



Office of the Government of the Slovak Republic
National Focal Point
Slovak Republic

Project Promoter and Project Partner Guide

EEA Financial Mechanism and Norwegian Financial Mechanism 2009 - 2014

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1 INTRODUCTION

This Final Recipient and Project Partner Guide (hereinafter “Guide”) is intended for a Project Promoter receiving a financial contribution under the EEA Financial Mechanism and the Norwegian Financial Mechanism during the programming period 2009 - 2014, with which the Office of the Government of the Slovak Republic, acting as the Programme Operator, has made the project contract. The Guide is also targeted at the project partners of such Project Promoter. Where the Project Promoter and its project partners are involved in programmes other than operated by the Office of the Government of the Slovak Republic, this Guide will not apply to them, unless the project contract stipulates otherwise.

According to the project contract, Project Promoters are required to follow the procedures laid down in this Guide. Project partners become subject the procedures laid down in this Guide on the basis of the partnership agreement made with the Project Promoter.

The Guide provides a Project Promoter with the necessary guidance regarding, in particular, the preparation of project interim reports and requests for project and project contract modifications, eligibility of expenditure and proofs of expenditure, and the mandatory information and publicity; and informs a Project Promoter what documents need to be submitted to the Programme Operator in connection with the above.

Pursuant to the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism and the Norwegian Financial Mechanism 2009 - 2014, the Office of the Government of the Slovak Republic is the Programme Operator for the following programmes:

- Programme SK02 -** Adaptation to Climate Change
- Programme SK04 -** Local and Regional Initiatives to Reduce National Inequalities and to Promote Social Inclusion
- Programme SK05 -** Conservation and Revitalisation of Cultural and Natural Heritage
- Programme SK07 -** Green Industry Innovation
- Programme SK08 -** Cross-border Cooperation
- Programme SK09 -** Domestic and Gender-based Violence

2 USEFUL HINTS

The following chapter provides an informal description of the most frequent errors entailing possible financial consequences that Project Promoters and project partners make. The basic condition for avoiding such errors is continuous communication with the Programme Operator, i.e. employees of the Office of the Government of the Slovak Republic who will provide you with the necessary assistance and help you may need in the implementation of your project. Such communication and efficient collaboration may help you reduce the errors; and you should, therefore, contact us whenever you are in doubt as to the appropriateness of your action, or concerned that a problem might arise.

Hence, the first hint is:

If a problem arises, call or write us immediately.

The most frequent problem is errors in the public procurement process. In most cases, costs of the public procurement process are accepted as eligible expenditure and, therefore, we recommend you that you should invest in a public procurement expert with good references who is aware of how the provisions of law are applied in practice and is familiar with the decision-making practice of the Office for Public Procurement (for instance, knows the published decisions of the Office for Public Procurement). Further, importantly, such expert should keep in mind that the provisions of this Guide must also be respected in the public procurement process; though they do not follow directly from the Public Procurement Act, they must be complied with in order to ensure effective use of funds under the Financial Mechanisms. We recommend that the agreement with the public procurement expert/company should contain a clause on their liability for ineligibility of any expenditure due to misconduct in public procurement leading to infringement of the legislation in force and the project contract.

Hence, the second hint is:

Hire a good public procurement expert

The Office of the Government of the Slovak Republic as well as Norway, Iceland and Lichtenstein (hereinafter “Donor States”) have zero tolerance towards corruption, misuse of grants, provision of false information and other illicit practices, and if any of them is discovered, they may reject not just a portion of the project grant but the whole of it. All consequences will be the liability of the Project Promoter. Deception, fraud or corruption is unpardonable. The Programme Operator will help you overcome any problems in the implementation, but if any such serious breach of the project contract occurs, you will lose its confidence and support (including the financial support). You alone will have to resolve any resulting problems.

Hence, the third hint is:

Never deceive and never let your project be managed by a single person holding unlimited powers.
Trust, but verify!

Changes in the project are a frequent cause of ineligibility of expenditure. As a general rule, any modification of the project must be approved by or notified to the Programme Operator in advance, before it is implemented. If you are not sure about whether a modification is subject to notification or to approval, submit a written request for approval of the modification to the Programme Operator.

The fourth hint is:

Immediately inform the Programme Operator if you **plan any** changes in the project.

Practice has shown that a Project Promoter is willing to commit itself to anything in the project contract for the sake of getting a grant. It should be noted that the project contract contains a clause **imposing on the Project Promoter the obligation to implement the project in accordance with the project application**. Another clause determines a time limit (normally 3 to 5 years) during which the Project

Promoter must **maintain the project outcome after the completion of the project**. A failure to comply with those requirements may lead to recovery of the whole project grant or a part of it from the Project Promoter.

Hence, the fifth hint is:

Respect the principle of *pacta sunt servanda* - **agreements must be kept!**

In a majority of organisations, decisions on economic matters are subject to approval by a collective body. It means in practice that to be able to enter into a contractual relationship or other subsequent relationships, for instance, the mayor of a town or municipality, the executive of a business company, chairman of a civic association or other statutory body must first obtain approval of the municipal council, supervisory board or other respective collective body. If it is found out at a later time that no such approval was granted, the legal act concerned will not be voided if the scope of misconduct is merely internal (breach of the organisation's internal rules). Where, however, breach of the statutory body's authority, as defined in law, is involved, the legal act concerned will be rendered null and void. This may, naturally, result in a request for repayment of the whole project grant.

Hence, the sixth hint is:

Make yourself well aware of the legislation and internal rules governing the operations of your organisation. **Check who and to what extent is authorised to act on your organisation's behalf.**

A certain form of financial guarantee is required for a majority of projects. Such financial guarantee normally takes form of the pledge of property. If any ineligible expenditure is identified in the course of the project implementation and the Project Promoter is not able to pay the resulting claim, the ownership of the property so pledged will be transferred to the Programme Operator. Exceptions include small grants where the guarantee may be not requested, and projects submitted under calls where no such obligation is imposed.

Hence, the seventh hint is:

If you are not able to provide guarantees, these grants are not a suitable means for you to finance your investment project.

One important, and new for these funds, rule is that the audit bodies, such as the Programme Operator, must be allowed to access accounting records of not only the Project Promoter but those of the contractor/supplier chosen through public procurement as well. If a problem occurs and such clause is not included in the contract, a significant amount of ineligible expenditure may arise, or even repayment of the whole grant may be requested.

The eighth hint is:

Make sure that your contract provides for the supplier's/contractor's obligation to grant access to its project-related accounting records and documentation to the audit bodies.

The project contract requires that any assets bought or recovered with the use of the EEA grants or Norway grants be insured against theft or natural disasters. If you fail to obtain such insurance, you will expose yourself to the risk of liability for the resulting loss. Moreover, you should make sure that your contractor be also covered by insurance against such loss. You will thus be protected even after the handover of the site to the contractor. You are not allowed to make the requirement for insurance a condition for the participation or criterion in the public procurement process, but you may include it in the draft contract which is part of the public procurement documentation.

The ninth hint is:

Make sure that the project assets be covered by insurance throughout the term of the project contract.

The accounting is an important element in every project. As a general rule, the more transparent the accounting books and records are, the more favourable the audit outcome will be for the Project Promoter. Limit the amount of cash payments to an inevitable minimum and transfer as many of your payments as possible through the project account. Choose a suitable structure of your analytical accounting system such that it is able to provide you with a detailed overview of your accounting transactions at any time. Choose an accountant who will be available to you whenever you need them, and communicate with them continuously.

The last, tenth hint is:

Hire a good accountant.

2 BASIC DEFINITIONS AND ACRONYMS

3.1 Basic Definitions

Accounting document: a document defined in Article 10 (1) of the Accounting Act No. 431/2002, as amended. For foreign project partners, the document must comply with the generally accepted accounting standards in effect in the project partner's country.

Actually incurred eligible expenditure: expenditure that has been accepted as eligible by the Programme Operator, the National Focal Point, the CC and the Financial Mechanism Committee/Ministry of Foreign Affairs of the Kingdom of Norway. The amount of such actually incurred eligible expenditure may be additionally reduced on account of irregularities with a financial impact.

Additional own funds: the Project Promoter's own funds expended in excess of the amount of the project co-financing. Such funds may constitute ineligible expenditure that the Project Promoter is required to report if and to the extent that they were included in the project budget, or if so requested by an entity involved in the EEA FM and NFM management and control system. They may include any funds that are used by the Project Promoter or a project partner to finance expenditure and subsequently claimed for the reimbursement.

Administrative verification: verification of the eligibility of expenditure and correctness and completeness of the reports, which is carried out on the basis of the documentation submitted by Project Promoters.

Advance payment to the Project Promoter: payment of funds up to the amount specified in the project contract. The project partner will receive the funds through the Project Promoter, in form of either reimbursements or advance payments.

Agreement on the Norwegian Financial Mechanism 2009 - 2014 (hereinafter "NFM Agreement"): the agreement made between the Kingdom of Norway and the European Union establishing the Norwegian Financial Mechanism.

Applicant: an entity that has submitted a Project Application.

Audit Authority: a national public entity, functionally independent of the National Focal Point, the Certifying Authority and the Programme Operator, designated by the Beneficiary State and responsible for verifying the effective functioning of the EEA FM and NFM management and control system. The responsibilities of the Certifying Authority in the Slovak Republic are carried out by the Ministry of Finance of the SR.

Certifying Authority: a national entity authorised to receive the payments under EEA FM and NFM from the Donor States through NFP, make payments to the Programme Operators and certify IFR/FPR before it is sent to the Financial Mechanism Office. The responsibilities of the Certifying Authority in the Slovak Republic are carried out by the Ministry of Finance of the SR.

Condition precedent: a condition imposed by the Programme Operator that must be satisfied as a prerequisite for a further action, such as disbursement of a payment, approval of PIR. All time limits will be suspended until the condition precedent has been satisfied.

De minimis aid: state aid that does not exceed the limit designated by applicable legal provisions of the EU over any period of three fiscal years.

Declared expenditure: the expenditure incurred by the Project Promoter or a project partner during the preceding period and reported and claimed through a list of accounting documents.

Deficiency: an identified defect that can be and should be eliminated without identifying the deficiency as irregularity.

Delivery date: the working day on which documents being subject to a time limit were submitted to the Programme Operator. The beginning date of a time limit that is specified with reference to calendar days will be the day following the delivery date, and the beginning date of a time limit that is specified with reference to working days will be the first working day following the delivery date.

Detailed Appraisal Report: a report to be prepared by the Programme Operator before the conclusion of the project contract with the aim to ensure efficiency of the project in terms of both finance and content and assess possible implementation risks.

Effective date of expenditure: the last date on which the financial transaction was completed if the underlying supply preceded the financial transaction, or the last day of the supply if the financial transaction preceded the underlying supply.

Eligible expenditure: expenditure that satisfies the eligibility criteria laid down in this Guide.

Evaluation: a systematic, objective and independent assessment of the design, implementation and/or results achieved in programmes and projects with the aim of determining the relevance, effectiveness, efficiency, economy, impacts and sustainability of the financial contribution.

Expenditure incurred: expenditure for which both the underlying supply and the financial transaction have been completed.

Expenditure in progress: an expenditure in respect of which the underlying supply or the financial transaction has already been commenced.

Final Project Report: a document prepared by the Project Promoter and submitted to the Programme Operator which documents the overall achievements of the project in terms of its objectives, outcomes and outputs and provides a summary of the project implementation.

Financial Mechanism Committee: the entity managing the EEA Financial Mechanism.

Financial Mechanism Office: the body set up by the Donor States which is responsible for the day-to-day implementation of EEA FM/NFM.

Financial transaction of expenditure: the transfer of funds to a supplier/contractor/employee in payment for goods, services and works supplied.

Financing and Financial Management System of EEA FM and NFM for the Programming Period 2009 -2014: a set of mutually related and interlinked sub-systems and activities through which the finance planning, budgeting, use, accounting, reporting, payments, financial settlement, monitoring of financial flows, control and verification are secured in the process of implementing the assistance from EEA FM/NFM. The purpose of the system is to ensure economic, effective and efficient use of the EEA FM/NFM funds.

Grant offer: an offer letter through which the Programme Operator notifies the Project Promoter of approval of its project application.

Investment project: a project focused particularly on construction, renovation, purchase and/or technical upgrade of property, purchase of plant and machinery etc. whose output is fixed tangible and/or intangible assets within the meaning of the Accounting Act and the Income Tax Act and whose expenditure on the acquisition of fixed tangible and intangible assets exceeds 25 % of the total eligible project expenditure.

Irregularity - any infringement of the legal framework of EEA FM/NFM, any breach of a provision of EU law or laws of the Slovak Republic that affects or prejudices at any stage the implementation of EEA FM/NFM, in particular, but not limited to, the implementation and/or the budget of any programme, project or any other activities financed by EEA FM/NFM, for instance by unjustified or

disproportionate expenditure, or by reducing or losing revenue under the programme and/or the project.

List of accounting documents: a document whose purpose is to classify the different expenditure declared in the Project Interim Report into budget items and allocate them to the outcomes of the project/programme. The form of the list of accounting documents is provided in Annex 3 to this Guide.

Ministry of Foreign Affairs of the Kingdom of Norway (hereinafter “NMFA”): the entity managing the Norwegian Financial Mechanism at the international level.

Monitoring report: a report on the monitoring of a project, containing all formal essentials defined by NFP, to be prepared by NFP/PO at agreed dates.

