Under material expenses, only the expenses of new and second hand low-value assets and consumables that are necessary for project implementation shall be fully settled. Used low-value assets shall be governed by the provisions for used asset purchased (under 2.4); (a valuer's declaration is not required).

2.7. Services used (52)

The expenditures of services - provided by an external third party - which are necessary for the implementation of obligations stemming from the project contract, for the project implementation and serving the project objectives, shall be eligible. In the selection of the external service providers, the procurement rules outlined under point 4.1 shall be observed.

If the Beneficiary wishes to implement the project management activity with external service providers, external service within a given activity may only be used for tasks exclusively specified under point 2.1.1 of this Guideline.

If the service used was not procured in relation to the implementation of the project funded from the EEA-Norwegian FM 2009-2014 exclusively, the expenses shall be settled and recorded pro rata in an objective manner.

We wish to call applicants' attention to the fact that the identification number of the project contract must always be specified in agreements signed with suppliers, thereby indicating that the activities laid down in the agreement are paid for from the grant.

2.8. Expenditures of other services (53)

If it is allowed by the call for proposals, the authority fees prescribed by law and necessary for the project implementation may be settled in the expenses of other services. The expenditures of financial guarantee provided by financial institutions, bank costs and insurance fees directly linked to the project shall also qualify as eligible provided that they serve the performance of the requirements set in the grant scheme.

2.9. Indirect (overhead) expenditures

Expenditures that cannot be identified as expenditures directly related to the project by the Beneficiary but can be identified according to their accounting records and can be justified as expenditures linked to and incurred in relation to eligible direct expenditures, shall be considered as indirect expenditures. These expenses shall not involve eligible direct expenditures. The indirect expenditures settled for the project shall represent a fair and proportionate rate compared to all indirect expenditures incurred by the Beneficiary.

Indirect (overhead) expenditures typically comprise the following expenditure categories:

- rental fees;
- public utility fees;
- telecommunication costs (telephone, internet);
- postal charges;
- cleaning and waste disposal charges;
- guarding fees.

The calculation method for indirect (overhead) expenses is included in the point 1.2.2 of this Guideline and in the call for proposals. The eligible extent of the indirect expenditures and the methodology of setting out them are included in the project contract. The conditions for the eligibility of the Project Partner's indirect expenditures shall be laid down in the Partnership Agreement.

2.10. Contingency

Contingency serve for covering expenses cannot be unforeseen and planned (which nevertheless constitute eligible expenditures); and unless otherwise provided in the call for proposals, it shall not exceed 5% of the total eligible expenditures of the grant. The contingency shall exclusively be used for the listed eligible expenditures. The use of the amount of the contingency - laid down in the project contract and planned as a separate budget item - shall be regulated by the project contract.

3. THE RANGE OF NON-ELIGIBLE EXPENDITURES

All of the expenditures which are not listed under eligible expenditures, especially the followings:

- Credit interest, debt service charges, interest for late payment;
- The costs of financial transactions and other expenses of clearly financial nature, except for the expenses of the bank account separated for the project and the expenses of the financial guarantee provided by the financial institution, unless it is prohibited by the call for proposals;
- Contingency for losses;
- Provisions for future obligations;
- Currency loss;
- Recoverable taxes;
- Expenses financed from other funds;
- Fines, contractual penalty, court fees;
- Excessive expenses or those incompatible with the principle of economic rationalisation;
- Vehicle tax;
- The costs of depreciation, amortisation and asset disposal beyond plans.

Expenditures are not eligible by which the invoices or warrants were not issued to the name of the Beneficiary (Project Promoter or one of the Project Partners); and in the case of accommodation they were not issued to the name of the Beneficiary or of the person using the hotel services.

Expenditures incurred in relation to services used whose contracts define payment as a percentage ratio of the total expenditures of the activity shall not be eligible, **except if the contract or its amendment includes the possibility of partial performance and such actually incurred and paid partial expenditures are supported by the Beneficiary with reference to the content and real value of the work or service and by detailed certificate of completion.**

4. OTHER ELIGIBILITY REQUIREMENTS

4.1. Common rules for procurements

If the Beneficiary regarded as a contracting authority under Act CVIII of 2011 on Public Procurement (hereinafter: PP Act) and if the grant amount awarded reaches 50% of the eligible expenditures, the Beneficiary shall conduct the procurement related to the funded project in compliance with the provisions of the PP Act.

