



**Government Office of the Slovak Republic
National Coordination Unit
Slovak Republic**

Norwegian Financial Mechanism

EEA Financial Mechanism

APPLICANT'S GUIDE

**EEA Financial Mechanism and Norwegian Financial Mechanism
Version 1.0**

Prepared by: EEA Financial Mechanism and Norwegian Financial Mechanism Management and Implementation Department, the Government Office of the Slovak Republic

Approved by: Igor Federič
Head of the Government Office of the Slovak Republic

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Signature:

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INTRODUCTION

This Guide is intended for all project applicants within the EEA Financial Mechanism and Norwegian Financial Mechanism programmes operated by the Government Office of the Slovak Republic. It is divided into three parts. Part A relates to instructions for completing the Project Application Form, Part B addresses the completion of the Project Budget, and Part C details the evaluation and selection process.

The definitions of basic terms and the list of abbreviations can be found in the Project Promoter and Partner's Guide.

Useful tips and advice

It is recommended that before starting the preparation of a project application, the applicant should carefully read the call for applications and check whether it meets the following grant award conditions:

- eligibility of the applicant and of the partner,
- eligibility of the expenditures of project implementation,
- eligibility of the location of project implementation,
- eligibility of the timeline of project implementation,
- criteria in the applications evaluation and selection process,
- funding mode,
- other conditions for the awarding of the grant.

PART A. INSTRUCTIONS TO COMPLETE THE APPLICATION FORM

1. Only **turquoise fields** shall be completed by the applicant on the application form.
2. **The fields have a fixed size, and are not allowed to be exceeded.** These are so-called text fields in which a large amount of text can be inserted. If the applicant exceeds the size of a text field, a scroll box will be displayed, and **when printed out, a part of the text will not be visible.** Checking adherence to this rule is not the subject of a review of administrative compliance, nor does it constitute grounds for rejecting the project application, but the evaluators will only be provided with hard copies of project applications. **Failure to adhere to this rule may have a negative impact on the evaluation of the application.**
3. If any of the cells turns red, this indicates that incorrect data has been inserted in the document or some of the data is missing.
4. **The version of the project application is automatically entered by the Programme Operator.**
5. **You are required to complete all application form sheets.**

1 Summary

1.1 Project title

The title of the project should be short and should clearly express the subject-matter of the project. It is advisable that the project be assigned an abbreviation under which it will be known and communicated.

1.2 Name of the programme area

The name of the programme area is determined by the Programme Operator, and may not be changed or modified. A code is automatically assigned to each programme area.

1.3 Name of the programme outcome

The name of the programme outcome is determined by the Programme Operator, and may not be changed or modified. Each project may only be assigned to one programme outcome, and the project objective is identical with the programme outcome. A call for applications is always published for a particular programme outcome, that is to say, only applicants whose applications have the same focus compete with each other. The name of the programme area is determined by the Programme Operator, and may not be changed or modified.

1.4 Name of the relevant programme outputs to which the project relates

The name of the programme output is determined by the Programme Operator, and may not be changed or modified. A code is automatically assigned to each programme output. The programme output is identical with the project outcome. The number of programme outputs depends on the particular programme, and it shall be held that the applicant is obliged to consider all the prescribed programme outputs.

1.5 Location of project implementation and applicant's registered address

In this section of the application form it is required to insert the self-governing region and district in which a major portion of the project activities will be undertaken, as well as the self-governing region and district in which the applicant's registered office is located.

Any other locations where the project will be implemented may be stated in the text section.

2 Applicant

2.1 Name and contact details

2.1.1 Full legal name

It is required to insert the applicant's current full legal name, under which the applicant is registered in the respective public register. Such register also means a register of organisations kept by the Slovak Statistical Office, provided that the applicant is not entered in another public register.

2.1.2 Sector

The drop-down field offers three options – sectors – public administration, non-governmental organisation and private sector. Afterwards, you can choose from the drop-down field in Section 2.1.3. If the applicant chooses the sector incorrectly, the Programme Operator will, before approving the project, make a correction in the project application, subject to the consent of the applicant. Inserting an incorrect sector does not affect the applicant's eligibility, which is judged on the basis of the legal form of the organisation.

Applicants shall be classified into the individual sectors as follows:

| Public administration | Non-governmental organisation | Social partners | Private sector |
|---|--|----------------------------|--|
| state government organisation or government-subsidised organisation | foundation | trade union or association | joint-stock company |
| municipality | civic association | association of employers | limited liability company |
| self-governing region | non-investment fund | | limited partnership |
| municipal government organisation | non-profit organisation providing a public service | | public company |
| municipal government-subsidised organisation | | | cooperative |
| self-government region organisation | | | special-interest association of legal entities |
| self-government region-subsidised organisation | | | |

| | | | |
|------------------|--|--|--|
| university | | | |
| faculty | | | |
| secondary school | | | |
| primary school | | | |

2.1.3 Legal form of the organisation

If the drop-down field offers no option, this means that the previous section has not been completed (2.1.2). If the drop-down field does not offer a specific type of organisation, it is necessary to choose the option “Other - specify”, and to proceed to complete Section 2.1.4. If the applicant chooses the type of organisation incorrectly, the Programme Operator will, before approving the project, make a correction in the project application, subject to the consent of the applicant. Inserting an incorrect legal form of the organisation does not affect the applicant’s eligibility, which is judged upon the submission of a document certifying the actual legal form of the applicant, i.e. according to the applicant’s legal form recorded in the respective public register.

2.1.4 Other legal form of the organisation - specify

Specify the legal form of the organisation if it differs from the options offered by the drop-down field in the previous section.

2.1.5 Legal form of the organisation for the needs of the Donor States

This section needs to be completed for the purposes of statistical reporting between the Programme Operator and the Donor States. If the applicant chooses the type of organisation incorrectly, the Programme Operator will, before approving the project, make a correction in the project application, subject to the consent of the applicant. Inserting an incorrect legal form of the organisation does not affect the applicant’s eligibility.

If being an eligible applicant, a non-governmental organisation shall choose from three options offered by the drop-down field, depending on whether the non-governmental organisation operates on an international, nationwide or regional/local basis. Pursuant to the Regulation on the implementation of the European Economic Area Financial Mechanism 2009 – 2014 and the Regulation on the implementation of the Norwegian Financial Mechanism 2009 - 2014, which were issued by the Donor States, a non-governmental organisation means *“a non-profit voluntary organisation established as a legal entity, having a non-commercial purpose, independent of local, regional and central government, public entities, political parties and commercial organisations. Religious institutions and political parties are not considered non-governmental organisations.”*

In practice, this means that the status of non-governmental organisation is not awarded to organisations in which local, regional or central state administration authorities or regional self-government authorities have decision-making powers. **Organisations having income from business activities are not considered non-governmental organisations either.** Since such classification is not enshrined in the Slovak legislation, it is the responsibility of the Programme Operator to decide whether or not a particular organisation shall be considered a non-governmental organisation. If the Programme Operator arrives at the conclusion that the institution which, through a project application, has applied for the possibility to co-finance the project by way of in-kind contributions or requires a greater co-financing rate (90% of the total eligible expenditures) is not a non-

governmental organisation pursuant to the Regulations, it will offer such an institution the option to co-finance the project from in-cash contributions. The very fact whether or not an organisation has classified itself correctly as a non-governmental organisation under the criteria laid down in the Regulations is, thus, not regarded as the provision of false information. Therefore, such an applicant will be allowed to provide for the entire co-financing by using its own cash.

During the whole term of implementation of the project it is necessary for the given entity to preserve the status of non-governmental organisation as defined in the Regulations. If such status changes, the project grant will be reduced (e.g., if a non-governmental organisation registers in the trade register during the project implementation). For more information please refer to the Project Promoter and Partner's Guide.

2.1.6 Organisation identification number

The organisation identification number needs to be inserted as a 6 or 8-digit number.

2.1.7 Registered address

The applicant's registered address needs to be inserted to the extent required.

2.1.8 Contact person

The relevant contact details need to be inserted.

2.1.9 Contact address of the organisation if different from the registered address

If the applicant's contact address is different from its registered address, it is required to insert the relevant data to the extent required. If the registered address and the contact address are identical, this section shall be left uncompleted.

2.2 Description of the applicant

Describe your organisation, its main objects, history, experience with the implementation of analogous projects, and provide other relevant information concerning your organisation. Delete the pre-typed text. Do not exceed the fixed size of the form.

2.3 How you learned about the availability of the grant

Choose one of the options offered by the drop-down field.