Monitoring: the objective observation of the project and programme implementation in order to ensure that agreed procedures are followed, to verify the progress and to identify potential problems in a timely manner so as to allow for corrective action.

National Focal Point: a national public entity having the overall responsibility for the management and implementation of EEA FM and NFM in the Beneficiary State. The entity carrying out the responsibilities of the National Focal Point in the Slovak Republic is the Office of the Government of the SR.

NGIS (Norway Grants Information System): a web-based EEA and Norway grant administration system whose primary function is to gather data (database function), facilitate the publication of information (information function) and generate various types of report (reporting function).

Notice of financial settlement: a document consisting of a form and enclosures through which the Project Promoter certifies the repayment of funds to designated accounts at the appropriate proportions.

On-the-spot verification: verification of the eligibility of expenditure and effective delivery of the goods or performance of the works or services declared in the accounting documents and supporting documentation, carried out at the Project Promoter's/project partner's place in accordance with the project contract.

Partnership agreement: an agreement made between the Project Promoter and the project partner that stipulates the rights and obligations of the parties in relation to the project. The project partner agreement constitutes an indirect legal relationship between the Programme Operator and the project partner.

Personal identification code: a code assigned to a Project Promoter pursuant to the project contract for use as a proof that the person acting on behalf of the Project Promoter is its statutory representative or a person appointed thereby.

Programme Operator: an entity appointed by NFP that has the overall responsibility for preparing and implementing a programme.

Programme: a structure setting out a development strategy with a coherent set of measures to be carried out through projects with the support of the Norwegian Financial Mechanism 2009-2014 and aimed at achieving the agreed objectives and outcomes.

Project account: an account opened by a Project Promoter and a project partner specifically for the purposes of receiving the project grant. Details of the system of accounts are provided in the Financing and Financial Management System of the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism for the Programming Period 2009 - 2014, as approved by the Government of the Slovak Republic through its Resolution No. 562/2011.

Project budget: a structured, itemised budget submitted on a form designated by the Programme Operator in which the planned expenditures are assigned to budget items in line with the project outcomes.

Project co-financing: a financial or non-financial contribution to be made by the Project Promoter to the implementation of the project. The sum of the co-financing and that of the grant constitute the total eligible expenditure of the project.

Project contract: an agreement between the Programme Operator and the Project Promoter regulating the conditions of implementation of the project and the status, rights and obligations of the parties in relation to the project implementation.

Project grant: a financial contribution awarded by the Programme Operator to a Project Promoter to implement a project. A project grant (hereinafter "Grant") does not include the co-financing provided by the Project Promoter and the project partner(s).

Project Interim Report: a report to be submitted by the Project Promoter to the Programme Operator at least once four months in order to inform the Programme Operator about the progress made in the project in term of both finance and subject-matter implementation. A Project Interim Report constitutes at the same time a payment claim. The Project Interim Report template will be prepared by NFP.

Project objective: the long-term effects that contribute to the reduction of economic and social gaps within the European Economic Area, and strengthen the bilateral relations between the Donor States and the Beneficiary States. The objective of a project must be consistent with the programme outcome.

Project outcomes: the short-term and medium-term effects of a programme. A project outcome must correspond with one of the project outputs.

Project outputs: the tangible, material results created through the implementation of a project, i.e. goods, services and works.

Project partner: an entity selected by the Project Promoter in accordance with the Public Procurement Act and the state aid rules before the submission of the project application that is actively involved in, and actively contributing to, the project. The requirement for compliance with the Public Procurement Act does not mean that a project partner should be selected through the public procurement process. It should be just the contrary, i.e. there must be no supplier-customer relationship between the Project Promoter and the project partner in relation to the project. The project partner's role is virtually identical to that of the Project Promoter. They are two (or more) entities each of which bears its own responsibility for a certain integral part of the project, which must be defined by the project outcome. Each of those entities has its own, independent budget, grant and co-financing for the project, though they are based on a mutual agreement between those entities. Such agreement must be formalised through a so-called partnership agreement.

Project Promoter: an entity having the responsibility for initiating, preparing and implementing a project.

Project/Programme Review: assessment of the progress made in the implementation of a programme/project. As opposed to monitoring, a review is based mainly on the documents and information provided by the entities involved in the management and control system.

Project: an economically indivisible series of works with a clearly identifiable aim related to the programme under which it falls. A project may include one or more sub-projects.

Public procurement control by the Programme Operator: the control of public procurement by the Programme Operator on the basis of the Regulation, aiming to obtain assurance of correct implementation of the Financial Mechanisms.

Regulation on the Implementation of the EEA Financial Mechanism 2009 -2014 and the Regulation on the Implementation of the Norwegian Financial Mechanism 2009 - 2014 (hereinafter "Regulations"): the key implementation rules adopted by the Financial Mechanism Committee and the NMFA to regulate the implementation of EEA NM and NFM.

Reimbursement: the provision of funds to a Project Promoter and a project partner by way of reimbursing their incurred and documented expenditure.

Reporting period (or settlement period): the period of time in respect of which a Project Interim Report is being submitted.

Request for repayment: a document consisting of the Request for Repayment form and the enclosures, as described in the Guideline of the Ministry of Finance of the Slovak Republic No. 1/2012-U concerning the forms used for the purposes of the EEA Financial Mechanism and the Norwegian Financial Mechanism for the programming period 2009 - 2014, constituting the basis for the repayment of funds by the Project Promoter to designated accounts at the appropriate proportions.

Results Based Management: an objective- and outcome-focused management approach with which outputs and activities serve merely as means for the achievement of the objectives and outcomes.

Settled expenditure: expenditure declared in a Project Interim Report that was accepted by the Programme Operator as eligible and was not declared ineligible by the Programme Operator or other audit body at a later time.

Small Grant Scheme: a scheme created with the aim to set less stringent administrative rules for the award of smaller grants under which the project grants do not exceed EUR 250,000 and in most cases are lower than EUR 5,000.

State aid: any aid granted from the state budget funds or through the public resources of an economic operator in any form which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods and may adversely affect trade between the Member States of the EU.

Supply underlying expenditure: the delivery of goods, services or works.

Supporting documentation: documentation specified in this Guide to be submitted by a Project Promoter and a project partner.

Total eligible project expenditure: the sum of expenditure allocated to the financing of a project, as specified in the project contract. It comprises the project grant and the project co-financing. Where the actual eligible expenditure exceeds the total eligible project expenditure, the difference will be covered by the Project Promoter's additional own funds.

3.2 Acronyms

AA	Audit Authority
APR	Annual Programme Report
CA	Certifying Authority
EC	European Community
EEA FM	European Economic Area Financial Mechanism
EU	European Union
FCA	Financial Control Authority
FMO	Financial Mechanism Office
FPR	Final Programme Report
FPrR	Final Project Report

IFR	Interim Financial Report
IPR	Interim Progress Report
KoN	Kingdom of Norway
NFM	Norwegian Financial Mechanism
NFP	National Focal Point
NGIS	Norway Grants Information System
NMFA	Ministry of Foreign Affairs of the Kingdom of Norway
PIR	Project Interim Report
PO	Programme Operator
RBM	Results Based Management
SAO	Supreme Audit Office
SB	State Budget

4 VALIDITY, EFFECT AND AMENDMENTS

4.1 Validity and Effect of the Guide

This Guide will become valid and effective on the date when signed by the Head of the Office of the Government of the Slovak Republic.

In case of any conflict between the Guide and a project contract, the provisions of the project contract will apply. In case of any conflict between the Guide and the Regulations, or the Guide and a Programme Agreement, the provisions of the Regulations or the respective Programme Agreement will apply. In case of any conflict between the Guide and a Project Application or a Project Interim Report, the provisions of the Guide apply.

4.2 Amendments to the Guide

4.2.1 Amendments Following from Other Provisions

Where the Guide refers to provisions that were amended or otherwise modified prior to or during the time it is effective, the Project Promoter and the Programme Operator will be required to follow the new provisions. 'Provisions' will be understood as including not only legal provisions in force in the Slovak Republic, but also any other documents as may be referred to in the project contract.

In case any provision of this Guide is in conflict with laws of the Slovak Republic, the Project Promoter and the Programme Operator will be required to follow the provisions of laws. It is recommended that any conflicting provision of the Guide should be reported to the Programme Operator or NFP.

4.2.2 Exceptions

Any exception from application of the Guide may be granted only in duly justified cases, provided that the justification must be accepted by NFP. Any exceptions will be granted by NFP in writing at a written request of the Project Promoter.

NFP may grant an exception by its own initiative.

Where the exception applies generally to all Project Promoters, NFP will cause the Programme Operator to inform the Project Promoters of the exception.

4.2.3 Updates

This Guide may be updated by way of an amendment to the Guide or issuance of a new version.

The annexes to the Guide may be updated only by way of sending the new version of the annex directly to the Project Promoter's e-mail address specified in the project contract, and publishing the new version on the Programme Operator's website.

An amendment to the Guide will be issued if any of its provisions proves in practice to be unsubstantiated or unenforceable for a certain category of Project Promoters, or if the obligations of Project Promoters and project partners are to be further particularised or extended. An amendment will be subject to approval by the Head of the Office of the Government of the Slovak Republic.

Where the Guide extends the obligations of Project Promoters and project partners beyond the obligations laid down in the project contract, tacit consent of Project Promoters will be required. Such tacit consent will be deemed to be given if and when a Project Promoter takes action in accordance

with the updated Guide for the first time. Tacit consent will not be required if the array of Project Promoters' obligations remains unchanged.

5 IMPLEMENTATION RULES

The Project Promoter and a project partner are required to abide by the EEA FM and NFM implementation rules as laid down in the following documents in particular:

1. The Regulation on the Implementation of the EEA Financial Mechanism 2009 -2014
2. The Regulation on the Implementation of the Norwegian Financial Mechanism 2009 -2014
3. The Programme Agreement for the Financing of a Programme
4. The manuals, guidelines, instructions and other documents issued by the Financial Mechanism Committee, Ministry of Foreign Affairs of the Kingdom of Norway, Financial Mechanism Office, National Focal Point, Programme Operator, Certifying Authority and Audit Authority
5. The Management System of the EEA Financial Mechanism and Norwegian Financial Mechanism for the Programming Period 2009 - 2014, as approved by the Resolution of the Government of the Slovak Republic No. 488/2011
6. The Financing and Financial Management System of the EEA Financial Mechanism and Norwegian Financial Mechanism for the Programming Period 2009 - 2014, as approved by the Resolution of the Government of the Slovak Republic No. 562/2011.
7. Legal provisions in force in the Slovak Republic
8. Legal provisions in force in the project partner's country
9. The project contract

The Project Promoter and a project partner are required to abide by the current versions of the above-mentioned documents, as in force from time to time.

6 RESULTS BASED MANAGEMENT

Compared to the preceding one, the programming period 2009 - 2014 of the EEA Grants and Norway Grants comes with a qualitatively new management approach focused on the achievement of results. Implications of the new strategy for the Project Promoters include:

1. a reduced administrative burden
2. increased demands for the achievement of results.

The reduced administrative burden means that a Project Promoter will not be required to submit to the Programme Operator accounting documents and supporting documentation for all their expenditure. They will submit only a list of all incurred expenditure and appropriate excerpts from the general ledger, while accounting documents up to ER 5,000 will not be subject to submission and will be retained by the Project Promoter. This, however, does not imply that the process of eligibility verification of such expenditure would be entirely excluded from the implementation. The practical application of this methodology will mean that the control activities will be moved from the Programme Operator's office to the project implementation site and the checks will be made over a sample of accounting documents only. This is, however, without prejudice to the Project Promoter's obligation to keep proofs of eligibility for all its expenditure. The system of selective checks of sample expenditure will enable a greater focus on riskier types of expenditure and more attentive treatment thereof.

The increased demands for the achievement of results will be demonstrated through a higher number of on-the-spot verifications by the Programme Operator, a higher amount of assistance from Project Promoters and project partners, as well as a very rigorous review of any proposed modifications of a project that would have an impact on the objective, outcomes or outputs of the project. The Programme Operator's control activity will be more intensively focused on matters related to effective, purposeful and efficient use of funds in the project implementation. The achievement of the objectives, outcomes and outputs of a project will be the key to answering a question whether or not the results of the project are consistent with what was planned and whether or not the grants funding from the EEA Grants and Norway Grants and the state budget of the Slovak Republic was used in line with the expectations and notions of the Donor States.

The following Sub-chapter provides explanations intended to help understand the system of objectives, outcomes and outputs.

6.1 Objectives, Outcomes, Outputs and Indicators

Objectives, outcomes and outputs are defined relative to a programme and a project. The following rules and procedures apply to their definition:

1. **Project objective = programme outcome.** Normally, a project may have a single objective only. Indicators of the project objective are fixed; the Project Promoter is not allowed to modify their description and the Project Promoter only determines the quantitative change (increase or reduction) of an indicator.
2. **Project outcome = programme output.** The maximum possible number of outcomes of a project is the same as the number of outputs of the programme. Indicators of the project outcomes are fixed; the Project Promoter is not allowed to modify their description and the Project Promoter only determines the quantitative change (increase or reduction) of an indicator.
3. **Outputs of a project** are not defined at the highest, programme level and they are specified at the project level only. A maximum of three outputs may be assigned to a project. The Project Promoter defines its own indicators, provided that they should be logically and mathematically (where appropriate) linked to the higher level, that is a project outcome.