With regard to the procurement conducted under the PP Act, the Beneficiary shall guarantee the audit of the procurement procedure in compliance with the provisions outlined in Articles 73-79 of the Implementation Decree.

If the Beneficiary regarded not as a contracting authority and the purchase does not reach the public procurement value limit, the Beneficiary shall proceed in compliance with their own procurement regulations, keeping in mind the principles of economy, cost efficiency and transparency. In the case of procurement reaching an expenditure of HUF 1 million, the compliance with market prices of the expenditure to be settled shall be supported by at least 3 comparable quotations by entrepreneurs qualified to perform the task or public price lists.

In relation to invoices with a grant equivalent of net HUF 500 thousand, a written order shall be issued or a contract shall be signed between the Beneficiary and supplier/service provider which shall include - among others - the subject of the task supply and the conditions of the performance.

4.2. Rules on self-performance

Unless prohibited by the call for proposals, the Beneficiary may perform project activity without involving an external entrepreneur on its own or within an own enterprise.

The eligibility value of this activity may not exceed the usual market value, may not exceed the direct cost indicated on the basis of the financially settled items and may furthermore not exceed the indicative public procurement value limit.

Prior to signing the project contract, the Beneficiary shall certify beyond doubt that despite surpassing the public procurement value limit the cost efficiency is best served by self-performed implementation.

In the case of self-performance, Beneficiary shall work out a detailed calculation including itemised material expenses for the application, from which direct cost can be clearly established.

4.3. Conflict of interest rules

Without prejudice to 4.2, proposer or subcontractor or organisations participating in certifying suitability selected through public procurement or other procedure cooperating in the implementation of a funded project may not be an organisation whose owner, member, top official, member of the supervisory committee or board, or employee:

- a) has an employment relationship or other legal relationship targeting employment with the Beneficiary organisation;

- b) is a top official or member of the supervisory committee or board of the Beneficiary organisation;
- c) is a member of the Beneficiary organisation;
- d) has a direct or indirect ownership share in the Beneficiary organisation;
- e) participated in the preparation or implementation of the procurement procedure in any way;
- f) or is, in compliance with Article 658 (b) of Act IV of 1959 on the Civil Code (hereafter CC) a close relative to a person listed in a)-e).

4.4. VAT, other taxes and public dues

The VAT and all other duties and taxes that may not be deducted by Hungarian Beneficiaries under Hungarian laws but are ultimately borne by Beneficiary, shall qualify as eligible.

If the Beneficiary is not at all entitled to VAT deduction (e.g. is not a taxpayer, is subject to simplified entrepreneurial tax, is involved in public interest activity or is exempt from this tax with respect to other specific features of their activity), gross planning and settlement of expenses shall be required. If the Beneficiary is entitled to VAT deduction we must act in a similar way but in the case of purchases related to the implementation of the project funded from the grant the Beneficiary does not have the right to deduct VAT.

Deductable VAT shall not qualify as eligible expenditure even if the Beneficiary does not actually exercise his/her right for VAT recover. If VAT is recoverable, the applicant shall apply net planning and settlement of expenses. When interpreting VAT eligibility rules, the applicable Hungarian laws shall always be considered and the applicant shall declare about their VAT status in the application.

If Beneficiary is subject to VAT and establishes the amounts of deductible and non-deductible VAT with reference to their expenses incurred in relation to the activities specified in the application and financed from the grant by pro rata proportioning, they shall submit for the settlement the document certifying the payment of value added tax (electronic declaration certificate, postal deposit slip, tax account statement not older than 30 days), as well as the declaration (together with the related analytics). If reverse charge VAT is applied, conditions for the eligibility of the payment shall be the submission of the declaration (with analytics) and a certificate of payment.

In the case of the Donor Project Partner, the expenses must be considered in the planning of the application and in the settlement either gross or net, depending on the applicable legislation of the country where the Donor Project Partner is based. The Donor Project Partner shall declare their VAT status in the application as well as in the Partnership Agreement.