3 Project

3.1 Project summary

Summarise all relevant project information. Focus on the necessity of the project, i.e. why it is necessary to implement the project, and what its importance lies in. Describe the current problems the project you are planning should solve.

If the project is a separate part of a large project or of an overall strategy, please explain the links between the activities already completed, the activities which are still to be carried out by using the grant funds, and any activities which are planned to be carried out in the future.

Provide the relevant details of project geographic localisation (national, regional, sub-regional, local or any other). If necessary, please enclose a map or any relevant conceptual illustration, such as a general layout, drawings and photographs relevant to the project.

This is the only section of the application form where you can, in your own words instead of using a prescribed structure, describe the project engrossingly, so you should pay adequate attention to this chapter. Delete the pre-typed text. Do not exceed the fixed size of the form.

Please find below as an example a project summary prepared by the Financial Mechanism Office.

| Project Summary - example | |
|---|---|
| Project title | Improving the efficiency of Polish environmental inspections (based on Norwegian experience) |
| Why is the project necessary? (Describe the current problems/challenges. State links with broader strategies or priorities where relevant) | Inspections of emission levels in Poland are carried out manually by gathering data and making analyses in paper form. Such a procedure is rather time-consuming and financially demanding, restricts the collection of accurate and up-to-date data, and hinders the efforts to reduce industrial emissions. |
| What is the aim of the project? | Strengthening the capacities of environmental authorities in relation to integrated planning and management |
| What is expected to be reached by the project? (describe the project outcome) | Strengthening the capacities of the Polish Chief Inspectorate for Environmental Protection in identifying the content of emissions. |
| How will the project solve these problems? (project outputs) | Developing a database serving for analysing and communicating results. Installing electronic measuring devices serving for swift analyses of emission levels in the field. Developing inspection manuals, specifically for individual industries that are subject to environmental inspections. Introducing procedures and solutions that were realised on all regional representation boards. Exchange of expertise, knowledge and use of systems between the Chief Inspectorate for Environmental Protection and NINA |
| Who is expected to benefit from the project? (target groups) | The project will be targeted at inspectors and industries that are subject to inspection by the Polish Environmental Inspection. Environmental policy-makers will also benefit from most efficient data gathering. Other beneficiaries are businessmen and the public in Poland and Norway. |
| Donor partner and its role | Norwegian Institute for Nature Research (NINA) will contribute its expertise aimed at the modernisation of inspections. |
| What will be reached by the | NINA and the Chief Inspectorate will jointly plan the project, develop |

| | |
|---------------------|---|
| partnership? | inspection manuals, and write joint publications in both countries. |
|---------------------|---|

3.2 Objective of the project and its indicators

The objective of the project and its indicators are predefined, and may not be changed or modified. In this section the applicant shall only insert the baseline and target values of the indicators. In the text section you are required to name the available sources that enable verifying the baseline and target values of the indicators. Do not exceed the size of the form.

3.3 Basic statistical data on the project

This data is necessary for the Programme Operator's statistical reporting in relation to the Donor States.

3.3.1 Sector code according to the OECD classification

Click on the drop-down field and choose the respective sector the project is aimed at. It is the classification used by the OECD, and the methodology is available at <http://www.oecd.org/investment/aidstatistics/49846064.doc>. If the applicant chooses the sector incorrectly, the Programme Operator will, before approving the project, make a correction in the project application, subject to the consent of the applicant. Inserting an incorrect classification does not affect the project evaluation.

3.3.2 Main measures of the project

Choose those measures from the predefined options which are relevant to the project. Click on the drop-down field and assign importance, primary or secondary, to such relevance. The following measures can be chosen:

1. Awareness and building awareness
2. Advocacy (enforcement of rights)
3. Research
4. Infrastructure development and procurement of equipment
5. Capacity building
6. Education and training
7. Providing services

3.3.3 Research projects

If a research project is concerned, choose the type of research (basic, applied or experimental) and the discipline from the options offered by the drop-down fields. Applicants are required to complete this section if research is part of their projects. Given as an example can be, for instance, archaeological research, provided it includes restoration of a cultural monument, or gender studies, provided a project concerning gender-based violence or similar subject is concerned.

3.4 Project target groups

Choose from the drop-down fields no more than three most important target groups the project is aimed at. In the text field you are required to describe how the project addresses the individual target groups, what is the current status of target groups, etc. Name other target groups, if any, and specify whether the project benefits the target groups directly, i.e. whether assistance is directly addressed, or indirectly.

Delete the pre-typed text. Do not exceed the fixed size of the form.

3.5 Project outcomes

The project outcomes and their indicators are predefined, and may not be changed or modified. In this section the applicant shall only insert the baseline and target values of the indicators. In the text section you are required to name the available sources that enable verifying the baseline and target values of the indicators. Do not exceed the size of the form.

3.6 Project outputs

Project outputs shall be defined by the applicant himself, unless the call for applications stipulates otherwise. Each project outcome shall be assigned at least one but no more than three outputs, and each output shall be assigned at least one but no more than three indicators.

Outputs are the direct products of the project, such as square metres of a reconstructed building, the number of training posts created, the number of businesses advised, etc. Outputs can be normally measured during the implementation of the project, and, therefore, will serve as indicators of the progress achieved. Outputs must be measurable and achieved upon the closing of the project at the latest.

Thus, a project output should be very specific and measurable by the indicators chosen; in general, it can be stated that it is a particular coherent part of activities of the project, such as:

| Output name | Indicator name | Baseline value | Target value |
|--|---|-----------------------|---------------------|
| Reconstruction of the roofing on the castle XY | Area of roofing reconstructed (in m2) | 0 | 2 500 |
| Construction of a biomass boiler plant in the town of XY | Number of biomass boiler plants | 0 | 1 |
| | Total volume of biomass used (in tonnes per year) | 0 | 100 000 |
| Establishing a women’s safe house in the region of XY | Number of women’s safe houses | 0 | 1 |
| | Number of jobs created | 0 | 8 |
| | Number of accommodation capacities created | 0 | 15 |

It is necessary to realise that the defined outputs and indicators will be considered binding and failure to meet them will have financial consequences. The Programme Operator reserves the right to require the applicant to complement or modify the relevant outputs and indicators, including their baseline and target values, if necessary. For further information please refer to the Project Promoter and Partner’s Guide.

4 Project management

4.1 Structure of project management including financial management

Describe the structure of project coordination and management. Clearly outline the structure of, responsibilities for, and processes of project management and coordination. If necessary, you can demonstrate the management structures in an organisational chart or flow chart and attach it to the application form. The description should include a brief explanation of the arrangements in place for the financial management of the project, including arrangements for reporting, monitoring and auditing.

You are particularly required as follows:

1. to provide a list of persons responsible for project management on the part of the Project Promoter and the partners, including their professional experience. If project management is solved through external management (i.e. outsourced), please specify the professional, technical and other requirements you will apply.
2. to assign the main areas of responsibility to individual persons, such as preparation of interim reports on the project (financial management and progress monitoring), bookkeeping, payments to contractors, payroll processing, etc.
3. specify the job position(s) of the person(s) who are statutory representatives authorised to act for and on behalf of your organisation and the partners.
4. specify all limitations to which the statutory representative is subject and which also require the consent of another body, such as the founder, the council, the supervisory board, the board of directors, etc.
5. provide other relevant information on the management of the project.

Delete the pre-typed text. Do not exceed the fixed size of the form.

4.2 Partnership

Complete the details of all Project partners in the summary table. Partners with financial participation are those who draw down the project grant funds and/or participate in the project co-financing. Unless the call for applications implies otherwise, the project may have a maximum of 6 partners with financial participation and a total of 10 partners. Individual partners shall be designated as partner 1 to partner 10, which designation shall be used throughout the term of implementation of the project. Partners with financial participation shall be listed before those without financial participation. For more information please refer to the Project Promoter and Partner's Guide.

Unless the call for applications stipulates otherwise, a partner with financial participation must meet the applicant eligibility criteria as the Project Promoter. A partner without financial participation is not required to meet the applicant eligibility criteria. The eligibility of a partner shall be demonstrated in the same manner as in the case of the applicant (more detailed in the list of annexes to the project application).

An applicant who has received a grant offer is required to enter into a partnership agreement with a partner with financial participation **prior to** the conclusion of a project contract, and to submit such partnership agreement to the Programme Operator for approval. It is recommended that a partnership agreement be submitted to the Programme Operator for approval before it is entered into. The applicant is required to incorporate in the partnership agreement all mandatory provisions which are contained in the partnership agreement template. It shall not be allowed to derogate from

such mandatory provisions, except with the written approval of the Programme Operator, and the applicant must advise the Programme Operator of any such derogations.