LEVEL ONE				
PROGRAMME OUTCOME		PROJECT OBJECTIVE		PROJECT OBJECTIVE INDICATORS
		The objective is predefined as a programme outcome and cannot be modified. One project can be assigned to one programme output only.		Indicators are predefined; the Project Promoter determines the quantitative change only.
		LEVEL TWO		
PROGRAMME OUTPUT 1		PROJECT OUTCOME 1		PROJECT OUTCOME INDICATORS
		The project outcome is predefined as a project output; the Project Promoter can only chose which of the programme outputs it wishes to use.		Indicators are predefined; the Project Promoter determines the quantitative change only.

LEVEL THREE								
PROJECT OUTPUT 1			PROJECT OUTPUT 2			PROJECT OUTPUT 3		
Project outputs are defined by the applicant alone; no more than 3 outputs can be assigned to a project outcome			Project outputs are defined by the applicant alone; no more than 3 outputs can be assigned to a project outcome			Project outputs are defined by the applicant alone; no more than 3 outputs can be assigned to a project outcome		
Indicator	Indicator	Indicator	Indicator	Indicator	Indicator	Indicator	Indicator	Indicator
Output-level indicators are determined by the Project Promoter alone. The indicators should be logically and/or mathematically linked to the outcome-level indicators.			Output-level indicators are determined by the Project Promoter alone. The indicators should be logically and/or mathematically linked to the outcome-level indicators.			Output-level indicators are determined by the Project Promoter alone. The indicators should be logically and/or mathematically linked to the outcome-level indicators.		

A practical example could be as follows:

Programme objective					
Environmental protection in power generation					
Programme outcome	Indicator		Project Objective	Indicator	
Increased biomass production in the SR	Actual	Target	Increased biomass production in the SR	increase/reduction	
	150,000	250,000		10,000	
Programme output 1	Indicator		Project Objective	Indicator	
An increased number of biomass-fuelled boiler plants	Actual	Target	An increased number of biomass-fuelled boiler plants	increase/reduction	
	25	35		3	
			Project output 1	Indicator 1	Indicator 2
				Number of biomass-fuelled boiler plants	Annual biomass consumption
			Build a biomass-fuelled boiler plant in Town X	increase/reduction	increase/reduction
				1	250
			Build a biomass-fuelled boiler plant in Town Y	increase/reduction	increase/reduction
				1	300
			Build a biomass-fuelled boiler plant in Town Z	increase/reduction	increase/reduction
				1	350

As clearly follows from the relations shown in the schemes above, the Programme Operator is required to guarantee that the indicators for the programme outputs, which constitute the project outcomes, be met. This means for the Project Promoter and a project partner that the indicators specified in the Grant Offer must be met and no changes in the indicators and project outcomes in general are permissible. For more information please refer to the chapter on project modifications.

7 PUBLIC PROCUREMENT

A Project Promoter and a project partner are required to follow the Act of the National Council of the Slovak Republic on Public Procurement, as amended (hereinafter “Public Procurement Act”). In public procurement processes involved in the implementation of the Financial Mechanisms, a Project Promoter and a project partner are (public) contracting authorities within the meaning of the Public Procurement Act, or persons defined in the respective provision of the Public Procurement Act.

The obligations stipulated in this Chapter of the Guide are not specifically laid down in the Public Procurement Act. They constitute additional procedures imposed by NFP that do not follow from the Public Procurement Act, but observance thereof is a condition for the award of a grant and eligibility of expenditure incurred in connection with the public procurement relating to the implementation of the Financial Mechanisms.

Unless this Guide stipulates otherwise, the provisions in this Chapter do not apply to public procurement where the contract was made before the conclusion of the project contract. If it is a low-value contract, except for proceedings in accordance with law, it shall be subjected only to the provisions in this Guide under the chapter „Special Provisions for Low-value Contracts“.

In order to make sure that the conditions for eligibility of expenditure and drawing of the grant according to the implementation rules are complied with, the public procurement process will be thoroughly controlled by the Programme Operator. **Such control will not prejudice the responsibility of a Project Promoter and a project partner for appropriateness and compliance of the public procurement process** and, therefore, the Programme Operator will not assume any **responsibility for appropriateness and compliance of the public procurement process. The control by the Programme Operator** will serve as assistance provided to the Project Promoter with a view to minimising errors in the public procurement process and ensuring effective and smooth drawing of the project grant.

The control will also be without prejudice to the authority of the Public Procurement Office or any other audit bodies to control the public procurement process under special legislation.

7.1 Project Promoter’s Responsibilities in Relation to the Control of Public Procurement

The control of public procurement by the Programme Operator includes:

- preliminary control of public procurement both before and after the announcement of the call;
- interim control of public procurement;
- follow-up control of public procurement before and after the signing of the contract.

7.1.1 Preliminary Control of Public Procurement

Preliminary control of public procurement before the announcement of the call

The Project Promoter will be required to submit to the Programme Operator for review a draft of the Contract Notice (or an equivalent document according to the Public Procurement Act) and the tender specifications or tender conditions of the upcoming public procurement (hereinafter also referred to as “Drafts”) along with all enclosures (the foregoing will equally apply to public procurement conducted by project partners). The Drafts must be submitted electronically. Pursuant to the project contract, the Programme Operator will be subject to confidentiality obligation in respect of the content of the tender specifications and conditions.

Within fifteen working days from the receipt of the Drafts, the Programme Operator will submit its reservations in respect thereof, if any, which the Project Promoter or the project partner will be obligated to accept, or inform the Project Promoter that there are no reservations.

If the Project Promoter or the project partner does not agree with the incorporation of the Programme Operator's reservations, it must submit its explanations to the Programme Operator: If the Programme Operator does not accept the explanation, the Project Promoter will have the right to reiterate its disagreement which, however, must be supported by reference to a methodological guideline or a decision of the Public Procurement Office (hereinafter referred to as "PPO") rendered in a similar matter and published on the PPO's website, or a methodical guideline issued by PPO at the Project Promoter's request. The Project Promoter's request for methodical guidance must contain all reservations of the Programme Operator. PPO's methodical guidelines are not binding on the Programme Operator. PPO's decisions are binding to the extent they were rendered in direct relation to the matter in issue.

The Project Promoter and the project partner are required to provide an unlimited and direct electronic access to the tender specifications and all supplementary supporting documentation during the time till the deadline for the submission of tenders. The Contract Notice must contain a detailed and accurate reference to the electronic access path to the tender specifications and all supplementary supporting documentation. The Project Promoter and the project partner are obligated to provide a precise internet address for downloading the files.

Preliminary control of public procurement after the announcement of the call

The text of the Contract Notice (or an equivalent document according to the Public Procurement Act) sent by the Project Promoter or the project partner to the Publications Office of the European Union and/or the Public Procurement Office must be **identical to the text accepted by the Programme Operator after the preliminary control of public procurement before the publication.** **The public procurement must ensure that the text of the tender specifications or tender conditions provided to any candidate be identical to the text accepted by the Programme Operator after the preliminary control of public procurement.**

When the Project Promoter or the project partner dispatched the Contract Notice (or an equivalent document) to the Publications Office of the European Union and/or the Public Procurement Office, the Project Promoter will be obligated to immediately notify the dispatch to the e-mail address eeagrants@vlada.gov.sk, which notification must contain the date of dispatch and the number assigned to the Notice.

The Programme Operator will review the text of the published Notice and tender specifications. In case the Project Promoter or the project partner have failed to respect the above procedures and the texts of the Contract Notice and tender specifications deviate from those accepted by the Programme Operator, the Programme Operator will assess the impact of the deviations on the eligibility of expenditure and the project grant amount. If the Project Promoter does not agree with the financial impact, if any, specified in the Programme Operator's opinion, the Project Promoter may, by its own initiative, petition PPO (or the contracting authority's internal audit body, where appropriate) to review the public procurement process, provided that the petition must contain all reasons which in the Programme Operator's opinion affected the appropriateness of public procurement.

A failure to provide an unlimited and direct electronic access to the tender specifications and all supplementary supporting documentation during the time till the deadline for the submission of tenders, as required under this Guide, will constitute a material breach of the project contract.

7.1.2 Interim Control of Public Procurement

The Project Promoter and the project partner will establish a committee tasked to determine whether or not the conditions for participation were met by the tenderers.

The Project Promoter and the project partner must allow the Programme Operator to attend the committee meetings, including the opening of tenders, as an observer, provided that a representative of the Programme Operator should not be nominated as a member of the committee. If the Programme Operator exercises its right to attend the opening of tenders and committee meetings, the Programme Operator will not be required to notify the Project Promoter in advance, i.e. the

Programme Operator's attendance may be unannounced. Therefore, **any unexpected change in the opening of tenders or a committee meeting must be notified to the Programme Operator by the Project Promoter and the project partner no later than three working days before the opening date** indicated in the Contract Notice.

No later than five working days after the notification of the result of the evaluation of tenders, the Project Promoter will submit to the Programme Operator for review a complete documentation of the public procurement process, including without limitation all and complete tenders (including, for instance, the envelopes etc.); memoranda of the tender opening; evaluation of the meeting of conditions for participation; and evaluation of tenders (whether or not the Programme Operator was present at the opening and evaluation of tenders); all requests for correction for which appropriate notices of the result of the request for correction or refusal of the request for correction or failure to fulfil an obligation in connection with the request for correction were sent to the Project Promoter and the project partner (the foregoing will equally apply to public procurement conducted by project partners). The documentation so submitted must also include all evaluation sheets for all members of the committee authorised to evaluate; explanations to tenders from the tenderers which were asked to submit an explanation; and all written communication with the candidates conducted at that public procurement stage. Where the tender was delivered only electronically, or both electronically and otherwise, the submitted documentation must contain also the tender delivered electronically.

Within fifteen working days from the receipt of the documents, the Programme Operator will submit its reservations in respect thereof, if any, which the Project Promoter or the project partner will be obligated to accept, or inform the Project Promoter that there are no reservations regarding the evaluation process.

If the Project Promoter or the project partner does not agree with the Programme Operator's reservations, they must submit their explanations to the Programme Operator, which may be supported by reference to a methodological guideline or a decision of PPO rendered in a similar matter and published on the PPO's website, or a methodical guideline issued by PPO at the Project Promoter's request. If the Programme Operator does not change its opinion, for the purposes of demonstrating compliance and appropriateness of their conduct, the Project Promoter and the project partner may petition PPO (or the contracting authority's internal audit body, where appropriate) to review the public procurement process, provided that the petition must contain all reasons which in the Programme Operator's opinion bear on the appropriateness of public procurement. PPO's methodical guidelines are not binding on the Programme Operator. PPO's decisions are binding to the extent they were rendered in direct relation to the matter in issue.

7.1.3 Follow-up Control of Public Procurement

Follow-up control of public procurement before the signing of the contract

Where the supply under the contract is to be financed by the project grant, the Project Promoter and the project partner must not conclude the contract with the successful tenderer without the Programme Operator's approval.

Before concluding the contract, the Project Promoter will submit to the Programme Operator the draft contract resulting from the public procurement process together with all annexes that were not included in the tender specifications.

Where the draft contract and annexes were included in the tender specifications and the Project Promoter did not make any modifications to the draft contract before the signing, the contract with the successful tenderer may be made without PO's prior consent.

Within ten working days from the receipt of the draft contract, the Programme Operator will submit its reservations in respect thereof, if any, which the Project Promoter or the project partner is obligated to accept, or inform the Project Promoter that there are no reservations regarding the conclusion of the contract.

If the Project Promoter does not agree with the Programme Operator's reservations, it may petition PPO (or the contracting authority's internal audit body, where appropriate) for review. The Project Promoter's petition for review must contain all deficiencies identified by the Programme Operator that affected, or might have affected, the result of the public procurement and based on which the Programme Operator is considering the imposition of a financial correction. The Programme Operator will take further action in accordance with the result of the PPO's review and either uphold the initial result of the follow-up control of the public procurement process and the imposition of the initially proposed financial correction, or change the initial result of the follow-up control of the public procurement process and adjust the initially proposed financial correction by reducing or increasing its amount depending on the seriousness of the findings, or annul the initial result of the follow-up control of the public procurement process and the imposition of a financial correction. The result of a review carried out by the contracting authority's internal audit body will not be binding on the Programme Operator.

The Programme Operator may suspend the project financing during the control process.

Follow-up control of public procurement after the signing of the contract

The Project Promoter and the project partner have the right to conclude the contract with the successful tenderer to the extent its text is identical to that accepted by the Programme Operator after the follow-up control of public procurement before the signing of the contract.

Where the Project Promoter or the project partner is required under the Freedom of Information Act to publish the concluded contract, after the publication, the Programme Operator will without undue delay inform the Project Promoter of the internet address where the published contract is available (the foregoing will equally apply to project partner's contracts), or the number of the Commercial Journal issue in which the contract was published. Where the Project Promoter and the project partner are not required to publish the concluded contract, no later than five days after the contract was concluded, the Project Promoter will send the contract to the Programme Operator (including project partner's contracts). The Project Promoter and the project partner must make sure that all personal data as well as data constituting the business secret be rendered illegible. The Programme Operator will publish the contract on its websites eegrants.sk and norwaygrants.sk.