4.5. The settlement of in kind contributions as co-financing

If it is allowed by the call, in kind contributions shall be eligible up to **50% of the co-financing** to be provided by Beneficiary in the following case.

In the case of voluntary work without payment, the provisions of Government Decree 350/2011 on Certain issues of CSO Financial Management, Fundraising and Public Benefit Status shall be applicable for the conversion of voluntary work into staff costs.

- the project budget must include the calculation supporting the establishment of the value of in kind contribution, which must comply with the provisions of the quoted act;
- the time spent with work related to the project can be certified by working time recording systems and statements.

4.6. Advance payment to supplier

Advance payment to supplier: The advance payment to supplier – for execution, purchase or services – shall qualify as eligible up to 10% of the contract fee. (Even in the case of supplier contracts only such items can be supported which in the case of direct payment shall qualify as eligible.)

4.7. Management of revenues

Beneficiary shall keep record of all revenues and income acquired within the framework of the project, during the project implementation period until the project closure. Unless it is prohibited by the call for proposals, the revenues generated by the project can be used for the project with the Programme Operator's prior approval; the amount of the grant to be disbursed shall be reduced by the amount of the unused revenues in the final payment claim.

The interest generated on the separated sub account or separate bank account is not eligible and shall thus be deducted from the grant in the final payment claim.

5. SUPPORTING DOCUMENTS FOR ELIGIBLE EXPENDITURES

5.1. The range of documents examined during on-the-spot visits

Section 4.4 of the General Application Guide describes the methods of and general rules for submitting settlements; defining below the range of the supporting documents that are obligatory to document and preserve, in the case of expenditures that can be eligible, at the site of the project implementation.

5.1.1. Supporting documents for staff costs, other personnel expenditures and contributions:

- **employment contract, description of duties, service contract, target duty agreement:** the activity related to the contribution to the implementation of the project must be clearly included in the description of duties, employment contract or service contract of the employee whose expense are to be settled (with the project identification number specified);
- **working time recording system, time sheet:** the working time recording system approved by the head of the organisational unit, on the basis of which the working hours of the employee concerned are to be settled on the project funding can be defined;
- **proof of the payment of personnel expenses:** proof of the payment of wages, other personnel expenditures and contributions (debit note), certificate of debt settlement issued by the Hungarian State Treasury;
- **in the case of batch bank transfer, the Beneficiary's statement that the amount specified in the debit note also includes the items to be settled;**
- **delivery/acceptance note or warrants of other personnel allowances (vouchers, travel passes);**
- **report on activities performed:** in the case of a legal relationship based on a service contract or a target duty;
- **outgoing cash receipt;**
- **regulations on extra-salary allowances.**

5.1.2. Supporting documents for travel, accommodation and subsistence expenses and daily allowances:

In the case of inland travel:

- **mission order:** certificate of the mission approved by the head of the organisational unit (by specifying the mission objective);
- **proof of payment:** bank account statement, debit note;
- **invoice:** made out to Beneficiary's name;
- **travel pass (attached subsequently), travel ticket;**
- **mileage record in the case of vehicle use;**
- **copy of invoice in the case of accommodation:** made out to Beneficiary's name;
- **outgoing cash receipt;**
- **tax declaration certifying the payment of the VAT related to the implementation of the project (in the case of the application of pro rata proportioning) and a**

document certifying the approval of the tax declaration by the state tax authority: if relevant; as a **copy**

In the case of foreign travel, documents in addition to those listed for inland travel:

- invitation, preliminary agenda (if available);
- flight ticket, boarding pass: made out to the name of the traveller;
- flight ticket invoice, proof of payment: bank account statement, debit note;
- traveller's insurance policy, invoice, proof of payment: bank account statement, debit note;
- airport tax, invoice, proof of payment: bank account statement, debit note - if relevant;
- documents proving the expenses of transfer to and from the airport: made out to Beneficiary's name or ticket unless an invoice was issued, including documents certifying the expenses of travel within the country;
- settlement of daily allowances: based on the foreign mission regulations of the organisation, if relevant;
- outgoing cash receipt;
- signed copy of travel report;
- tax declaration certifying the payment of VAT related to the implementation of the project (in the case of the application of pro rata proportioning) and a document certifying the approval of the tax declaration by the state tax authority: if relevant; as a **copy**