If a partner with financial participation amounting to more than 10% of the total eligible project expenditures or more than 5% of the project co-financing **decides to withdraw from the project before the conclusion of a project contract, the project contract will not be concluded and the project will be rejected.**

If the award of a project grant to the partner would imply the provision of state aid outside the existing state aid scheme, the total amount of the project grant awarded to the partner must not exceed the *de minimis* aid threshold.

4.2.1 Contact details and roles of partners

When completing the contact details of partners, the applicant shall proceed in accordance with the provisions of Section 2.1 above and its subsections. If the partner is a foreign entity, it is necessary to insert the organisation identification number or its equivalent in the given country. In case of partners, it also applies that an incorrect classification of the partner by type of legal form or sector does not affect the partner's eligibility, which is judged upon the submission of a document certifying the actual legal form of the partner, i.e. according to the partner's legal form recorded in the respective public register.

In this section the applicant must elect whether the partner will be paid a project grant by way of reimbursement or advance payment.

For each partner it is necessary to answer the questions listed in the following table (prepared by the Financial Mechanism Office).

| Planned project partnerships – examples of results | |
|---|--|
| <i>What is the partner's technical / professional contribution to the project implementation?</i> | The Norwegian research organisation SINTEF has a leading position in the area of maritime and bio-marine technologies. The organisation will be responsible for development assistance, and contribute its expertise to the implementation of a system for forecasting oil slicks in the Nazaré submarine canyon on the western coast of Portugal. |
| <i>What will be achieved by the partnership in relation to the project outcomes and outputs?</i> | The aim of the project is to enhance the safety of individual operations, and to strengthen the capacities of early warning of natural hazards near the Nazaré submarine canyon with the overall aim to improve the capability of forecasting climate changes and to enhance the environmental protection in Portugal. The partnership will contribute to the setting up of a monitoring system (in real time) and the forecasting of meteorological conditions, as well as to the setting up of a network of gauging stations and the detection of oil slicks. The Norwegian company OCEANOR will provide survey equipment. |
| <i>How the partnership will facilitate the strengthening of bilateral relations?</i> | This cooperation will help national and local Portuguese authorities in the development of more efficient strategies to mitigate hazards and to handle potential sea accidents, and is also expected to pave the way for strengthening the bilateral relations and cooperation of both countries in undertaking research activities on a broader scale. |

| | |
|--|---|
| <p><i>Is the partnership expected to have broader implications? (e.g. meetings or international cooperation between authorities with decision-making powers, broader cooperation within the sector, dissemination of knowledge and experience, etc.)</i></p> | <p>It is expected that the international cooperation efforts in the development of knowledge will provide access for a wider range of European research organisations, or will serve as an accelerator for raising funds from other sources. The knowledge and experience gained will be disseminated through the website and other publications.</p> |
|--|---|

5 Project financial plan

5.1 Financing

The applicant shall only complete the information on the required project grant (in EUR) and its allocation between the applicant and the partners, the partners' share of the advance payments (in %) and of the co-financing of the total eligible expenditures (in EUR), and on the allocation of co-financing between the applicant and the partners.

To facilitate the drawing up of a project application, we recommend that this section of the application be completed after preparing the project budget on the other form sheet. The budget figures will then be reflected in predefined Sections 5.1.4 to 5.1.11, which will enable better orientation in determining the required project grant and co-financing.

A project grant is a financial contribution awarded by the Programme Operator to the Project Promoter for the purpose of implementing the project. The project grant ("grant") does not include co-financing from the Project Promoter's own sources.

The applicant and the partners are given considerable freedom in providing for the co-financing, i.e. they are free to elect whether or not the partners will co-finance the project. **Nevertheless, it applies that the grant rate is binding on both the Project Promoter and the partner, i.e. any project expenditure shall be covered by the project grant only on a pro rata basis.**

By way of illustration, the following example is given:

| Entity | Total eligible expenditures | Project grant | Co-financing share | Co-financing | Item purchased | Expenditure amount | Eligible expenditure |
|------------------|-----------------------------|-----------------|---------------------------|-----------------|----------------|--------------------|----------------------|
| Project Promoter | 80 000 | 68 000 | 10% | 10 000 | Machine | 80 000 | 68 000 |
| partner 1 | 10 000 | 8 500 | 2.5% | 2 500 | PC | 10 000 | 8 500 |
| partner 2 | 10 000 | 8 500 | 2.5% | 2 500 | Data | 10 000 | 8 500 |
| TOTAL | € 100 000 | € 85 000 | 15% (= grant rate) | € 15 000 | X | € 100 000 | € 85 000 |

The total eligible expenditure figure is taken from the completed project budget. The project grant rate is calculated as the required grant share of the total eligible expenditures.

The maximum grant rate is set out in the call for applications, and must not be exceeded by the applicant. Otherwise, the applicant will be disqualified.

The grant range is determined by the minimum and maximum **amounts** of the grant, which are set out in the call, and **the applicant shall require a grant within the determined range. Otherwise, the applicant will be disqualified.**

If an applicant who is a non-governmental organisation or social partner chooses the legal form incorrectly, in consequence of which the applicant would be entitled to a lower grant rate, the Programme Operator will allow the applicant to revise the relevant sections of the project application. In such event, an incorrectly determined grant **rate** does not constitute grounds for the exclusion of the project application.

5.2 Financial plan – summary of budget categories

This table is filled in automatically according to the completed project budget, and the applicant shall only complete information on in-kind contributions (if permitted by the call for applications) and ineligible expenditures. In-kind contributions are applicable only to non-governmental organisations and social partners defined by the Donor States as set forth in Section 2.1.5 above, and may represent no more than 50% of the co-financing from own sources.

Ineligible expenditures are expenditures which are paid by the Project Promoter or the partner from additional own sources beyond the scope of total eligible expenditures, and which are not primarily intended to procure the goods, services or works related to the project but are necessary to achieve the set objective, output or outcome. **Additional own sources are the Project Promoter's, the partner's or third parties' sources that are not part of the mandatory co-financing of the project.**

It is recommended that ineligible expenditures be only stated if necessary, in particular if the project is an integral part of another project, forming together a functional coherent whole, and the financing from the project grant only has a supplementary nature. To give an example, we can mention the reconstruction of a cultural monument where the roofing replacement is financed from the EEA FM and NFM grant and the flooring replacement is funded from other financial assistance instruments. If the project outcome is defined as reconstruction of a cultural monument (as a whole), ineligible expenditure will represent the cost of flooring replacement. As a matter of course, the **project output** will only be defined as roofing replacement.

Ineligible expenditures need to be reported in the manner determined by the Programme Operator in the grant offer.

Ineligible expenditure may also include expenditures that are declared ineligible by the Programme Operator during the implementation of the project due to the occurrence of irregularities; these issues are, however, irrelevant in terms of submission of the project application.

It should be noted that in contrast to the **project budget**, the **financial plan** is part of the project contract, and transfers between the financial plan chapters are more formalised than transfers within sub-items in the project budget. For more information on this chapter and the following chapter please refer to the Project Promoter and Partner's Guide.

5.3 Financial plan – summary of project outcomes and outputs

This table is filled in automatically according to the completed project budget.

5.4 Revenue-generating projects

This section shall only be completed by applicants whose total eligible project expenditures are greater than EUR 1,000,000 and the project is not submitted within any of the state aid schemes. The application form calculates the result automatically while the applicant shall only insert the planned revenues and overheads **in the period following the completion of the project**.

The project's ability to generate revenue is considered a strength unless excessive profit is generated.

If the project shows excessive profit, the grant rate will be modified by the Programme Operator.

Profit means revenues less operating costs including loan repayments.

Profit margin means profit divided by revenue, and is expressed in percentage terms.

Excessive profit means revenue multiplied by the profit margin, less interest on 10-year government bonds (or equivalent) in the Slovak Republic + 2%.

Project application approval procedure

Applicants are responsible for the determination, justification and calculation of potential profit and excessive profit. Identification should reflect the economic lifetime of the project. Excessive profit has an impact on the size of the project grant.