The Programme Operator will verify the publication and the text of the concluded contract. If the Project Promoter or the project partner has failed to follow the prescribed procedure and the text of the contract deviates from that accepted by the Programme Operator, the Programme Operator will assess the impact of the deviations on the eligibility of expenditure and the amount of the project grant. If any deficiencies affecting eligibility are identified during the follow-up control after the signing of the contract, the amount of ineligible expenditure will be established using the procedure laid down in the Commission decision C(2013) 9527 from 19/12/2013 on the setting out and approval of the guidelines for determining financial corrections to be made by the Commission to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement (document designated as C(2013) 9527 from 19/12/2013; hereinafter "Financial Correction Guideline"). The document is available at www.eegrants.sk "Basic Documents" section. The amount of expenditure identified as ineligible will not be available for reuse in the project, i.e. the Programme Operator will proceed to the financial correction settlement.

If the Project Promoter or the project partner does not agree with the deficiency identified, the Programme Operator may, in coordination with the Project Promoter, petition PPO (or the contracting authority's internal audit body, where appropriate) for review. The Programme Operator will take further action in accordance with the result of the PPO's review and either uphold the initial result of the follow-up control of the public procurement process and the imposition of the initially proposed financial correction, or change the initial result of the follow-up control of the public procurement process and change the initially proposed financial correction by reducing or increasing its amount depending on the seriousness of the findings, or annul the initial result of the follow-up control of the public procurement process and not impose any financial correction. The result of a review executed by the contracting authority's internal audit body will not be binding on the Programme Operator.

The provisions in this section will apply to all public procurement involved in the project implementation, irrespective of when the public procurement process took place. The Programme Operator may suspend the project financing during the control process.

Public procurement preceding the conclusion of the project contract

Even if the contract for supply was made before the project contract alone the public procurement concerned will be subject to the public procurement control procedures, which will be limited to the follow-up control after the signing of the contract.

In such case, the Programme Operator will not set a time limit for the submission by the Project Promoter and the project partner of the public procurement related documentation, however a requirement will apply that the public procurement process must have been controlled by the Programme Operator before the completion of the process of approval of the respective PIR in which the expenditure relating to the public procurement concerned was included for the first time within the frame of the financial management of the project. In line with the foregoing, **the Programme Operator reserves a time limit of 35 calendar days for the public procurement control**, which time should be taken in account by the Project Promoter and the project partner in the PIR submission process in order to ensure an uninterrupted course of the settlement and drawing of funds (Section 12 of this Guide).

7.1.4 Amendments to Contracts Made on the Basis of the Public Procurement Result and Their Review

Review of an amendment before the signing

The Project Promoter and the project partner must not conclude an amendment to a contract without the Programme Operator's approval.

Before concluding an amendment to a contract, the Project Promoter will submit to the Programme Operator the draft amendment together with all annexes affected by the amendment. The submission may be made electronically.

If the Project Promoter or the project partner does not agree with incorporation of the Programme Operator's reservations, it must submit explanations to the Programme Operator. If the Programme Operator does not accept the explanations, the Project Promoter will have the right to reiterate its disagreement which, however, must be supported by reference to a methodological guideline of PPO issued in a similar matter, and/or a memorandum/record of an audit by PPO (unpublished documents) that the Project Promoter has at its disposal.

If and when the Project Promoter has concluded the amendment despite the Programme Operator's disagreement and the Programme Operator disapproves the financing under the amendment, the Programme Operator may petition PPO (or the contracting authority's internal audit body, where appropriate) for review. The Programme Operator will take further action in accordance with the result of the **PPO's review** and either uphold the initial result of the review of the amendment and impose a financial correction according to the Commission decision on Financial Correction Guideline , or change the initial result of the review of the amendment and reduce or increase the financial correction depending on the seriousness of the PPO's findings, or annul the initial result of review of the amendment and not impose any financial correction. The result of a review executed by the contracting authority's internal audit body will not be binding on the Programme Operator.

Review of an amendment after the signing

The Project Promoter and the project partner will have the right to conclude the amendment to a contract to the extent its text is identical to that accepted by the Programme Operator after the follow-up control of public procurement before the signing of the amendment.

Where the Project Promoter or the project partner is required under the Freedom of Information Act to publish the concluded amendment, after the publication, the Programme Operator will without undue

delay inform the Programme Operator of the internet address where the published amendment is available (the foregoing will equally apply to project partner's amendments), or the number of the Commercial Journal issue in which the amendment was published. Where the Project Promoter and the project partner are not required to publish the concluded amendment, no later than five days after the amendment was concluded, the Project Promoter will send the amendment to the Programme Operator (including project partner's amendments). The Project Promoter and the project partner will make sure that all personal data as well as data constituting the business secret be rendered illegible. The Programme Operator will publish the amendment on its websites eeegrants.sk and norwaygrants.sk.

The Programme Operator will verify the publication and the text of the concluded amendment to a contract. If the Project Promoter or the project partner has failed to follow the prescribed procedure and the text of the amendment deviates from that accepted by the Programme Operator, the Programme Operator will assess the impact of the deviations on the eligibility of expenditure and the project grant amount. If any deficiencies are identified through the follow-up review, the amount of ineligible expenditure will be established according to the Financial Correction Guideline. The amount of expenditure identified as ineligible will not be available for reuse in the project, i.e. the Programme Operator will proceed to the financial correction settlement.

If the Project Promoter or the project partner does not agree with the deficiency identified, the Programme Operator may, in coordination with the Project Promoter, petition PPO (or the contracting authority's internal audit body, where appropriate) for review. The Programme Operator will take further action in accordance with the result of the PPO's review and either uphold the initial result of the follow-up control of the public procurement and the imposition of the initially proposed financial correction according to the Commission decision on Financial Correction Guideline, or change the initial result of the follow-up control of the public procurement and change the initially proposed financial correction by reducing or increasing its amount depending on the seriousness of the findings, or annul the initial result of the follow-up control of the public procurement and not impose any financial correction. The result of a review executed by the contracting authority's internal audit body will not be binding on the Programme Operator.

The provisions in this section will apply to all public procurement involved in the project implementation, irrespective of when the public procurement process took place. The Programme Operator may suspend the project financing during the control process.

7.1.5 Special Provisions Concerning the Bill of Quantities and the Itemised Budget of the Contract

The bills of quantities or the itemised budgets of the contract, within the meaning of the Public Procurement Act, provided in the tender specifications, the successful tenderer's tender, the draft contract, the concluded contract and any amendment thereto must be mutually consistent.

In exceptional, objectively substantiated cases the items of the bill of quantities or the itemised budget of the contract may be altered if the circumstances so require. Such substantiating reasons may include the following:

- a product in the item concerned has ceased to be manufactured in the course of the public procurement process and must be substituted by an equivalent product (for instance, IT related items);
- the economic situation has changed in the course of the public procurement process and the successful tenderer may substitute a formerly designated product in an item by a qualitatively improved product (it is advisable to make a provision for such eventuality in the tender specifications in order to make all candidates aware thereof);
- other exceptional situations.

Such change, however, must not have an effect of materially changing the subject of the contract, or amending any conditions such that the initial contract award procedures would allow participation of

other candidates or tenderers or acceptance of a tender other than the initially accepted tender, or changing the economic balance in favour of the successful tenderer. Further, the change must not lead to infringement of the rules on public procurement.

In the following cases the Project Promoter and the project partner must notify any changes in the bill of quantities or the itemised budget of the contract to the Programme Operator:

- change of an item in the successful tenderer's tender as compared to the tender specifications;
- change of an item in the draft contract as compared to the successful tender;
- change of an item in the concluded contract as compared to the draft contract;
- change of an item in the draft amendment as compared to the concluded contract;
- change of an item in the concluded amendment as compared to the draft amendment.

At the different stages of the public procurement control process, the Programme Operator will assess any changes and approve or partially approve or disapprove the changes. In case of disagreement on the part of the Project Promoter or the partner, the concept of public procurement control through PPO, as provided for in the Public Procurement Act, may be applied in accordance with the provisions for the different stages of the public procurement control by the Programme Operator.

The total price of construction works quoted by the successful tenderer in the public procurement process must not be increased, except for instances of force majeure. Therefore, the Programme Operator supposes *a priori* that:

- a) an implementation project was prepared before the announcement of the call;
- b) the only reason that the Programme Operator may accept as unforeseeable circumstances justifying consideration of an increase in the price¹ is circumstances due to force majeure, such as natural disasters;
- c) when the call was published, all candidates were informed of their **obligation** to include in the quoted price a **provision for contingencies** amounting to **5 % of the price**;
- d) any other unforeseeable circumstances invoked as a reason for an increase in the price will not be accepted for financing by the project grant and the Project Promoter and the project partner will have to finance them from their additional own funds.

The provisions in the preceding paragraph will not apply if the change in the bill of quantities is due to a change in the project requested by the Programme Operator or other audit bodies. Such request will automatically constitute an unforeseeable circumstance and justify an increase in the price. The Programme Operator and the Project Promoter will communicate on how the change should be implemented in order to avoid a significant increase in eligible expenditure of the project. The process of implementation of the change must comply with the Public Procurement Act.

7.2 Auditing of Public Procurement by Other Audit Bodies

Various national audit bodies may audit the public procurement under national legislation that is not directly related to the implementation of the Financial Mechanisms. Though such audits are not primarily intended to verify eligibility of the financing provided by the Financial Mechanisms, any adverse result of such audits may threaten the financing. Bodies that are most likely to audit public procurement include PPO, NFP, the Financial Control Authority, CA and AA.

An audit by PPO does not need to be initiated by the Programme Operator, the Project Promoter or third parties. PPO may undertake an audit of public procurement by its own initiative under its own audit plan. **The Project Promoter will without undue delay inform the Programme Operator of any notice of a public procurement audit it receives (the foregoing will equally apply to public procurement conducted by project partners)**, unless the audit is initiated by the Programme Operator. The Project Promoter will keep the Programme Operator informed of the course of the public procurement audit and communication with PPO. In such case, the Programme Operator will provide the Project Promoter with assistance in the preparation of the Project Promoter's statements for the interim communication with PPO and the discussion of the audit results.

¹ In this context, "price" refers to the total price of the work.

It should be noted that findings can often be sufficiently explained during the discussion of the report on audit results and, subject to adequate expert argumentation and proper interpretation of the Public Procurement Act, excluded from the report on audit results, which will preclude their undesired impact on the eligibility of expenditure financed by the project grant, or imposition of a financial correction. In order to achieve as favourable result of the audit as possible, the Project Promoter must intensively collaborate with the Programme Operator and inform the Programme Operator of all details of any matters that arise during the audit. **With a view to ensuring effective and appropriate drawing of the project grant, the Programme Operator may employ its expert capacities and previous experience and thus make an essential contribution to a proper preparation of the public procurement related information requested by PPO and the Project Promoter's statements for the discussion of the findings report.**

Where the PPO's finding is clearly evidenced and indicates that the Public Procurement Act was infringed and is not of a subjective nature, the Programme Operator will not provide any assistance to the Project Promoter in the discussion of the finding.

No later than five working days from the receipt of the PPO's statement regarding the discussion of the audit results (i.e. completion of the audit by PPO), the Project Promoter will submit to the Programme Operator the audit report, the Project Promoter's statement concerning the findings, the PPO's opinion following the discussion of the audit report, unless it has submitted those documents within the frame of the previous communication with the Programme Operator. Where the outcome from the audit is a public procurement audit record, the Project Promoter will submit the record to the Programme Operator.

The Project Promoter will proceed in accordance with the foregoing also in relation to public procurement related audits carried out by NFP, Financial Control Act, CA, AA and other audit bodies.

7.3 Collusive Conduct in Public Procurement

Collusion refers to such conduct of entities that leads to limitation of competition or gives rise to doubts as to fairness of competition. Public procurement is the most frequent form of competition. The Project Promoter is required to use all available lawful means to prevent collusive conduct in any form of competition.

For the purposes of the implementation of the Financial Mechanisms, the following two types of collusive conduct are distinguished:

- 1) Collusion that may occur only between candidates
- 2) Collusion that may occur between the Project Promoter/partner and candidates.

7.3.1 Collusive Conduct between Candidates

'Collusion' is understood within the meaning of the definition provided in Act No. 136/2001 on Protection of Competition. The most frequently occurring form of collusion is a cartel agreement made between the candidates with the aim of increasing prices above the level that is commonly available in the market in the place and at the time concerned. A cartel agreement constitutes **impermissible collaboration between the candidates occurring through joint coordination of the course and result of public procurement.** For the purposes hereof, 'candidates' is understood as including also tenderers, as defined in the Public Procurement Act, and potential candidates that have not expressed their interest in participation in the public procurement, because a cartel agreement often involves pre-agreed non-participation of certain candidates or potential candidates in the public procurement.

If the Project Promoter or the project partner possesses any documentary evidence demonstrating actual or suspected collusion, they are required to inform the Programme Operator without undue delay. After examination of the submitted documentation, the Programme Operator will notify the

Project Promoter of its opinion as to whether or not the expenditure relating to the public procurement concerned, or any portion of it, should be considered eligible or the whole output of the public procurement should be deemed ineligible. Based on the Programme Operator's opinion, the Project Promoter may elect whether or not it will annul the call, to the extent it is permitted under the Public Procurement Act. If the Project Promoter disagrees with the Programme Operator's opinion, it may petition the Antimonopoly Office of the Slovak Republic to issue a guidance, provided that the petition must state all observations of the Programme Operator.

The Project Promoter must particularly focus on revelation of any conduct involving cover ridding and/or bid suppression.