5.1.3. Supporting documents for land and property purchase:

- sales contract: with the project identification number specified in the contract;
- invoice: if relevant, made out to Beneficiary's name;
- proof of payment: bank account statement, debit note;
- land registry extract: not older than 60 days, after registration of new owner;
- valuer's statement;
- Programme Operator's declaration of approval on the property purchase: unless included in the project contract;

5.1.4. Supporting documents for construction, refurbishment and expansion:

- legally binding construction permit;
- construction permit and execution plans: if relevant;
- documents of public procurement and procurement procedure;
- in the case of public procurement, the documentation of the quality control procedure;
- agreement with the building contractor: with the project identification number specified in the contract;
- invoice: made out to Beneficiary's name;
- certificate of completion: in the case of interim and final invoices, in compliance with the provisions of the contract;

- **certificate of no public debts:** with reference to the building contractor, not older than 30 days;
- **proof of payment:** bank account statement, debit note;
- **construction log;**
- **in the case of construction investment not bound to a permit, the building contractor's statement on the starting date of the construction;**
- **documents required for installation** (e.g. technical minutes of delivery/acceptance + time sheets and implementation and delivery plans);
- **occupancy permission** (if relevant);
- **tax declaration certifying the payment of the VAT related to the implementation of the project** (in the case of pro rate proportioning and the payment of reverse charge VAT) and a document certifying the approval of the tax declaration by the state tax authority: if relevant, as a **copy**

5.1.5. Supporting documents for the purchase of equipment and intangible assets:

- **the documents of public procurement or procurement procedures;**
- **in the case of public procurement, the documentation of the quality control procedure;**
- **supplier contract, sales contract, lease contract:** with the project identification number specified in the contract, related to invoices with a grant equivalent of above HUF 500000;
- **invoice:** made out to Beneficiary's name;
- **certificate of no public debt:** in case of invoices above net HUF 200000, with reference to supplier, not older than 30 days (if the issuer of the invoice is not registered in the central records of NTCA);
- **proof of payment:** bank account statement, debit note;
- **minutes of delivery/acceptance, installation documents, delivery note, itemised minutes of delivery/acceptance related to intangible assets;**
- **in the case of the eligibility of second hand equipment purchase, a declaration signed by the Beneficiary and the Seller that the previous acquisition of the equipment was not financed from a national or EU fund or that the obligatory maintenance period has already expired**
- **tangible assets registration sheet;**
- **outgoing cash receipt;**
- **tax declaration certifying the payment of the VAT related to the project implementation** (in the case of the application of pro rata proportioning) and a document certifying the approval of the tax declaration by the state tax authority: if relevant; as a **copy**

5.1.6. Supporting documents for the settlement of depreciation:

- **An accounting policy determining the settlement method.**

5.1.7. Supporting documents for services used:

- **the documents of public procurement or procurement procedures**

- in the case of public procurement, the documentation of the quality control procedure;
- **contract, order:** with the project identification number specified in the contract, related to invoices with a grant equivalent of above HUF 500000;
- **invoice:** made out to Beneficiary's name;
- **certificate of no public debt:** in case of invoices above net HUF 200000, with reference to supplier, not older than 30 days (if the issuer of the invoice is not registered in the central records of NTCA);
- **certificate of completion:** in the case of interim and final invoices, in compliance with the provisions of the contract, related to invoices with a grant equivalent of above HUF 500000 or, in the case of procurements under the public procurement value limit, documents listed under 4.1;
- **proof of payment:** bank account statement, debit note;
- **in the case of continuous service:** report on the activity in the given month;
- **end product (object) of a service activity;**
- **outgoing cash receipt;**
- tax declaration certifying the payment of the VAT related to the project implementation (in the case of the application of pro rata proportioning) and a document certifying the approval of the tax declaration by the state tax authority: if relevant; as a **copy**