To illustrate such impact, the following calculations are given:

| Budget | Economic lifetime | | |
|---------------------------------------|--|--|--|
| | Y1 | Y2 | Yn |
| Revenues | R1 | R2 | Rn |
| Operating costs | C1 | C2 | Cn |
| Profit | R1 - C1 | R2 - C2 | Rn - Cn |
| <i>Profit margin (profit/revenue)</i> | $PM1=(R1-C1)/R1*100\%$ | $PM2=(R2-C2)/R2*100\%$ | $PMn=(Rn-Cn)/Rn*100\%$ |
| <i>Government bonds +2%</i> | GB + 2% | GB + 2% | GB + 2% |
| <i>Excessive profit in %</i> | $PM1 - (GB + 2\%)$ | $PM2 - (GB + 2\%)$ | $PMn - (GB + 2\%)$ |
| <i>Excessive profit in EUR</i> | $R1*[PM1 - (GB + 2\%)]$ | $R2*[PM2 - (GB + 2\%)]$ | $Rn*[PMn - (GB + 2\%)]$ |
| <i>Reduced excessive profit =</i> | $\frac{R1*[PM1 - (GB + 2\%)]}{[1 + (GB + 2\%)]^1}$ | $\frac{R2*[PM2 - (GB + 2\%)]}{[1 + (GB + 2\%)]^2}$ | $\frac{Rn*[PMn - (GB + 2\%)]}{[1 + (GB + 2\%)]^n}$ |

The project grant will be decreased by the reduced excessive profit.

Such impact is further shown as follows:

| Budget | Economic lifetime | | | | | | | |
|---------------------------------------|-------------------|-----|-----|-----|-----|-----|-----|-----|
| | Y1 | Y2 | Y3 | Y4 | Y5 | Y6 | Y7 | Yn |
| Revenues | 10 | 15 | 20 | 20 | 20 | 20 | 20 | 20 |
| Operating costs | 10 | 13 | 15 | 15 | 15 | 15 | 15 | 15 |
| Profit | 0 | 2 | 5 | 5 | 5 | 5 | 5 | 5 |
| <i>Profit margin (profit/revenue)</i> | 0% | 13% | 25% | 25% | 25% | 25% | 25% | 25% |
| <i>Government bonds +2%</i> | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% |
| <i>Excessive profit in %</i> | - | 5% | 17% | 17% | 17% | 17% | 17% | 17% |
| <i>Excessive profit in EUR</i> | 0 | 0.8 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |

Reduced excessive profit 14

Reduced rate equal to government bond + 2%

Impact on the size of the grant:

Grant applied 100.0

Excessive profit reduced: 11.9

Grant offered 88.1

=====

Let us predict that the co-financing rate is 15%; excessive profit will be reduced accordingly, i.e.:
 $14 \times 0.85 = 11.9$

6 Security and legal relations

6.1 Project compliance with relevant legislation and strategic documents

State whether the successful implementation and completion of the project depend on concrete circumstances, whether favourable or unfavourable, legislative changes or procedures within the jurisdiction of the Slovak Republic, the EU, international courts and tribunals, or other states. The term “legal challenges or procedures” shall be understood to include any unresolved legal disputes even when no formal procedures have been initiated. If yes, please provide the relevant details. State the relevant EU or Slovak legislation and strategic documents the project relates to. Delete the pre-typed text. Do not exceed the fixed size of the form.

6.2 Proprietary relations to real estate and property that is the object of the project

Specify the proprietary relations to the buildings or land or relevant infrastructure that are the object of the project. Insert the title deed number and the cadastral territory or other data, if appropriate, so that the real estate can be identified in the respective register. Delete the pre-typed text. Do not exceed the fixed size of the form.

6.3 Permits necessary for project implementation

Any permits or certificates required before and/or during the project implementation must be listed in this section. Explain what type of permit/certificate is concerned, and insert the reference number as well as the date of issue and the date of expiry or, if applicable, the expected date of issue of the given permit/certificate. Delete the pre-typed text. Do not exceed the fixed size of the form.

6.4 Guarantees

The guarantees required by the Programme Operator are identified in the respective call for proposals.

The guarantee is intended to secure claims incurred by the Programme Operator against the Project Promoter. This particularly includes the situation when the Project Promoter fails to pay funds into the account designated by the Programme Operator within the set deadline upon the latter's refund request or when a refund is requested by another entity. In satisfying its claim, the Programme Operator undertakes to proceed so as to avoid the unjust enrichment of the Programme Operator as the pledgee.

The guarantee is determined according to the type of project, and the Programme Operator's grant offer will specify what kind of security is required. The proposed guarantee should, however, be already included in the submitted project application, or else the applicant runs the risk of its project application not being supported or being given a low score due to the project risks identified.

In this section it is necessary to describe what property will be pledged in favour of the Programme Operator or whether a bank guarantee, third-party surety or other form of security will be used.

Delete the pre-typed text. Do not exceed the fixed size of the form.

7 Publicity Plan

A Publicity Plan is required to be prepared with the aim of raising awareness of the project activities and support from the financial mechanism, the existence of the financial mechanism, the programme, its objectives, and of the cooperation with the Donor States in implementing the project. In the preparation of the project, the applicant must specify in detail how it will communicate the implementation of the project and its results.

Basic requisites of the Publicity Plan:

1. Definition of key aims – the applicant shall define basic aims it intends to achieve by carrying out publicity and communication measures within the implementation of the project; *the general aim of "raising awareness" is considered general and insufficient*, it is necessary to set partial aims that can be defined and measured. It is necessary to specify what kind of communication measures the applicant intends to implement in relation to the target group.
2. Definition of target groups of communication, information and publicity. The applicant shall define stakeholders in the project on a national, regional and/or local level. Depending on the nature of individual target groups, the applicant shall adjust the most appropriate communication tools to the target group, since each target group responds potentially differently to different kinds of communication approach.
3. Developing the strategy and content of information measures, having regard to the added value and significance of support from the financial mechanism on a national, regional and local level in terms of the contribution of the implemented project to the programme area / sector.
In this part of the Publicity Plan the applicant shall create at least two primary information messages – basic slogans (short messages) presenting the project that characterise the aim of the project and the project as a whole in a simple manner. It is vital for such information messages to be accurate and apt. In addition, in this section it is necessary to specify the type and nature of information

provided to individual target groups as well as the use of individual types of communication tools, depending on the kind of information disseminated.

4. Definition and brief description of three key information activities (such as a conference for the public, a contest, a workshop, a web library, an information day, etc.). Each information activity needs to be undertaken with regard to the utmost efficiency of communication towards the target group, and must highlight the significance of support from the EEA financial mechanism / Norwegian financial mechanism and the cooperation with the Donor States and institutions in the Donor States. As to information activities, it is necessary to organise a project launching event and a project closing event (conference, seminar, workshop) for the public where the outputs, outcomes and contribution of the implemented project will be summarised. For projects whose grant size is less than € 500,000, two information activities are sufficient.

5. The preliminary structure of a dedicated project website /web pages on the website owned by the entity implementing the project must at least contain the following information in the Slovak and English languages.

Each Project Promoter implementing a project whose grant size is more than € 50,000 is obliged to inform the public through a dedicated website about the basic objectives of the project, its progress, updates, interim results of the project implementation, pictures, the Project Promoter's contact details, including the placement of a visible link to the programme website and the financial mechanism websites (www.eeagrants.sk, www.norwaygrants.sk).

6. A budget for information and publicity activities and measures (define the project budget in the spreadsheet).

7. Indicative schedule for information and publicity measures (brief text schedule of publicity measures)

8. Brief information on the administrative bodies responsible for implementation of the information and publicity measures

9. Setting one main indicator and its target values and three partial indicators and their target values (impact-oriented or output and outcome-oriented) for the measures implemented to ensure the monitoring and evaluation of successfulness of these activities in relation to the set aims.

The information and publicity measures can, for example, be as follows:

a) impact indicators – the level of public or target group's awareness of the implementation of the project (on a local, regional or national level), or the level of awareness of the existence and significance of the programme and of the project; the successfulness of implementation of the project – the total number and content analysis of all media outputs (articles, spots, interviews, etc.).

b) output and outcome indicators – the number of information events held (conferences, meetings, exhibitions, etc.), the level of attendee satisfaction, the number of attendees at information events, the project website visit rate (e.g. through the system Google Analytics), the number of information materials printed (e.g. publications, leaflets, etc.), the number of media and information channels used, the number of press conferences, the number of journalists at press conferences and of articles and reports published, the number of questions answered in respect of the project via a public advice portal, etc.

If necessary, the applicant may combine or divide the individual indicators into several partial indicators providing a more detailed overview of the information measures implemented.

Delete the pre-typed text. Do not exceed the fixed size of the form.