The Programme Operator will reduce the project grant and request repayment of any grant previously disbursed, or any portion of it, in the following instances in particular:

1. If the Project Promoter or the project partner have failed to reveal any obvious cases of collusion, including without limitation similarity of unit prices, identical mistakes in pronunciation, similarity of templates, fonts, electronic file metadata, etc.
2. If the Project Promoter and the project partner addressed the candidates/tenderers in a manner allowing the entities to discover participation of the other candidates or participants.
3. If the Project Promoter or the project partner facilitated in any manner whatsoever a personal appointment between the candidates.
4. If a tender was submitted by a candidate that did not receive the tender specifications and the tender specifications were not made publicly available.

The provisions in this section will equally apply to public procurement completed before the signing of the project contract.

For more information, please refer to publications of the Antimonopoly Office, such as Cartel Agreements in Public Procurement, or OECD publications.

<http://www.oecd.org/competition/cartelsandanti-competitiveagreements/fightingbidrigginginpublicprocurement.htm>
(the "Guidelines for Fighting Bid Rigging in Public Procurement" document in particular)
<http://www.oecd.org/daf/competition/cartelsandanti-competitiveagreements/42945536.pdf>

7.3.2 Collusive Conduct between the Project Promoter and Tenderers

This type of collusion occurs between the Project Promoter (as the contracting authority) on the one side and tenderers on the other. It is committed with the aim of increasing prices above the level that is commonly available in the market in the place and at the time concerned. **Such conduct involves impermissible collaboration between contracting authorities and tenderers aiming to mutually coordinate the course and result of public procurement.** 'Contracting authority' in this context includes also a contracting authority and a person referred to Section 7 of the Public Procurement Act, members of the selection committee and the committee evaluating the meeting of the conditions for participation, as well as a qualified public procurement specialist and all other persons or entities (e.g. companies outsourced to manage projects for the Project Promoter) involved in the conduct of the public procurement process or the preparation of the tender specifications. 'Tenderers' in this context include also candidates within the meaning of the Public Procurement Act and potential candidates that have not expressed their interest in participation in the public procurement, because the coordination between participants in public procurement often involves pre-agreed non-participation of certain candidates or potential candidates in the public procurement process.

This form of collusion occurs when the Project Promoter as the contracting authority, in coordination with the other participants in public procurement (whether all or some of them), favours a selected tenderer and discriminates the other tenderers.

The Donor States do not tolerate either this one or any other form of collusion. If identified, **it may lead to complete exclusion of the affected public procurement from the financing** by the

Financial Mechanisms, and occurrence of collusive conduct may result in full cessation of the project financing, Programme Operator's withdrawal from the project contract and a request for repayment of the whole grant.

Importantly, it should be noted that property-based, family or other personal links between legal entities or natural persons may give rise to suspected collusion. The most obvious examples of collusion between the Project Promoter and tenderers would include:

1. A previous contractual relationship between the Project Promoter or a project partner and a tenderer, or a tenderer of a related party that is linked, whether fully or partially, with the subject of the contract. This refers, for instance, to a situation where the tenderer was involved in the preparation of the tender specifications or their part.
2. The tenderer is a person having property-based, family or personal links with the Project Promoter or a partner, whether through employees of statutory bodies.

It is impossible to finance under the Financial Mechanisms any contracts where the Project Promoter and a tenderer are represented in the public procurement by the same natural persons, unless it has been demonstrated that no unlawful advantage was afforded to those persons.

In order to avoid ineligibility of expenditure, the Programme Operator imposes the following obligations (for the sake of comprehensiveness, we list all obligations relating to this topic, whether or not they were mentioned earlier in this text):

1. Public procurement must always be carried out through an open procedure. Any other form of procurement is subject to specific consent of the Programme Operator.
2. The tender specifications must be published and made available in an electronic form.
3. No member of the committee for the evaluation of the meeting of the conditions for participation or the tender evaluation committee may have property-based or personal links with any tenderer.
4. Tenders must be evaluated by way of electronic auction:
 - a) Whenever the subject of the contract is supply of goods;
 - b) Whenever the subject of the contract is performance of services or construction works and the lowest price is an evaluation criterion;
 - c) Insofar as possible, whenever the subject of the contract is performance of services or construction works.
5. The estimated contract value must be updated and published. The Project Promoter must submit the calculation procedure to the Programme Operator before the announcement of the call.
6. A bond may be requested only if it has been specifically approved by the Programme Operator and it must not exceed 5 % of the estimated contract value.
7. The requirements for demonstration of the financial and economic standing may include turnover figures for the most recent three years, provided that the minimum required level of turnover must not exceed three times the estimated contract value. The Programme Operator recommends that the duration of the contract should be taken in account, i.e. the minimum annual turnover requirement should be calculated using the following formula:
estimated contract value / duration of contract performance in months x 3 (the optimum three-fold) x 12 (the number of months per year since the turnover is considered on an annual basis)².

² The most frequent deficiencies in the public procurement process,; Managing Authority of the Operational Programme for Bratislava Region
<http://www.opbk.sk/download.php?FNAME=1266392190.upl&ANAME=Naj%C4%8Dastej%C5%A1ie+nedostatky+vo+verejnom+obstar%C3%A1van%C3%AD.doc> 31

7.4 Electronic Auction

The Project Promoter and the project partner will evaluate the tenders by way of electronic auction:

1. Whenever the subject of the contract is supply of goods;
2. Whenever the subject of the contract is performance of services or construction works and the lowest price is an evaluation criterion;
3. Insofar as possible, whenever the subject of the contract is performance of services or construction works.

The Project Promoter and the project partner will employ electronic auction in the evaluation of tenders irrespectively of whether the Project Promoter or the project partner is a (public) contracting authority or a person referred to in Section 7 of the Public Procurement Act.

Where the evaluation of tenders through electronic auction is impossible, the Project Promoter and the project partner will notify the Programme Operator in advance and give the reasons therefor.

Project Promoters and project partners are required to use the EVO (Electronic Public Procurement) system or a different, commercial electronic system. Where the Project Promoter or a project partner chooses to use a different, commercial system, costs of the purchase of such system will not constitute eligible expenditure, unless the Project Promoter or the project partner is not able to access EVO. The Project Promoter and the project partner will also be required to demonstrate compliance of the commercial system with the statutory requirements laid down in the Public Procurement Act.

7.5 Permitted Public Procurement Procedures

The Project Promoter and the project partner must **designate the subject of the contract in accordance with the project and budget** specifications included in the project application.

For contracts below or above a certain threshold, the Project Promoter and the project partner **are required to employ the open procedure**. Employment of the restricted procedure, negotiated procedure or competitive dialogue is subject to prior consent of the Programme Operator.

7.6 Mandatory Publication

Where the Project Promoter or the project partner is not obligated under the Freedom of Information Act or the Civil Code to publish the contract or amendment concluded, the Programme Operator will publish the contracts and amendments concluded by such Project Promoter or project partner on its website. The Programme Operator will also publish contracts and their amendments, or references thereto, for the persons to which the publication obligation applies.

The provisions in this section will equally apply to public procurements directly related to a project that were completed before the conclusion of the project contract. Direct relation means that at least 25 % of the contract is financed by a project grant.

7.7 Special Requirements for Contracts with Suppliers/Contractors

In addition to standard clauses, all contract made between Project Promoters/partners and successful tenderers as a result of public procurement must contain the following:

1. A provision requiring the supplier/contractor to provide authorised entities with full access to the supplier's/contractor's project-related accounting books and records.

Example:

The supplier/contractor agrees to allow any audit bodies, including the Office of the Government of the Slovak Republic, Ministry of Finance of the Slovak Republic, Financial Mechanism Office, Ministry of Foreign Affairs of the Kingdom of Norway, Financial Mechanism Committee, Office of the Auditor-General of the Kingdom of Norway and other audit bodies and authorities authorised to carry out controls and audits under applicable legislation of the SR and any entities authorised by those authorities to audit any documents related to the performance of this Contract at any time during the mandatory retention period, as provided in applicable legislation of the SR.

2. Identification of the project name and the source of financing, i.e. EEA Grants or Norway Grants and state budget of the SR.

Example:

This Contract is concluded under the "Revitalisation of the Cultural Relic of XY" project financed by the EEA Grants/Norway Grants and the state budget of the Slovak Republic.

3. A provision concerning imposition of a fine on the supplier/contractor and possible enforcement of a claim for damages by the Project Promoter in case of a failure to comply with the requirement for full access to the supplier's/contractor's project-related accounting books and records, or in case it was determined that the supplier/contractor committed conduct in the tendering for the contract that constitutes collusive conduct as described in this Guide or otherwise improperly influenced the selection of the successful tenderer, including without limitation cases when the Project Promoter is required to repay the project grant.
4. Acknowledgement by the Parties of the fact that the contract and any amendments thereto are published on the Programme Operator's websites, eegrants.sk and norwaygrants.sk.

7.8 Economy of Public Procurement and the Result of Public Procurement

Compliance of a public procurement process with the Public Procurement Act does not mean that the expenditure incurred under the contracts made with the suppliers/contractors will automatically be considered economic and eligible.

In order to avoid, to the extent possible, liability to repayment of the project grant or a part of it, NFP imposes the following obligations on Project Promoters and project partners:

1. The estimated contract value must be published in the Contract Notice (or its equivalent according to the Public Procurement Act) and details of the calculation must be provided in the public procurement documentation;
2. Prior to the announcement of the call, the Project Promoter and the project partner must identify the fair market value of the assets to be procured, which price must be applied as the estimated contract value. For contracts for construction works, for instance, a certified construction pricing expert may be hired to determine the fair prices of items in the bill of quantities. Such documents must be made available to audit bodies at their request.

7.9 Special Provisions for Low-value Contracts

For low-value contracts, the Project Promoter must comply with the rules laid down by the law on Public Procurement, must ensure cost-effectiveness of the goods, services or works being procured and refrain from any collusive conduct, as described in Chapter 7.3 hereof this Guide. The Project Promoter and the project partner will not be obligated to submit the documentation regarding low-value contracts to the Programme Operator, unless the Programme Operator so requests in writing or via e-mail. The Programme Operator may audit a low-value contract during the on-the-spot verification.

If a low-value contract **does not exceed 1 000,- EUR** without VAT, this manual provides no additional procedures and rules to be carried out that are defined in the first paragraph of this chapter.

If a low-value contract **exceeds 1,000,- EUR** without VAT (included), it is necessary to carry out market research using the following methods, which do not affect the rules defined in the first paragraph of this chapter.

The Project Promoter must get at least three bids for the purpose of market survey comparison.

The Project Promoter/partner conducts the market survey from Internet browsers, Internet shops, catalogues, price lists or carries out the telephone survey of at least minimum three entities that supply the required goods, services or construction works. Each approached entity must be entered in the Trade Register of the Slovak Republic or the Business Register of the Slovak Republic (or in other registers or lists entitling to perform certain activities) and its objects clause (exercised activity) must be in accordance with the subject matter of contract. The Project Promoter/partner, based on the results of market survey, selects the supplier or contractor that offers the most advantageous quality at the best price (price-quality ratio should be proven as the best in this case).

Market survey should be documented in writing (print the price from the Internet, make a writing record of a telephone conversation with conditions and price or keep the received written bids). The recommended form is to make minutes which contains a description of all steps carried out in the market survey:

- defining the subject matter of the contract (must be clear which item of the project budget is concerned)
- determination of the estimated contract value,
- process of performing the market research (in writing, by phone, Internet, etc.), including date and time and identification data of the person who has carried out the market research,
- information on addressed suppliers, prices display and their comparison or the ratio of quality and price comparison,
- a winner of the market research and justification of the choice including the price adequacy or the price-quality ratio.

Minutes/records from the telephone conversation must include all the information needed for traceability of the offer (in addition to the description of the contract price and the dates, names of responsible persons and their functions, the phone numbers of those persons, etc.).

7.10 Most Frequent Public Procurement Errors

Given the rate and frequency of amendments to not only the Public Procurement Act but also its interpretation, it is not possible to guarantee that the sources referenced in this Guide would be valid throughout the time of implementation of projects; however, the links provided below may help Project Promoters and project partners and focus their attention on the issues of concern in public procurement:

1. A document prepared by the Public Procurement Office: the most frequent infringements of the Public Procurement Act identified by PPO in its exercise of supervision of public procurement <http://www.uvo.gov.sk/najcastejsie-nedostatky-zistene-uvo>. Documents for previous periods are also available.
2. Summary of most frequent errors in public procurement in the Operational Programme

Competitiveness and Economic Growth <http://www.siea.sk/uvod-aktuality/c-1250/upozornenie-na-najcastejsie-chyby-pri-verejnom-obstaravani/>

A number of managing authorities in the system of the structural funds and other instruments of foreign financial assistance have prepared similar documents based on their own experience.

8 SECURITY ARRANGEMENTS AND PROPERTY INSURANCE

The “Financing and Financial Management System of the EEA Financial Mechanism and the Norwegian Financial Mechanism for the Programming Period 2009 - 2014 document provides that: “In order to secure the settlement of any liability of the Slovak Republic towards FMO arising from an irregularity caused by a Project Promoter, or if it can be reasonably expected that a state’s claim arising from an irregularity caused by a Project Promoter would not be settled or is irrecoverable, the national-level settlement of the irregularity shall be made on the basis of a decision of the Minister of Finance through commitment of budget funds under Section 18 of Act No. 523/2004 on the Budget Rules of Public Administration concerning the EEA FM/NFM and state budget funds in the budget heading constituting the budget of the central government body of the Office of the Government of the Slovak Republic which decided about the Programme Operator.”