5.1.8. Supporting documents for material expenses, other services, indirect (overhead) expenses:

- the documents of public procurement or procurement procedures
- in the case of public procurement, the documentation of the quality control procedure;
- **contract, order:** with the project identification number specified in the contract, related to invoices with a grant equivalent of above HUF 500000 (if relevant);
- **invoice:** made out to Beneficiary's name;
- **certificate of no public debt:** in case of invoices above net HUF 200000, with reference to supplier, not older than 30 days (if the issuer of the invoice is not registered in the central records of NTCA);
- **certificate of completion:** in the case of interim and final invoices, in compliance with the provisions of the contract, related to invoices with a grant equivalent of above HUF 500000 or, in the case of procurements under the public procurement value limit, documents listed under 4.1;
- **proof of payment:** bank account statement, debit note;
- **in the case of continuous service:** report on the activity in the given month (if relevant);
- **end product (object) of a service activity** (if relevant);
- **outgoing cash receipt;**
- tax declaration certifying the payment of the VAT related to the project implementation (in the case of the application of pro rata proportioning) and a document certifying the approval of the tax declaration by the state tax authority: if relevant; as a **copy**

5.2. The range of documents to be submitted to support the payment claim

The Project Promoter shall prepare and submit the payment claim for the disbursement of the grant based on the documents stored on site. Unless provided otherwise in the call for proposals, settlement shall be submitted electronically, through the NORA system which is available on the homepage of the Implementing Agency (<https://nora.norvegalap.hu>). It is also the surface through which the invoice and salary summaries as well as the copies of the supporting documents must be attached for the payment claim. The payment claim and the summaries must be submitted to the Implementing Agency in a paper-based form.

In the case of Donor Project Partners, it is obligatory to attach an audit report in order to support the settlement of costs.

The general expectations of the supporting documents to be submitted for the payment claim are the followings:

- all supporting documents must be submitted in a copy certified by Beneficiary;
- on the original copies of the invoices to be settled and of the supporting documents the Beneficiary shall indicate the project identification number and that the invoice and the supporting document "has been submitted for the settlement of the EEA FM 2009-2014" or "has been submitted for the settlement of the Norwegian FM 2009-2014".
- for the settlement of salary and travel expenses and for invoices under the ceiling stipulated in the call for proposals a summary shall be filled out.

The following table shows which documents must be attached by the Project Promoter electronically in the case of the respective types of eligible expenditures:

| Expenses to be settled | Document to be attached in the original form | Document to be attached as a copy |
|--|---|---|
| Staff costs, other personnel expenditures and contributions | Summary of salaries | Employment contact or appointment and description of duties: during the first settlement and after the amendment |
| Travel, accommodation and subsistence expenses, daily allowances | Summary of travel expenses | - |
| Land and property purchase | - | <ol style="list-style-type: none"> 1. Contract 2. Invoice 3. Bank account statement 4. Land registry extract 5. Valuer's statement 6. Statement of PO |
| Construction, refurbishment, expansion | - | <ol style="list-style-type: none"> 1. Agreement with the building contractor (on one occasion) 2. Invoice 3. Certificate of completion 4. Certificate of no public debt⁴ 5. Bank account statement 6. Building contractor's statement on starting date 7. Documents required for installation 8. Occupancy permission 9. Certificate on the payment of reverse charge VAT |
| Equipment and intangible assets | - | <ol style="list-style-type: none"> 1. Contract 2. Invoice 3. Certificate of no public debt 4. Bank account statement 5. Minutes of delivery/acceptance 6. Installation document 7. Delivery note 8. In the case of second hand equipment, declaration |
| Services used, Material | Summary depending on the | 1. Contract |

⁴ If the issuer of the invoice is not registered in the central registry of the National Tax and Customs Administration of Hungary

| | | |
|------------------------------|---------|---|
| expenses, Other services | ceiling | <ol style="list-style-type: none"> 2. Invoice 3. Certificate of no public debt (if relevant) 4. Bank account statement 5. Certificate of completion 6. In the case of a continuous service, a report |
| Indirect (overhead) expenses | Summary | - |

In the case of a Donor Project Partner only the copy of the audit report certified by the Project Partner specified under 1.2.4 shall be submitted for the settlement.

The documents for the settlement, i.e. the various summaries shall be compiled separately with reference to the Project Promoter and the Project Partners, and in the payment claim the amount of expenses to be settled by the Project Promoter and the Project Partners and the grant applied for in relation to these shall also be defined separately.

6. APPENDIX

Invoice summaries of salary and travel expenses and expenditure under HUF 500 thousand (HUF, in the Hungarian language)