8 Risks and risk management

Describe project implementation risks, and choose the likelihood of occurrence (low, moderate, high), the impact (insignificant, substantial, serious), and a risk mitigation plan for each risk.

Generally, any project is associated with risks and these must be managed properly. Accordingly, it is important to identify such risks and plan how to manage the risk factors. Risks can be related to funding sources, permissions, procurement issues, etc., and can be technical, financial, legal or managerial. A risk analysis must identify the risks, including considerations of likelihood and impact, as a basis to determine how the risk should be managed. If applicable, provide a separate risk analysis as an annex.

9 Cross-cutting issues

9.1 Environmental issues

Answer the pre-typed questions and describe in more detail the environmental aspects of the project. Delete the pre-typed text. Do not exceed the fixed size of the form.

Describe how the project will contribute to environmental sustainability and how any adverse environmental impact will be eliminated or rectified. If applicable, an environmental impact assessment (EIA) must be attached. In the light of an environmental dimension, it is necessary to determine whether or not the project has a favourable environmental impact and what consideration has been given to the key environmental aspects. Some general issues that need to be considered are the following:

- Does the project respect the principles of preventive action?
- How are the objectives of “green” procurement incorporated in the project?

Depending on the nature of the project, one or more of the following questions can be answered in a more particular manner:

- To what extent does the project contribute towards the reduction of emissions of persistent toxic pollutants or greenhouse gas emissions?
- To what extent does the project contribute towards the protection of water sources?
- Will the project result in the recovery of natural resources or contribute towards the reduction of the use of natural resources?
- Does the project reduce the use of fossil fuels?
- Does the project have positive effects on the species or ecosystem biodiversity?

9.2 Gender equality

Answer the pre-typed questions and describe in more detail how the project is related to gender equality. Delete the pre-typed text. Do not exceed the fixed size of the form.

In this section the applicant is required to describe how the project will contribute towards gender equality, participation and empowerment. The following list of examples illustrates different aspects of gender equality and their potential relation to the project applications. The applicant shall consider and comment on these issues where applicable. Please note that this list is not exhaustive.

General methodology

- Does the project consider specific gender needs and address specific gender conditions?
- Does the project consider the past experience or current activities in respect of gender equality in the country?
- Does the project address the gender equality issues and goals that are relevant to the project?
- Does the project provide qualitative information on gender issues where necessary?

Economic and social rights

- Does the project promote lifelong learning and women's access to the labour market?
- Does the project enhance the income-earning opportunities for women?
- Does the project strengthen the social rights or contribute towards the involvement of women in civic life?
- Does the project reduce the social exclusion of women?

Human rights

- Does the project contribute towards the strengthening of the position of organisations and public institutions, including NGOs, which work on improving the opportunities for women and their rights?

Prevention of violence

- Does the project support actions and campaigns to raise awareness and to strengthen women's participation?

Participation and decision-making

- Does the project contribute towards the participation of women in decision-making at political and economic level?
- Does the project involve the stakeholders in the consulting process?
- Does the project support the participation of women in the project, e.g. as project staff or steering committee members?

9.3 Good governance

Answer the pre-typed questions, and describe in more detail good governance as part of the project, in particular the disclosure of documents, public access to the results of the project, measures that will be implemented to prevent corruption and other measures that will directly or indirectly facilitate the reinforcement of good governance. Delete the pre-typed text. Do not exceed the fixed size of the form.

Try to answer the following questions:

- Does the project contribute towards ensuring that public has better access to information or towards better transparency?
- Does the project foster the participation of civil society in the decision-making process?
- How does the project address the question of accountability towards those who are affected by the project?

- To what extent does the project promote proactive approach to the prevention and handling of corruption?
- Which information indicates that the project addresses the actual social necessities?

9.4 Bilateral relations

Answer the given question.

9.4.1 Bilateral indicators

Complete the baseline and target values of the individual predefined indicators, and describe the measures to be implemented within the project for the purpose of achieving the set indicators. Delete the pre-typed text. Do not exceed the fixed size of the form.

In the text section you are required to summarise what is the technical and professional contribution of the partners to the project, how the partnership will facilitate the achievement of the project outputs and outcomes and strengthen the bilateral relations between the Slovak Republic and the Donor States, and whether the partnership is expected to generate broader multiplied effects. The description shall only relate to partners from the Donor States, i.e. Norway, Iceland, and Lichtenstein. An additional text on the bilateral indicators may be added. Delete the pre-typed text. Do not exceed the fixed size of the form.

9.5 Volunteering

Answer the given questions, and describe in more detail the involvement of volunteers in the project and how you will communicate with the relevant stakeholders in the given territory, such as schools, non-governmental organisations (NGOs), religious organisations, civic societies and associations. The aim of this chapter is to describe how you will work towards achieving a broad social consensus in favour of your project, that is to say, towards ensuring that the project is perceived and accepted by the public. Delete the pre-typed text. Do not exceed the fixed size of the form.

10 Project sustainability

10.1 Cost of project sustainability

Specify whether the eligible expenditures of the project also include investments in real estate (purchase and reconstruction). More information can be found in the respective call for applications. If the minim period of sustainability is irrelevant, the applicant shall not complete the revenue and cost tables.

10.2 Sources of financing the sustainability of project outputs

Describe in detail the costs and sources of financing of the project. If necessary, annex documents that certify the ability of your company to finance the sustainability of the project. In general, applications for other grants, the award of which is up to the decision of the provider, are not considered credible sources of financing. Delete the pre-typed text. Do not exceed the fixed size of the form.

11 Annexes to the application

Annexes to the project application are split into compulsory annexes to be submitted together with the project application, compulsory annexes to be submitted prior to the conclusion of a project contract, and optional annexes.

In the notes, you should focus on the reasons why some of the compulsory annexes are missing or why some of the annexes required to be submitted prior to the conclusion of a project contract will not be provided. Delete the pre-typed text. Do not exceed the fixed size of the form.

12 Statutory declaration and signature

The project application shall be signed by a statutory representative of the applicant, with his title and the date being indicated therein. If applicable, the project application shall be stamped. If so ensuing from the Slovak legal regulations or the applicant's internal regulations, the project application shall be countersigned by another statutory representative of the applicant or other authorised person.

By signing the project application, the signatories also declare on their honour that the information contained therein is true and accurate.

PART B. INSTRUCTIONS TO COMPLETE THE PROJECT BUDGET

The project budget must be completed on the prescribed form, which is part of the application form. The project budget needs to be completed with regard to maximum cost efficiency, **taking into consideration the expenditure limits set out in Annex 1 to the Project Promoter and Partner's Guide.**

If the applicant or the partner is entitled to a VAT refund, it shall complete the project budget without the VAT. It is irrelevant whether or not such entitlement will be asserted. If, in the course of the project implementation, the applicant's or the partner's status changes so that it becomes a VAT payer, the budget and the project grant shall be adjusted accordingly.

The project budget is hierarchically divided into budget categories, items and sub-items. For each sub-item it is necessary to enter the date of commencement and of closing of implementation of the sub-item, and who (the Project Promoter or the partners) will implement it; each sub-item needs to be assigned to a project outcome and output. **In order for a sub-item to be assigned to a project outcome and output, such outcomes and outputs must be defined in the sheet "applicant".**

Excluded expenditures, i.e. expenditures that are automatically ineligible, are the following:

- interest on debts and loans, debt service charges and late payment charges;
- charges for financial transactions and other purely financial costs, except for costs related to accounts required by the Financial Mechanism Committee, the National Coordination Unit or the applicable law and costs of financial services imposed by the project contract;
- provisions for losses and potential future liabilities;
- exchange losses;
- recoverable VAT;
- costs that are covered by other sources;
- fines, penalties and costs of litigation; and
- excessive and reckless expenditure;
- costs incurred in connection with the preparation of the project application;
- customs duties and taxes;
- other costs that are not related to the project.

The budget shall, in accordance with the Regulations on the implementation of the EEA financial mechanism and the Norwegian financial mechanism, be broken down into the following categories:

1. Labour costs
2. Travel costs and allowances
3. Purchase of equipment
4. Purchase of land and real estate
5. Costs of consumables and supplies
6. Cost of purchase of other goods and services
7. Publicity
8. Costs of construction works – summary
9. Indirect and other costs

The number of lines for individual sub-items is fixed, and it is not allowed to add or remove lines. If more sub-items need to be entered than the number of lines, try to logically summarise the sub-items and attach as an optional annex another document clarifying such summarisation.