Further, pursuant to the provision of Section 2 (1) of Act No. 278/1993 on the Administration of State Assets, as amended, state assets are things owned by the Slovak Republic, including funds as well as claims and other property rights of the Slovak Republic. Pursuant to the provision of Section 3 (2) of Act No. 278/1993, the asset manager has the right and obligation to use the state assets for the fulfilment of tasks arising from, or connected with, its respective scope of operation, treat such assets in accordance with the said Act, and maintain the assets in a proper condition and use all available legal means to protect the assets and prevent any loss, misuse or impairment thereof.

In order to comply with this statutory obligation, the Programme Operator will request from a **Project Promoter implementing an investment project** such form of security for liabilities and potential future claims following or arising from the project contract that is able to secure the due and timely implementation of the project and settlement of any Programme Operator’s claim on the Project Promoter as may arise, *inter alia*, from injury to the Programme Operator’s property or breach of obligations under the project contract or any other matters that render the Programme Operator authorised to request repayment of the project grant or a portion thereof **throughout the term of the project contract**.

8.1 Forms of Security for Liabilities and/or Future Claims

The form of security for liabilities and/or future claims requested from Project Promoters by the Programme Operator will be designated in the respective call for projects. Unless the call stipulates otherwise, whenever the project is an investment project, the Programme Operator will request a certain form of security for liabilities and/or potential claims that may arise under the project contract in the future.

The form of security will be determined on the basis of the type of project, and the security requested will be specified in the grant offer. However, the proposed security should already be described in the project application, or the applicant may face a risk that its project application will not be supported or will receive a low rating for the identified project risks.

The Programme Operator as the pledgor agrees to proceed in the enforcement of its claim in such manner that avoids unjust enrichment by the Programme Operator as the pledgor.

To secure liabilities arising from the project contract, the Programme Operator may apply the concept of contractual fine which will be regulated directly in the project contract. The Programme Operator may apply such security arrangement to secure potential claims that may arise under the project contract in the future that request conclusion of a separate agreement with the Project Promoter, or between the Project Promoter and a third party. Such arrangements may include the following:

1. Pledge agreement
2. Bank guarantee

3. Third-party guarantee
4. Other forms of security

The Programme Operator will have the right to refuse the form of security offered by the Project Promoter and request a different form.

8.1.1 Pledge Agreement

The agreement for the creation of pledge ("pledge agreement") will be drafted by the Programme Operator at the Project Promoter's request.

The subject matter of the pledge agreement is creation of a security interest over assets of the Project Promoter, the project partner or third parties to the benefit of the Programme Operator. The pledge agreement will be made between the Programme Operator and the person having ownership or property rights in the collateral, i.e. the Project Promoter, the project partner or a third party. If the person having ownership or property rights in the collateral is other than the Project Promoter, the pledge agreement will be made between all the three parties involved, that is the Programme Operator as the pledgor, the pledgee and the Project Promoter. The Project Promoter, the project partner or a third party may pledge the following assets as collateral:

1. Movable assets purchased wholly or partially from the project grant;
2. Immovable assets purchased wholly or partially from the project grant;
3. Other movable or immovable assets, i.e. things the ownership rights in which have been fully legally settled and the owner and/or all co-owners of a thing are known and the sum of their co-owner shares in the collateralised thing is 1/1.

8.1.2 Bank Guarantee

Where the project grant does not exceed EUR 500,000, the security for the Programme Operator's claims may take form of a bank guarantee. Charges incurred in connection with the bank guarantee are eligible up to 6 % of the total eligible project expenditure. It should be noted in this connection that expenditure will cease to be eligible as of the date specified as such in the project contract and no later than 30 April 2016, unless a later date is specified in the project contract. It follows from the foregoing that a bank guarantee is more of a transient instrument that is particularly usable during the project implementation time. **If the Project Promoter wishes to avoid incurring bank guarantee charges** during the entire sustainability time of the project, gradual transition to the pledge agreement as form of security is advisable.

The amount of the bank guarantee should be determined gradually and with an emphasis on the maximum effectiveness, i.e. the Project Promoter will be required to adjust the bank guarantee before each disbursement of another advance payment. **Charges for modifications of a bank guarantee are eligible.**

8.1.3 Third-party Guarantee

A third-party guarantee is acceptable to the extent the guarantor is an entity by which a claim can be satisfied through the commitment of budget funds under Section 18 of Act No. 523/2004 on the Budget Rules of the Public Administration.

8.1.4 Other Forms of Guarantee

In exceptional cases, the Programme Operator may accept other forms of guarantee, provided they afford sufficient assurance to the Programme Operator that its claims, if any, would be settled.

8.2 Property Insurance

The Project Promoter is required to insure against damage, destruction, loss, theft or other injury any assets that were wholly or partially purchased or recovered from the project grant funds, and such insurance must be obtained immediately after the acquisition or recovery and maintained throughout the term of the project contract.

The Project Promoter will not be required to obtain an insurance cover for such assets purchased from the project grant funds whose unit value is lower than EUR 5,000 and the total value of all such assets is lower than 3 % of the project grant amount or EUR 25,000, whichever is lower, unless the project contract stipulates otherwise. Further, the Programme Operator will not be required to obtain an insurance cover for such assets whose useful life is shorter than one year, unless the project contract stipulates otherwise. However, if any damage, destruction, loss, theft or other injury occurs in respect of such assets, the Project Promoter will be required to adequately substitute such assets from its additional own funds.

9 TIME LIMITS AND COMMUNICATION

9.1 Time Limits

As a general rule applicable to the implementation of programmes of the EEA Financial Mechanism and the Norwegian Financial Mechanism for which the Programme Operator is the Office of the Government of the Slovak Republic, time limits following from the project contract, this Guide and any other legal framework document commence on the date specified in the said documents.

Time limits whose commencement is subject to prior PO's notice requesting certain action commence on the date following the delivery of such notice to the PR. Where the notice was sent both by electronic mail and by post, the time limit commences on the date following the day of receipt of the notice.

The date of delivery of a notice to the Programme Operator is the date when the receipt of the notice was registered at the Programme Operator's Secretarial Office if it was delivered in person or by post/courier.

Time limits concerning the Programme Operator whose commencement is subject to prior delivery of a notice from the Project Promoter commence on the date following the delivery of such notice. Where the notice is to be sent both by electronic mail and by post, the time limit commences on the date following the day of receipt of the notice.

During any time when the approval of PIR or disbursement of the project grant or the implementation of the project is suspended, **time limits concerning the Programme Operator will also be suspended.**

In justified cases, the Programme Operator will have the right to extend all time limits laid down in this Guide, unless they are directly fixed in the text of the project contract.

9.2 Communication

Contact person is a person conducting the **on-going communication with the Programme Operator on day-to-day matters in the project implementation.** Such person may be a Project Promoter's statutory representative. If the contact person is a person other than a statutory representative, such person must be authorised by the statutory representative for the communication and acting in connection with the project being implemented. The authorisation is a condition for the liaison between the contact person and the Programme Operator and without such authorisation the contact person will not be allowed to submit documents to the Programme Operator or correct any deficiencies in such documents.

The Project Promoter is the only entity authorised to act in dealings with the Programme Operator. This means in practice that **the project partner may communicate with the Programme Operator only through the Project Promoter.** But the Programme Operator has the right to communicate with the project partner directly. The project partner is responsible for keeping the Project Promoter informed of such communication.

The following addresses are available for the communication with the Office of the Government of the Slovak Republic as the Programme Operator:
psp@vlada.gov.sk, an address reserved for the submission of PIRs;
eegrants@vlada.gov.sk, an address serving as a general address for other Project Promoter's filings, notices and requests.

The Programme Operator's postal address is as follows:

Úrad vlády Slovenskej republiky
Námestie slobody 1
813 70 Bratislava

Telephone numbers are available at www.eeagrants.sk .

10 PARTNERSHIP

Partnerships established for the project implementation must be in accordance with the approved project application, which must provide appropriate justification and clear definition of the project partner's non-fungible role. The role must not involve provision of services, supply of goods or performance of works for consideration payable by the Project Promoter. The partnership arrangements must reflect applicable rules on state aid.

The implementation of the project is the responsibility of the Project Promoter. The Project Promoter also carries the overall responsibility towards the Programme Operator, which may be proportionally transferred to the partner. **The Programme Operator will enforce all its claims through the Project Promoter, irrespective of the action from which those claims arise and of the project partner's country or legal form.**

A project partner will respect applicable laws in force in the Slovak Republic that govern the use of public funds, unless such legislation is in conflict with the legislation of the project partner's country. The project partner's country is the country where the project partner has its registered office. Where the project partner is an inter-governmental organisation, the project partner is subject to the organisation's regulations only to the extent they are in conflict with applicable legislation of the Slovak Republic.

Where limits for partners' expenditures were specified in the call for projects, such limits must be respected throughout the term of the project implementation.

10.1 Project Partners without Financial Participation

One project may have no more than 10 project partners in total, i.e. partners both with and without financial participation. A partner without financial participation is a project partner that does not contribute to the co-financing of the Project and is not eligible for, and does not draw, any project grant. Unless the call for projects stipulated otherwise, a project partner without financial participation is not subject to the **conditions for applicant's participation**.

A project partner without financial participation will not be required to comply with all provisions of the legal framework for the EEA/Norway Grants, though it must act in such manner that does not threaten the implementation of the project and/or harm the reputation of the EEA/Norway Grants. If the project partner without financial participation acts in a manner that threatens the implementation of the project and/or harms the reputation of the EEA/Norway Grants, the project grant will be reduced by 0 % to 15 % of the awarded project grant amount.

The partnership between the Project Promoter and a project partner without financial participation must be supported by a partnership agreement that does not have to contain the mandatory provisions of a partnership agreement prescribed by the Programme Operator. However, in addition to the standard contractual provisions and provisions listed in Article 6.8 of the Regulations, the partnership agreement must contain the following:

1. An unambiguous reference to the project;
2. Definition of the roles of the parties to the agreement;
3. A provision on the project partner's obligation to refrain from any action that might harm the reputation of the EEA/Norway Grants or threaten the implementation of the project;
4. A provision on the limitation of the project partner's participation in public procurement conducted by the Project Promoter or partners with financial participation in connection with the project.

The partnership agreement **must be submitted to the Programme Operator for approval before the conclusion of the project contract.**

Partner's withdrawal from the project will constitute a significant modification of the project.

11 FINANCIAL AND INFORMATION FLOWS

The project financing is provided through advance payments and/or reimbursements. Payments are disbursed on the basis of a completed Project Interim Report (PIR). Details of the PIR procedures are provided in Chapter 12. PIR must be properly completed, consistent with the actual financial and subject-matter implementation of the project and submitted to the Programme Operator within the prescribed time limit.

11.1 Advance Payments

The amount of advance payments is specified in the project contract and is **fixed**. Except the first advance payment, the Project Promoter becomes entitled to an advance payment if it has **settled at least 50 % of the project grant funds disbursed in the previous reporting periods**.

A simple example of calculating the fourth advance payment claim is as follows:

Project grant disbursed	First advance payment	Second advance payment	Third advance payment
	400,000	200,000	200,000
Project grant settled	First PIR	Second PIR	Third PIR
	300,000	150,000	150,000
TOTAL GRANT DISBURSED	800,000		
TOTAL GRANT SETTLED	600,000		
RESULT	600,000 / 800,000 = 75 % which is more than 50 % of the funds disbursed, i.e. the Project Promoter is entitled to the fourth advance payment		

Unless the project contract stipulates otherwise, the second one and subsequent advance payments are disbursed on the basis of the PIRs which must be submitted together with the settlement of expenditure incurred during the designated reporting period as at the following dates:

- a) Normally no later than **10 June** of a year for the reporting period from 1 January to 30 April;
- b) Normally no later than **10 October** of a year for the reporting period from 1 May to 30 August;
- c) Normally no later than **10 February** of a year for the reporting period from 1 September to 31 December.

Where the project partner is financed through advance payments, the Project Promoter will propose in each Project Interim Report the respective portions of the payment to be allocated to the Project Promoter and each of the partners.

The first advance payment will be disbursed to the Project Promoter's account within 10 working days from the conclusion of the project contract, unless a different date and/or a condition precedent is stipulated in the project contract.

Advance payments will be disbursed up to 90 % of the project grant, unless the project contract stipulates otherwise. The remaining 10 % of the project grant will constitute retention money that will become payable upon approval of the Final Project Report.

When submitted, the PIR is subject to administrative/on-the-spot verification. If the Programme Operator reduces the sum of the settled expenditure on account of, for instance, identification of ineligible expenditure and such reduction renders the Project Promoter not entitled to disbursement of an advance payment according to the rules laid down in this section of the Guide (the table in the Example), no advance payment will be disbursed. The Programme Operator will notify the Project Promoter accordingly.

11.1.1 Repayment of an Advance Payment

The Programme Operator will request the Project Promoter to repay the advance payment in the following cases in particular:

1. If any funds remained unsettled after the last PIR was submitted, i.e. there is a positive difference between the disbursed grant and the settled expenditure.
2. If more than 10 % of the disbursed grant remained unsettled over two reporting periods, which the Programme Operator attributes to Project Promoter's omission.
3. If the Programme Operator has suspended the financing of the project or decided that the project be prematurely terminated.
4. If the Programme Operator has decided to impose a financial correction that causes the sum of the disbursed advance payments to exceed the amount of the awarded project grant after deduction of the financial correction.

The Programme Operator will send to the Project Promoter a request for repayment according to the template provided in the Guideline of the Ministry of Finance of the SR No. 1/2012-U on the Forms to Be Used under the EEA Financial Mechanism and Norwegian Financial Mechanism for the Programming Period 2009 - 2014, and the Project Promoter will transfer the funds to the account specified in the request no later than 30 working days from the receipt of the request for repayment.

11.2 Extraordinary Advance Payments

An extraordinary advance payment may be provided particularly in cases when deficiency of funds in the project account threatens the Project Promoter's liquidity, achievement of the project outputs or successful completion of the project outputs, or may lead to imposition of sanctions on the Project Promoter. There is **no automatic entitlement** to an extraordinary advance payment, which means that the award thereof is fully at the Programme Operator's discretion. When making its decision, the Programme Operator will make sure that the disbursement of the extraordinary advance payment does not threaten liquidity of the Programme Operator itself and that the disbursement is inevitable.

As a precondition for the disbursement of an advance payment, the Project Promoter will complete and submit the last PIR (unless it was already submitted), a current bank account statement, a current list of accounting documents and copies of the relevant pages of the general ledger relating to the settlement of the expenditure incurred as at the current date.

The extraordinary advance payment will be counted towards the grant disbursed, i.e. disbursement of the next advance payment will be conditional on settlement of at least 50 % of the previously disbursed amounts of the grant.

As regards administrative requirements, the Project Promoter's request for extraordinary advance payment must be submitted in writing and signed by a statutory representative. If the Programme Operator decides to disburse the extraordinary advance payment, it will use the PIR form and indicate in it that the payment was an extraordinary advance payment.

11.3 Reimbursements

The reimbursement system may be used:

- If the Project Promoter or the project partner did not have enough cash from an advance payment in the project account at a certain time to be able to cover a financial transaction;
- For expenditure that the Project Promoter or the project partner first paid from its additional own funds and subsequently reimbursed from the project account;
- For the payment of the last 10 % of the project grant;
- As the sole system of financing employed.

The first two cases are referred to as a combined financing system.

11.3.1 Reimbursement as the Combined Financing System

The Project Promoter and the project partner will distinguish between advance payments and reimbursements only in respect of the list of accounting documents enclosed with a PIR. When claiming a next payment through a PIR, the Project Promoter will not make any differentiation between advance payment and reimbursement and will merely claim an advance payment, part of which will subsequently be used for reimbursement of expenditure paid from its additional own funds, unless the Project Promoter or the project partner have so done previously.

The use of the combined system is subject to the following rules:

1. Where the Project Promoter or the project partner has the advance payment funds available in the project account at a certain time, payments to suppliers, contractors and employees must be made directly from the project account.
2. The limitation stipulated in paragraph 1 above will not apply to reimbursements for travel expenses, cash payments up to EUR 300 or pro-rata expenditure, i.e. expenditure of which only a pro-rated portion is eligible, such as indirect costs, pro-rata wage payments, etc.

The Project Promoter and the project partner will have the right to have their **total eligible expenditure** paid from other accounts or in cash reimbursed no more than once a month.

11.3.2 Reimbursement as the Sole Financing System

Reimbursements will be used as the sole system of financing if the Programme Operator has so determined in the call for projects. The Programme Operator may determine in the call that the reimbursement system would apply only to some Project Promoters or project partners. A Project Promoter may determine in the partnership agreement that its project partners will be paid through reimbursements.

The employment of reimbursements as the sole financing system means that the Project Promoter and the project partner may pay their expenditures from an account other than the project account while the project account will be primarily used for the receipt of the project grant funds and reimbursements for expenditures paid from the other Project Promoter's and project partner's accounts, i.e. not for the transfer of payments to suppliers, contractors and employees. The cash payment limitation will equally apply to reimbursements used as the sole financing system, i.e. a cash expenditure must not exceed EUR 300. Further, the rule will apply that the Project Promoter and the project partner should not transfer their own funds, i.e. the mandatory co-financing, to the project account. No retention money will be withheld.

11.4 Project Co-financing from Project Promoter's Own Funds

The Project Promoter is required to transfer its own project co-financing funds to the project account no later than 7 days after the receipt of each advance payment. The amount of those funds will equal to the percentage of advance payment determined in the project contract.

Where the project partner uses the advance payment system, it must transfer its co-financing funds determined in the partnership agreement to the project account within the same time limit.

The Project Promoter is required to transfer the portion of the advance payment approved for the project partner by the Programme Operator to the project partner's account designated in the partnership agreement within the same time limit.

11.4.1 In-kind Contributions

Co-financing taking form of in-kind contributions is available only to non-profit, non-governmental organisations and social partners, and only to those programmes for which in-kind contributions were allowed in the call for projects, and is limited to 50 % of the total project co-financing. According to the Regulations, 'non-governmental organisation' is "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-government organisations".

This means in practice that organisations in which decision-making powers are held by central, local or regional government bodies will not have the non-governmental organisation status. Also, organisations in which decision-making powers are held by commercial organisations will not have the non-profit organisation status. Since these arrangements are not supported by legislation of the Slovak Republic, **the determination of whether or not an organisation is a non-governmental organisation within the meaning of the Regulations will be made by the Programme Operator.** Organisations may have income from business operations; however, at the same time there must be a law or an internal document ordering that the organisation must use any profit for financing its non-profit activities. If the Programme Operator determines that the organisation requesting in its project application the possibility of co-financing the project through in-kind contributions is not a non-government organisation within the meaning of the Regulations, it will offer to the applicant the possibility to co-finance the project through monetary contributions. The fact alone whether or not the organisation properly classified itself as a non-government organisation according to the criteria stipulated in the Regulations will, therefore, not constitute provision of false information. The Project Promoter concerned will have the possibility to provide the whole co-financing in form of money.

Social partners are trade unions and employer's unions and associations.

The conditions concerning the Project Promoter's status and the in-kind contributions option will be determined during the project contract approval and signing process.

The methodology to be used for the calculation of an in-kind contribution is provided in Annex 4 hereto.

12 PROJECT INTERIM REPORT

The Project Promoter will make the settlement of project grant disbursements through the Project Interim Report (PIR), as set out in Annex 2 hereto. The Project Promoter will complete the PIR form in the NGIS system. Submission of PIR means posting it in NGIS.

Unless the project contract stipulates otherwise, the PIR submission deadlines are as follows:

- a) For the reporting period from 1 January to 30 April: normally 15 May of the current year;
- b) For the reporting period from 1 May to 31 August: normally 15 September of the current year;
- c) For the reporting period from 1 September to 31 December: normally 15 January of the next year.

If the Project Promoter fails to submit PIR within the designated time limit, the Programme Operator will have the right to not disburse the payment.

No later than 10 working days after the receipt of PIR, the Programme Operator will carry out the administrative verification and, where appropriate, request the Project Promoter to correct any deficiencies. The Project Promoter is required to submit the completed PIRs as follows:

- a) For the reporting period from 1 January to 30 April: normally before or on 31 May of the current year;
- b) For the reporting period from 1 May to 31 August: normally before or on 30 September of the current year;
- c) For the reporting period from 1 September to 31 December: normally before or on 31 January of the next year. This PIR will be extended by addition of certain information and constitute the Annual Project Report.

The extended version will serve as the Annual Project Report.

'Complete PIR' means PIR which is in the Programme Operator's opinion free of any deficiencies. If the Project Promoter fails to submit the complete PIR within the designated time limit, the Programme Operator will have the right to not disburse the payment. The expenditure for the reporting period concerned will be settled by the Project Promoter in the next PIR, which will cover also the previous reporting period.

If the Project Promoter fails to submit a complete PIR for two consecutive reporting periods, the Programme Operator will have the right to request repayment of the whole project grant sum previously disbursed and terminate the project.

The Project Promoter will print the complete PIR, indicate the submission date on it and cause it to be signed by its statutory representative, and submit such documentation to the Programme Operator and, if so requested, to NFP, CA, AA, FMO, NMFA, FMC and entities appointed by them, and other audit bodies and bodies authorised to execute audits and controls under applicable legislation of the SR (hereinafter referred to as "Audit Bodies")

12.1 Enclosures of Project Interim Report

The Project Promoter will enclose with the electronic PIR form the following enclosures:

1. A list of accounting documents for the expenditure incurred in the reporting period concerned;
2. Copies of the relevant general ledger pages relating to the accounting for the expenditure incurred;
3. A statement of the Project Promoter's project account for the reporting period concerned from which all expenditure incurred and payments made in the reporting period can be precisely established.

4. The report from independent and certified auditor for the expenditure of the project partners from donor countries, where applicable.

Based on the administrative verification, the Programme Operator will have the right to request the Project Promoter to submit additional documents.

12.1.1 List of Accounting Documents

The list of accounting documents will constitute an integral part of PIR and its submission will serve the purposes of allocating the different expenditures incurred during the reporting period to the months, budget items and sub-items and further subordinated items, and the project outcomes.

12.1.2 Declaration of Expenditures in PIR

Expenditures will be declared in PIR on the basis of the sums shown on the accounting documents. Where only a portion of the sum indicated in the accounting document is claimed as eligible expenditure, only that partial sum will be entered in PIR. It is advisable to sort the documents by date of payment from the earliest to the most recent date of the reporting period concerned.

The following terms should be clarified for the purposes of this Chapter:

Expenditure in progress is expenditure in respect of which the underlying supply or the financial transaction has already been commenced.

Expenditure incurred is expenditure for which both the underlying supply and the financial transaction have been completed.

Supply underlying expenditure is the delivery of goods, services or works.

Financial transaction of expenditure is the transfer of funds to the supplier/contractor/employee accounts in payment for the goods, services and works supplied, irrespective of whether the payment was made from the project account or another account of the Project Promoter or the partner. The decisive date is the date when the payment was sent to the supplier/contractor/employee.

Effective date of expenditure is the date when both the financial transaction and the underlying supply have been completed.

In terms of time, expenditure declared in PIR will be allocated to a month as follows:

1. Expenditure paid from the project account directly to the supplier/contractor account will be allocated to a PIR month according to the effective date of expenditure as follows:

- based on the date the money was debited from the Project Promoter's/partner's project account if the supply underlying the expenditure preceded the financial transaction;
- based on the date of the delivery of goods, works or services if the financial transaction of the expenditure preceded the supply.

2. Expenditure paid from other Project Promoter's/project partner's account will allocated to a PIR month as follows:

- based on the date the money was debited from the Project Promoter's/project partner's account from which the payment is made if the supply underlying the expenditure preceded the financial transaction;
- based on the date of the delivery of goods, works or services if the financial transaction of the expenditure preceded the supply.

3. Expenditure paid in cash will be entered in PIR according to the date of the payment to the supplier/contractor/employee.

Where the underlying supply and the financial transaction of expenditure supported by a single accounting document were split into several parts, or payments on account were settled through a single accounting document, the expenditure and the document will be allocated to the month when the last underlying supply/financial transaction of the expenditure was effected.

Expenditure for which the underlying supply was completed but the financial transaction was not completed as at the last date of the eligibility period will be allocated by the Project Promoter in the list of accounting documents to the last month of the eligibility period, subject to the rule that the invoice for the financial transaction must be issued during the last month of the eligibility period and the financial transaction of the expenditure concerned must be terminated within 30 calendar days from the last date of the eligibility period.

Expenditure that was not settled by the Project Promoter within the reporting period in which it was incurred may be included only in the PIR for the next reporting period. The foregoing will not apply to situations when the approval of the expenditure or PIR was suspended. In justified cases, particularly where the project implementation could be threatened because of the amount of the expenditure, the Programme Operator may permit the inclusion of the expenditure concerned in a subsequent PIR. In such case, the date of the financial transaction of the expenditure to be indicated in the list of accounting documents is the first day of the first month of the reporting period of the PIR in which the expenditure is declared. The Project Promoter will indicate in a remark the actual date of the financial transaction/underlying supply of the expenditure and the reason for the additional inclusion in PIR.

Example 1: A foreign business trip was undertaken in May. The settlement of travel expenses was made in June, but the employee still has not received the whole sum to which he/she was entitled. In such case, the expenditure will be included in the accounting documents for July when the employee has received the full reimbursement.

Example 2: In December, the employer paid to an employee a portion of his/her pay as an advance for the pay. The social insurance and health insurance contributions and tax were paid in January. The remaining portion of the pay was disbursed in February. The expenditure will be allocated to February, the month when the remainder of the pay was disbursed.

Example 3: The Project Promoter received an advance invoice for gas for the first quarter of 2012. The Project Promoter paid the invoice in January 2012. The expenditure will be included in PIR only after the completion of the underlying supply (of gas). The effective date of the expenditure will thus be 31 March 2012.

Example 4: The Project Promoter concluded an insurance contract for the calendar year 2016. The premium was paid in May 2016. The eligibility period ends on 30 April 2016. The effective date of the expenditure will be 30 April 2016. In this case the Project Promoter may claim only a pro-rated portion of the premium.

Example 5: The Project Promoter unintentionally omitted in PIR expenditure of EUR 750 for purchase of equipment. The expenditure was incurred on 28 April 2012. The Project Promoter will have the right to include the expenditure in PIR for the next reporting period and the date of the financial transaction will be 1 May 2012.