The project budget will serve as an underlying document for monitoring the drawdown of the project grant funds, and as a basis for a list of accounting documents to be submitted in the determined reporting periods after the approval of the project application. A template for the list of accounting documents can be found in the Project Promoter and Partner's Guide. Within the list of accounting documents, the budget structure may be adjusted to reflect the individual needs of the project.

The following budget categories contain the most important information that is relevant prior to the submission of the project application. For more information please refer to the Project Promoter and Partner's Guide.

1 Labour costs

Labour costs shall be broken down into the Labour costs of staff engaged in the management of the project and of those involved in the project implementation. The **limits** for such costs are set out in Annex 1 to the Project Promoter and Partner's Guide.

Those engaged in the management of the project include a project coordinator and a project accountant, who must be employed or contracted by the Project Promoter. If the project grant designated for the partner exceeds € 25,000, the Project Promoter may include in the project budget the costs of a separate project coordinator and a separate project accountant for the partner, who must be employed or contracted by the partner.

It is also necessary to take account of the fact that salaries paid to those engaged in the management of the project are part of the management costs of the projects; in this regard, it applies that the **management costs must not exceed 10% of the total eligible project expenditures.** For more information please refer to the chapter 'Special provisions on management costs.

The **total labour cost**, i.e. gross salary plus the employer's contributions, shall be deemed an eligible expenditure. Any expenditure beyond the total labour cost shall be deemed ineligible (for instance, a portion of the supplementary pension insurance contributions that is paid by the employer for the employee, subsistence allowance beyond the scope of the law, other in-cash or in-kind benefits, etc.).

A bonus may be an eligible part of the Labour costs; its eligibility, however, will be verified and assessed according to the quality of implementation during the implementation of the project. In case of an employee having a fixed gross monthly salary, the amount of the bonus must not exceed one and half times his/her salary. In case of an employee with a fixed hourly rate, the amount of the bonus must not exceed one and half times the average of his/her three previous gross salaries.

2 Travel costs and allowances

Likewise, this category is broken down into the travel costs and allowances of staff engaged in the management of the project and of those involved in the project implementation. Such costs and allowances can be budgeted in connection with domestic business trips and business trips abroad, and can be planned in relation to employees of the Project Promoter or those of the partner or other persons engaged in the implementation of the project (e.g. employees of the Project Promoter or those of the partner, foreign experts, etc.) Travel allowances need to be budgeted in accordance with the provisions of the Travel Allowances Act, while travel costs are required to be budgeted in

accordance with the terms set forth in the Project Promoter and Partner's Guide. The travel costs and allowances of those engaged in the management of the project shall be included in the management costs. The **limits** for such costs are set out in Annex 1 to the Project Promoter and Partner's Guide.

3 Purchase of equipment

Equipment means a tangible asset, i.e. an asset whose purchase price is in excess of € 1,700 and operable lifetime is longer than one year. Therefore, this category shall not include low-value tangible assets (category 'Costs of consumables and supplies'), non-current or low-value intangible assets (category 'Costs of other goods and services'), or the cost of purchase of real estate (constituting a separate budget category as well).

Unless the call for applications stipulates otherwise, an eligible expenditure shall be deemed to exclude the purchase price of equipment but to include the depreciation corresponding to the duration of the project and an aliquot part of the use of equipment for the purposes of the project, if applicable. Prior to the conclusion of a project contract, the Project Promoter shall submit a depreciation schedule, while it applies that:

1. Depreciation of equipment shall be reimbursed on the basis of monthly, quarterly or annual **book** depreciation.
2. Equipment shall be classified into a depreciation group in line with the applicable **tax** legislation. For calculation purposes, straight-line depreciation rates shall be used.
3. Subject to the approval of the Programme Operator, the Project Promoter may use accelerated depreciation rates and reclassify the asset to the first depreciation group, provided the latter proves that the asset used in connection with the project is actually exposed to accelerated wear-and-tear.

If the purchase of equipment is funded from the project grant awarded to the foreign partner, the above rules shall be applied *mutatis mutandis* with the aim to prevent the book value of depreciable assets from being increased artificially.

4 Purchase of real estate

The purchase of real estate shall be broken down into the purchase of land and the purchase of buildings, flats and non-residential premises. Leases are included in the budget category 'Purchase of other goods and services'. The purchase of real estate is subject to strict rules which are set forth in the Project Promoter and Partner's Guide.

5 Costs of consumables and supplies

This budget category includes low-value tangible assets whose unit price is greater than € 100. Other low-value tangible assets, such as stationery and office supplies, shall be included in indirect costs.

6 Cost of purchase of other goods and services

We recommend that intangible assets (non-current and low-value) and all services taking the form of external management, including the project coordinator and accountant services, be included in this budget category.

7 Publicity

All costs related to publicity need to be included in this budget category.

8 Costs of construction works - summary

In this budget category it is necessary to include a summary of construction works; it is recommended to divide construction works into main construction production works, ancillary construction production works, assembly works and, if appropriate, other sub-items. Item names are determined by construction objects, but may be changed.

9 Indirect and other costs

The term 'indirect costs' shall be understood to mean all eligible costs that cannot be identified by the Project Promoter and/or the project partner as being directly attributed to the project but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project.

Indirect costs can include the following costs:

- overheads related to the utilisation of premises for the project purposes, such as electricity, gas, heating, water, cleaning, office supplies, office rent, real estate tax;
- administrative costs such as telephone, fax, internet, mailing, coping, stationery, and office supplies related to project activities;
- personnel costs absolutely necessary for the successful completion of the project, such as Labour costs of assisting staff, top management indirectly engaged in the project, etc.

The above list of indirect costs shall not be deemed exhaustive but as providing an example of some most commonly incurred kinds of indirect expenditure.

9.9.1 Method of calculation of indirect costs

The applicant and the partner may, to the extent of the limitations set forth below, use two methods of calculating and applying indirect costs in accordance with Article 7.4.1 of the Regulation. These are methods based on:

- 1) actual indirect costs,
- 2) a flat rate.

The application of a flat rate is particularly possible if this concerns large organisations or projects where the determination of the total amount of overheads by the use of accounting documents might cause an unreasonable administrative burden. In case of projects where proof of actual indirect costs is easy to provide, the applicant and the partner's calculations should be based on the actual amount of such costs. **The flat-rate method may only be used if permitted by the call for applications.**

The applicant and the partner are required to opt for one of the above mentioned methods yet before starting the implementation of the project, and the method so opted for may not be changed during the entire term of implementation of the project. Neither is it allowed to combine the flat rate method and the actual indirect cost method within the same project.

If the applicant or the partner opts to apply the flat-rate method to calculate the overheads, it is necessary that all accounting documents on which the applicant's/the partner's flat rate calculations are based be kept for the entire duration of the contract.

In calculating the flat rate, it is required to evidence that no direct costs are included in the indirect costs. The calculated flat rate is directly applicable to the direct eligible costs of the project, net of subcontracting costs and costs incurred by third parties, and, thus, the flat rate can vary, depending on direct costs. The maximum flat rate is 20%, and its precise amount shall be already calculated in the budget enclosed with the project application.

In both cases, i.e. when calculating the actual indirect costs and when calculating the flat rate, the applicant and the partner must clearly demonstrate the method of calculating an aliquot part, provided it is engaged in the carrying out of not only the project activities but also other activities. Once the applicant opts for a flat rate, it is obliged to specify in its project application the method of calculating an aliquot part (Section 2.1 of the project budget constituting part of the project application form).

The calculating method is detailed in the Project Promoter and Partner's Guide.

This budget category (Other costs) includes all other costs that cannot be categorised as falling under any of the preceding budget categories. In its budget the applicant shall define names of all cost items.

10 Special provisions on the project budget

10.1 Direct relationship to the project

As to the eligibility of items and sub-items in the budget, it is a general rule that the **planned expenditure must be directly related to the implementation of the project**. Direct relationship means that a particular activity cannot be carried out without incurring such expenditure and, concurrently, the expenditure is **indispensably** related to the planned project activities.

Costs unrelated to the planned project activities and costs related to the fulfilment of the applicant's or the partner's obligations under the applicable legal regulations and the internal regulations, which obligations are not directly related to the implementation of the project, shall be deemed ineligible expenditures and may not be included in the project.

The Programme Operator may, based on the results of an expert evaluation or at its own discretion, reduce the amount of a budget item/sub-item at the selection stage, unless the planned budget item/sub-item shows direct relationship to the project.

10.2 Principles of sound financial management – economy, efficiency, expediency and effectiveness

An item/sub-item and a related planned expenditure must meet the requirements for **economy** (minimising the expenditure while respecting the objectives of the project), **efficiency** (maximising

the ratio between the project input and the project outcome), **expediency** (being necessary for the carrying out of project activities and being directly related to such activities) and **effectiveness** (the expenditure must bring the actual result as planned).

It follows from the foregoing that the planned **expenditures must be reasonable**, which reasonableness is established by comparing the actual market prices for goods, services or labour to the amount of the expenditure declared, i.e. whether **the amount of expenditure corresponds to the prices that are current in the given location and at the given time**. The planned expenditures must also be **justified** in accordance with the above principles.

The Programme Operator may, based on the results of an expert evaluation or at its own discretion, reduce the amount of a budget item/sub-item at the selection stage, unless planned by the applicant in accordance with the principles of sound financial management and corresponding to the current market prices in the given location and at the given time.

10.3 Management costs

Representing a separate project output, management costs shall not be reported as a separate project budget item. It is because the management costs can include Labour costs, costs of services and goods, travel costs and allowances, etc., that is to say, different kinds of expenditure.

Eligible management costs shall be deemed to exclude costs that are directly related to the applicant's operations or the purposes for which it was founded or established or are related to the applicant's statutory obligations, but are otherwise unrelated to the activities the applicant shall carry out within the implementation of the project. Typically, such costs include costs related to the preparation and adoption of consolidated financial statements, insurance costs of assets the purchase of which is not funded by the project grant, publicity costs that are not directly attributed to the project publicity, etc.

Eligible management costs particularly include:

1. Labour costs of staff engaged in the management of the project;
2. costs of services related to the project, such as project coordination and bookkeeping, unless such services are provided on the basis of an employment contract or an agreement on the performance of work outside employment;
3. costs associated with business trips that are related to the management of the project and that include travel allowances, travel costs, subsistence allowances, compensation for the use by an employee of his/her own car, and accommodation costs;
4. rent, energy and waste disposal charges, postage, telecommunication and internet charges and other similar charges that are related to the management of the project, unless included in indirect costs¹;
5. costs of goods, such as office supplies and equipment that is related to the management of the project;
6. bank charges for maintaining the account specified in the contract and transaction charges, excluding debit interest;
7. publicity costs;
8. cost of bilateral relations;
9. costs related to the securing of potential receivables of the Programme Operator.

¹ More information is provided in the chapter regarding flat rates.

Management costs shall not exceed 10% of the total eligible expenditures, excluding the costs of publicity, bilateral relations and financial guarantees.

10.4 Value added tax

Value added tax (VAT) is an eligible expenditure, unless the applicant or the partner is entitled to a VAT refund, in which case it is irrelevant whether or not such entitlement will be asserted.

If the applicant or the partner is entitled to a VAT refund, it shall complete the project budget without the VAT. It is irrelevant whether or not such entitlement will be asserted. If, in the course of the project implementation, the applicant's or the partner's status changes so that it becomes a VAT payer, the budget and the project grant shall be adjusted accordingly.

10.5 Depreciation

Depreciation is eligible for funding only up to the amount of tax depreciation. Depreciation is considered to have been incurred when recorded on the accounts of the Project Promoter.

The amount of depreciation funded from the project grant shall not exceed € 10,000, except where the assets are procured in accordance with the procedures set forth in the Public Procurement Act.

Unless the call for applications stipulates otherwise, an eligible expenditure shall be deemed to exclude the purchase price of equipment but to include costs equivalent to the depreciation. Prior to the conclusion of a project contract, the Project Promoter shall submit a depreciation schedule, while it applies that:

Equipment means a tangible asset whose purchase price exceeds € 1,700 and operable lifetime is longer than one year or an intangible asset whose purchase price exceeds € 2,400 and operable lifetime is longer than one year.

Depreciation is subject to the following rules, according to which the project budget shall be proposed:

1. Depreciation of equipment shall be reimbursed on the basis of monthly, quarterly or annual **book** depreciation.
2. Equipment shall be classified into a depreciation group in line with the applicable **tax** legislation. For calculation purposes, straight-line depreciation rates shall be used.
3. Subject to the approval of the Programme Operator, the Project Promoter may use accelerated depreciation rates, provided the latter proves that the asset used in connection with the project is actually exposed to accelerated wear-and-tear.

If the purchase of equipment is funded from the project grant awarded to the foreign partner, the above rules shall be applied *mutatis mutandis* with the aim to prevent the book value of depreciable assets from being increased artificially.

10.6 Bank charges

Bank charges related to the establishment and operation of the **project accounts** designated in the project contract or the partnership agreement, charges for transactions from such accounts,

including charges for transfers abroad from such accounts, shall be deemed eligible expenditures. Charges for the keeping of an account are ineligible as long as the account bears no interest.

11 Liquidity

Liquidity data according to the balance sheet and the profit and loss statement shall be completed by the applicant (also for the partners) only in the table "Input data". The tables "Financial stability – public sector" and "Financial stability – private sector" will be completed automatically. Only the turquoise fields shall be completed by the applicant. The fields change their colour, depending on the legal form of the applicant and that of the partner.

12 Proposal for fulfilling the criteria

The applicant shall assign a value to each criterion (turquoise column) by clicking on the drop-down list in the column "Value".

PART C. EVALUATION AND THE PROCESS OF CONCLUDING THE CONTRACT

1 Evaluation

1.1 Administrative compliance and eligibility

A review of administrative compliance and eligibility of the application and the applicant shall be carried out by the Programme Operator; to this end, it may exploit the capacities of external entities. Such a review shall be carried out based on the criteria for administrative compliance and eligibility of the application and the applicant, which form an annex to the call for applications – Application Evaluation Criteria. If these criteria are not met, the Programme Operator shall inform the applicant of the latter being disqualified from the further evaluation process.

Each applicant having failed to meet the administrative compliance and eligibility criteria shall be allowed to request the Programme Operator to review such a decision. The Programme Operator shall ensure that such review is carried out by a person other than the one who issued the original decision. An introductory meeting of the Selection Committee may not take place prior to the expiry of a deadline set by the Programme Operator in its last issued decision for submitting a request to review the decision, or prior to the handling of such last request that was delivered to the Programme Operator.

1.2 Expert evaluation

An expert evaluation shall be carried out by two experts who are independent of the Programme Operator. These two experts shall carry out an expert evaluation based on the selection criteria laid down in an annex to the call for applications. The ranked list of project applications shall be determined based on the arithmetic average of the scores awarded.

A third expert shall carry out an expert evaluation if the difference between the scores given by the two experts is more than 30% of the higher score. Subsequently, the average score of the two closest scores shall be used for the ranking of the project applications. If the difference between the scores given by the evaluators is the same, the ranking shall be determined as the arithmetic average of the two highest scores.

1.3 Selection Committee

The Selection Committee may modify the ranking that is based on project application evaluations by experts. Such modification must be justified and the justification must be supported by a project application evaluation made by a third - independent – expert on the basis of an instruction given by the Selection Committee. In such cases the average score of the two closest scores shall be used for the ranking of the project applications. **Any modification to the ranked list requires the approval of all members of the Selection Committee.**

Any modification to the ranked list, including the justification for such modification, shall be notified by the Selection Committee to the applicant concerned; the applicant who is adversely affected by such a decision shall be given a period of 5 working days to request for a review of the decision of the Selection Committee. The request to review the decision of the Selection Committee shall be decided by the Programme Operator.

The Selection committee shall make a list of recommended projects and submit it to the Programme Operator. Such a list shall be divided into:

1. Projects falling within the allocation,
2. Projects on the standby list,
3. Projects recommended by the Selection Committee not to be supported.

An applicant whose ranking implies a position on the ranked list by which the allocation under the call for applications is exhausted shall be given the opportunity to implement a project with a lower grant rate. The project contract with such an applicant shall provide for the possibility to automatically increase the project grant in case of financial corrections or project grant savings in other projects.

If the ranking is modified, the projects falling within the allocation will move one place up on the ranked list, and the first project on the standby list will qualify among the projects falling within the allocation, provided this is permitted by the allocation.

Details of the Selection Committee are provided in the following annexes to the call for application: The Statutes of the Selection Committee and The Rules of Procedure of the Selection Committee.

1.4 Decision of the Programme Operator

The Selection Committee shall submit to the Programme Operator the minutes of its meetings as well as the list of recommended projects.

Before approved, the project application may be modified. Such modification may be due to apparent errors in the application, due to the need for a more detailed specification of the objective or the outcomes, due to budget modifications, etc.

The Programme Operator shall verify that the selection process has been conducted in accordance with the Regulations and that the recommendations from the Selection Committee comply with the rules and objectives of the programme.

1.4.1 Verification of the selection process

In case of reasonable doubts over a particular recommended application, the Programme Operator may commission a third independent and impartial expert to evaluate the particular application. The Programme Operator shall furnish such an expert with the information that has led it to commission another evaluation. The purpose of such evaluation is above all to discover whether the new information influenced or could have influenced the project evaluation. The expert shall evaluate the project based on the selection criteria and information furnished by the Programme Operator. In such cases the average score of the two closest scores shall be used for the ranking of the project applications. If the difference between the scores given is the same, the ranking shall be determined as the arithmetic average of the two highest scores. This possibility is limited only to applications whose rankings fall within the allocation and applications on the standby list.

1.4.2 Verification of compliance with the rules and objectives of the programme

Except for small grant schemes, the Programme Operator shall, inter alia, verify that:

1. any public support within this programme complies with the procedural and substantive rules on state aid applicable at the time of providing the support;
2. the project contributes to the overall objectives of the financial mechanism and to the concrete outcomes and objectives of the programme;
3. the financial contribution is used exclusively for the purposes of the programme and its projects and according to the programme agreement and that all resources forming part of the programme are used only for such purposes as provided for in the programme agreement;
4. the Project Promoter is firmly determined and able to implement the project;
5. the project complies with all the other conditions set forth in the programme agreement;
6. all information provided by or on behalf of the applicant is complete, correct and accurate.

The Programme Operator shall draw up a report, describing the application's compliance with the above-mentioned conditions. The Programme Operator may engage an expert or experts to verify certain specific areas of the project. The report shall be submitted to the applicant, who may make comments thereon. The applicant shall be given a period of 5 working days to clarify or remedy the identified deficiencies. In justified cases, such a period may be extended to a maximum of 10 working days. If the conclusions of the report are adverse, the Programme Operator may reject the application.

If the call for applications so stipulates, before approving the application, the Programme Operator shall make a site visit to verify that the above-mentioned conditions are met. The Programme Operator shall propose to the applicant three site visit dates, one of which must be accepted by the applicant. Such a site visit shall take place in the presence of not only an expert but also at least two representatives of the Programme Operator. The applicant is obliged to provide the Programme Operator with the required cooperation, notably to ensure that the partners and other relevant institutions and persons are present and proposed site visit date is accepted. Unless the applicant provides the Programme Operator with the required cooperation, the application will be excluded from the evaluation process.

The Programme Operator shall keep the report, including any other written evaluation records and documentation on assessments of compliance with the state aid rules, in particular decisions on the award of grants and determination of grant rates, and shall provide such records and documentation upon request to the Donor States.

State aid

The complexity of state aid issues does not allow the applications to be reviewed for compliance with the state aid rules at the previous stage of evaluation. Where the project or a part thereof is subject to state aid and the state aid regime is not provided for in the call for applications, the grant size shall be reduced so that the project grant does not exceed the *de minimis* aid threshold. The applicant is required to meet the *de minimis* rules also with regard to, for example, an accumulation of state aid. Given the time constraints on the implementation of the project, the Programme Operator will not apply the possibility of individual notifications.

Project's contribution to the programme

The Programme Operator shall ensure that the indicators at the programme outcome level are met. To this end, the Programme Operator may modify the list of projects submitted by the Selection Committee. Unless the projects falling within the allocation guarantee that the indicators at the programme outcome level are met, the Programme Operator may modify the list of projects. The Programme Operator shall start with the last project falling within the allocation, while screening the

projects on the standby list to find a project that will facilitate meeting the indicators at the programme outcome level.

Budget economy

The Programme Operator shall ensure that the financial contribution is used exclusively for the purposes of the programme and its projects and according to the programme agreement and that all assets forming part of the programme are used only for such purposes as provided for in the programme agreement. It is essential for this task to be fulfilled prior to the implementation of the project, since this might help further projects that will be supported if deficiencies are found in the other projects. It is also necessary that this task be fulfilled throughout the implementation of the project.

The Programme Operator shall make any budget modifications suggested by the experts or the Selection Committee or by the Programme Operator itself. Such modifications ordinarily entail a project grant reduction if some of the budgeted expenditures are found to be disproportionate, excessive or not to be directly related to the project.

Project Promoter's commitment and capacity

The Programme Operator may demand any information it considers necessary to guarantee that the Project Promoter is able and committed to implement the project. Since it is not most appropriate to request for such information jointly with the project application, the Project Promoter's financial stability and that of its partners will be checked at a later stage. The required and checked documents shall contain, among others, annual financial statements for past three years, a certificate issued by the respective registries to the effect that the applicant and its partners have no tax liabilities, and so forth. It is also very important to verify that the Project Promoter and the partners possess sufficient funds to co-finance the project.

1.4.3 Rejection of the project

If the Programme Operator changes the decision of the Selection Committee, it shall notify the affected applicants accordingly and provide them with justification for such a change. Upon the rejection of a project, the remaining projects falling within the allocation will move one place up on the ranked list, and the first project on the standby list will qualify among the projects falling within the allocation, provided this is permitted by the allocation.

The affected applicant may request the Programme Operator to review the decision to modify the ranked list. In that event, the Programme Operator shall ensure that such a review is carried out by a group of experts, of whom at least one is external to the Programme Operator.

2 Notification of the evaluation results

Applicants whose applications are ranked as falling within the allocation will receive a grant offer from the Programme Operator. Applicants on the standby list will receive from the Programme Operator a notification of inclusion in the projects stock. The remaining applicants will receive a project application rejection notification from the Programme Operator.

An applicant whose ranking implies a position on the ranked list by which the allocation under the call for applications is exhausted shall be given the opportunity to implement a project with a lower

grant rate. The project contract with such an applicant shall provide for the possibility to automatically increase the project grant in case of financial corrections or project grant savings in other projects.

3 Grant offer and conclusion of a project contract

A project application shall be deemed to have been approved on the date when the Programme Operator decided on the approval of the project application. Such a decision shall be notified in the Programme Operator's grant offer. The grant offer shall contain the fundamental conditions that will be part of the project contract.

A grant offer shall contain:

- approved grant size,
- project objectives, outcomes, outputs and indicators that are required to be achieved,
- draft project financial plan,
- documents that are required to be submitted prior to the conclusion of a project contract including partnership agreements,
- expenditures that may be incurred prior to the signing of a project contract,
- conditions for the receipt of the first advance payment if applicable.

Within 15 working days, the applicant shall deliver a statement whether it accepts the grant offer. Such letter of acceptance shall be accompanied by the documents which are required to be additionally appended to the project application prior to the signing of a project contract. The above deadline may be extended in duly justified cases.

If the applicant fails to submit all required documents or the contents of some of them do not correspond to the documents required, the Programme Operator shall call upon the applicant to additionally submit the missing documents or to clarify or remedy the deficiencies. If the applicant fails to submit the missing documents or to remedy or sufficiently clarify the deficiencies within the set deadline despite having been called upon to do so, its project application will be rejected by the Programme Operator and the Programme Operator will not conclude a project contract with the applicant. In that event, the Programme Operator shall proceed in the same manner as if the applicant had not accepted or had failed to pronounce on the grant offer made.

If the required statement and documents are not delivered within the set deadline, the Programme Operator will send a grant offer to an applicant whose application was ranked first on the standby list. Depending on the allocation available, a grant offer may be sent to more applicants on the standby list according to the ranking achieved. These provisions shall be applied *mutatis mutandis* in the event of cancellation of a project grant or a part thereof on the grounds laid down in the Regulation.

Upon the sending of a letter of acceptance of a grant offer, the applicant becomes a Project Promoter, which status shall be confirmed by concluding a project contract. Unless a project contract is entered into, the provision of the preceding sentence shall be deemed inapplicable to the applicant.

3.1 Project contract

A project contract template shall be drafted by the National Coordination Unit. A project contract shall be signed between the Programme Operator and the Project Promoter who has accepted the grant offer and met the conditions stipulated therein.

3.1.1 Conclusion of a project contract

The Project Promoter shall sign the project contract within 15 working days of receipt thereof. This deadline may be extended in duly justified cases.

The general terms and conditions and the project budget constitute annexes to the project contract. In addition to the annexes mentioned, the project contract may also contain other annexes.

Once the project contract is concluded, the carrying out and financial management of the project shall begin, which stage of the project implementation is detailed in the Project Promoter and Partner's Guide.