12.2 Financial Settlement

After the submission of the PIR in which the Project Promoter declares the completion of the Project, the Project Promoter will complete the extended PIR form, which will serve as the Final Project Report. If the Project Promoter has not settled the entire project grant, the Project Promoter will enclose with the PIR a completed request for repayment according to the template provided in the

Guideline of the Ministry of Finance of the SR No. 1/2012-U on the Forms to Be Used under the EEA Financial Mechanism and Norwegian Financial Mechanism for the Programming Period 2009 - 2014.

The Project Promoter will submit the completed Final Project report within 30 working days from the date the extended PIR form was made accessible to it in NGIS. The Project Promoter will repay any unsettled funds requested by the Programme Operator, including those of the project partner(s), within fifteen working days.

Where the Project Promoter has settled more than 90 % of the project grant, after the approval of the final project report, the Programme Operator will transfer to the Project Promoter the amount of retention money calculated as the difference between the sum of the settled expenditure and the total project grant awarded.

No retention money will be withdrawn if the reimbursement system is used as the sole financing system.

Concurrently with the repayment of funds, the Project Promoter will also transfer to the accounts designated by the Programme Operator any gains on interest; the foregoing is subject, however, to procedures described in a specific Chapter since each of the repayment of interest and repayment of unsettled funds involves an entirely different procedure.

12.2 Programme Operator's Decision-making on PIR

The Programme Operator will make its decision regarding a PIR within fifteen working days from the submission of the complete PIR. The Programme Operator may:

- a) approve the PIR; or
- b) approve the PIR with a reduced amount; or
- c) suspend the approval of the PIR; or
- d) reject the PIR.

12.3.1 Approval of PIR

If the Programme Operator identifies deficiencies in PIR or its enclosures, or determines that additional documents should be submitted, the Programme Operator will request the Project Promoter electronically to correct the deficiencies or submit the additional documentation within 5 working days. The Programme Operator may request submission of such documents that are related to the Project, and determine whether they should be submitted in a hard-copy form or via electronic mail. If PIR does not contain deficiencies, or deficiencies have been corrected, the Programme Operator will approve the Project Interim Report.

12.3.2 Approval of PIR with a Reduced Amount

Approval of PIR with a reduced amount may mean:

- 1) Reduction of the declared expenditure;
- 2) Refusal of the payment.

In the first case, before approving the PIR with a reduced amount, the Programme Operator must inform a statutory representative of the Project Promoter of the Programme Operator's intention to reduce the declared expenditure and grant to the Project Promoter a time limit five working days within which it may request the Programme Operator to reconsider its intent. Within that time limit, the Project Promoter may submit to the Programme Operator documents supporting the eligibility of the expenditure.

The principle applies that **the documentation of a single PIR may be supplemented no more than twice**. The first submission of additional documentation may be made on the basis of the request for correction of deficiencies and provision of additional documentation, and the second one may be made on the basis of the Programme Operator's notice of its intent to reduce the declared expenditure. The Programme Operator may decide to inform the Project Promoter of the intent to reduce the declared expenditure without requesting additional documentation or insisting on correction of deficiencies. In such case, the Programme Operator will nevertheless be obligated to inform the Project Promoter of the intended reduction of the declared expenditure and grant to the Project Promoter a time limit of five working days to file a request for reconsideration of the intended reduction.

12.3.3 Suspension of the Approval of PIR

The Programme Operator has the right to suspend the approval of PIR in the following cases in particular::

- a) The disbursement of the project grant to the Project Promoter under the project contract has been suspended. PIR will be suspended during the time of the suspension of project grant disbursements;
- b) In conflict with the project contract/Public Procurement Act, the goods, services or works to which the expenditure declared in the PIR relates were not procured through public procurement or in accordance with the project contract and/or the Public Procurement Act and/or this Guide;
- c) The Project Promoter and/or its suppliers/contractors did not obtain necessary permits, authorisations or certificates required for the project related activities under applicable legislation, or the permits, authorisations or certificates have been lost or have not become enforceable, valid or effective;
- d) Other serious reasons preventing approval of the PIR (for instance, pending opinions of third parties as sponsors of laws).

A PIR may be suspended under paragraph b) until a supplier/contractor has been selected in accordance with the procedures prescribed in the project contract and the Public Procurement Act and this Guide. If any ineligible expenditure is identified, the notice of suspension of the PIR approval will indicate the amount of expenditure to be classified as ineligible. The Project Promoter will be granted a time limit of five working days to communicate its reason for which it disagrees with the suspension of the PIR approval.

A PIR will be suspended under paragraph c) until all necessary permits, authorisations or certificates required for the activities related to the expenditure have been issued to the Project Promoter or its supplier/contractor. The notice of suspension of the PIR approval may state a time limit within which the necessary permits, authorisations or certificates must be obtained in order to avoid termination of the project by the Programme Operator.

If the suspension of the PIR approval extends beyond two reporting periods, NGIS will generate a new PIR where the periods will be merged. The previous PIR will be rejected. No more than three reporting periods can be so merged.

12.3.4 Rejection of PIR

The Programme Operator will have the right to reject a PIR in the following cases in particular:

- a) The PIR was not submitted by an authorised person being a statutory body of the Project Promoter, or a person authorised thereby;
- b) In conflict with the project contract/Public Procurement Act, the goods, services or works to which the expenditure in the PIR relates were not procured through public procurement, or the public procurement process was not conducted in compliance with this Guide;
- c) A portion of or whole expenditure is included in the PIR that was classified as ineligible in connection with the previous PIR;

- d) The PIR or other documents are completed improperly and the correction of deficiencies would take more time than the preparation of a new PIR;
- e) A fraudulent intent has been evidenced (false documents, an unauthorised bank account, fictive activities, and similar conduct aimed at gaining an unlawful benefit). In such case, the Programme Operator will request repayment of the whole project grant amount previously disbursed;
- f) Premature termination of the project.

The Programme Operator will state in the notice of rejection of the PIR the reasons for the rejection and further action, such as measures to be taken before the submission of the next PIR, where applicable.

12.3.5 Suspension of Approval of PIR Expenditure

The Programme Operator may decide to suspend the approval of a specific expenditure included in PIR until eligibility of the expenditure is clarified. If repeated inclusion of the expenditure is allowed, the Project Promoter will allocate the expenditure to the first month of the PIR reporting period in which the Programme Operator made the decision on eligibility of the expenditure. The Programme Operator will apply the aforesaid procedure in those cases in particular where the cumulative sum of such expenditure and any other related future expenditure does not exceed 25 % of the project grant, unless the conditions for suspension or termination of the project implementation by PO's decision are met.

Such expenditure must be included in PIR no later than 12 months from the date it was incurred.

12.3.6 Suspension of Disbursement of the Project Grant

Suspension of the disbursement of a project grant aims to protect public resources by stopping any further payment to the Project Promoter or project partner until the unlawful situation has been remedied, or the requested funds have been repaid by the Project Promoter, or the situation in issue has been resolved by way of, for instance, a request for methodological guidance by a competent entity or audit by a competent entity.

The Programme Operator will inform the Project Promoter or the project partner of the suspension of the disbursement of the project grant in writing, stating the reasons for the suspension of the disbursement as well as the time limit within which documents should be submitted that will allow the Programme Operator to examine whether or not the reasons for the suspension of the disbursement ceased to exist or were remedied. As a general rule, the time limit should not be longer than 8 months from the sending of the notice to the Project Promoter.

Suspension of the disbursement of the project grant will not relieve the Project Promoter and project partners from the obligation to continue the implementation of the Project and submit PIRs!

If the reasons for suspension of the disbursement of the project grant persist after the expiry of the time limit determined by the Programme Operator, the project will be terminated in a manner described in Chapter 13. In exceptional cases, including without limitation when the time limit was not complied with because of omission on the part of the Project Promoter or the project partner and the Project Promoter or the project partner have continued to implement the project in accordance with the pre-defined time plan, the Programme Operator may extend the time limit up to 12 months from the sending of the first notice of suspension of the project financing by the Programme Operator.

12.3.7 Suspension of the Project Implementation

If the disbursement of the project grant has been suspended, the Programme Operator may also request suspension of the project implementation, particularly in cases when the project

implementation harms the reputation of the EEA Grants/Norway Grants, threatens a public interest, is or might be harmful to population's health or cause damage to property, or in other similar cases.

Suspension of the project implementation means that the Project Promoter must discontinue the project implementation, even if it is financed from its own funds. During the suspension of the project implementation, the time limits applicable to the Project Promoter and the project partners will be suspended, though the project must be completed no later than the deadline specified in the project contract. The time limits will apply identically to suspension of the disbursement of the project grant.

Suspension of the project implementation may also be partial, i.e. only certain project outcomes, outputs or expenditure will be suspended.

13 TERMINATION OF A PROJECT

A project may be terminated by due completion, prematurely or after the designated date. Termination of a project may occur during the project implementation or the project sustainability period, that is at any time during the term of the project contract.

13.1 Termination by Due Completion

Due completion of a project means a situation when all required project outcomes, outputs and indicators have been achieved and the Project Promoter and the project partner have achieved all outcomes, outputs and indicators on or before the designated date. Therefore, if the project outcomes, outputs and indicators were achieved, termination of the project before the designated date will constitute a controlled project modification that is liable to reporting only though a completed PIR.

13.2 Premature Termination

A project may be terminated prematurely for a number of reasons that can be divided into three categories:

1. Termination of the project at the Project Promoter's request
2. Termination of the project by agreement between the parties
3. Termination of the project by decision of the Programme Operator

13.2.1 Termination of the Project at the Project Promoter's Request

The Project Promoter may initiate termination of the project only in appropriately justified cases, including without limitation:

1. Bankruptcy of the Project Promoter has occurred;
2. Bankruptcy of the Project Promoter has occurred or will occur and this situation poses a threat to the implementation of sustainability of the project.

As of the sending date of the petition for termination of the project, the Project Promoter and the project partners will refrain from executing any transactions over the project account. The petition must contain a proposed time limit for the completion of the project outputs in progress as well as an overview of the project outputs, outcomes and indicators achieved, along with the sum of total eligible expenditure and the amount of the project grant drawn as at the sending date of the petition for termination of the project. The Programme Operator may request that the project grant or a part of it be repaid to the extent the project outputs, outcomes and indicators actually achieved are not sufficient to fulfil the defined purpose.

A project may be terminated at the Project Promoter's initiative either by agreement (refer to the next Subchapter) or by unilateral withdrawal by the Programme Operator from the project contract (refer to Subchapter 13.2.3).

13.2.2 Termination of the Project by Agreement between the Parties

The agreement between the Programme Operator and the Project Promoter must be executed in writing and it will terminate the rights and obligations of the Programme Operator and the Project Promoter and the project partners relating to the project. One typical example of agreement on

termination of a project is a situation when the Project Promoter failed to commence the project implementation within the designated time limit.

A project may be terminated through this procedure only if no portion of the project grant has been disbursed yet, or the Project Promoter agreed to repay the whole amount of the project grant previously disbursed to the Project Promoter and the project partners by the Programme Operator.

13.2.3 Termination of the Project by Decision of the Programme Operator

The Programme Operator may decide that the project should be terminated in the following cases:

1. Where the Project Promoter or the project partner does not fulfil its obligations under the project contract despite the Programme Operator's notice to that effect. In such case, before issuing the termination decision, the Programme Operator will grant to the Project Promoter a grace period of 30 calendar days to remedy the situation.
2. If the Project Promoter or a project partner or persons acting on their behalf acted in a manner that is inconsistent with the principles of transparency and good morals or otherwise harms the reputation of the EEA/Norway Grants. Such conduct will include, without limitation, the following:
 - 1) The Programme Operator has found out that the information provided to or through the Project Promoter on the basis of which the project was approved was incomplete or false;
 - 2) The Programme Operator has found out that the expenditure declared in PIR is not recorded in the Project Promoter's or project partner's accounting, or that credit notes were issued and not reported to the Programme Operator;
 - 3) The Programme Operator has found out that a supplier/contractor does not keep in its accounting an accounting document and the underlying payment through which the Project Promoter or a project partner settled the project grant or a part of it;
 - 4) The Programme Operator has found out that the Project Promoter or a project partner accepted a gift or any other pecuniary or non-pecuniary benefit from tenderers or candidates, or was involved in collusion, in a public procurement process, or otherwise materially violated the rules on public procurement;
 - 5) The Programme Operator has found out that the Project Promoter or a project partner was involved in illegal employment;
 - 6) If FMC or NMFA so decided.

In the cases referred to above, the Programme Operator will request the Project Promoter to repay the whole amount of the project grant previously disbursed, or a portion of it. After the repayment of the funds, the project will be terminated by agreement between the parties. If the Project Promoter fails to repay the funds, the Programme Operator will have the right to satisfy its claim through the exercise of its security interest and refer the case to the competent Financial Control Authority for initiation of the administrative procedure, and call on the guarantee. When the administrative procedure has been completed, the Programme Operator will send the Project Promoter a notice of withdrawal from the project contract.

13.3 Termination of the Project after the Designated Date

A project must be completed no later than one year from the planned project termination date designated in the project contract and in any case no later than 30 April 2016, unless the project contract, the Programme Agreement or the Regulations stipulate otherwise.

In duly justified cases, particularly those related to reasons beyond reasonable control of the Project Promoter or the project partner, the project implementation time may be extended, subject to approval of the Programme Operator and the **FMC/NMFA**. Reasons justifying extension of the project implementation time may include, without limitation, those caused by force majeure and cases where administrative proceedings or judicial proceedings have been underway in connection with the project.

13.4 Project Savings

As a general rule, any project savings will be reused for the purposes of the project. If any savings are generated in the project implementation, the Project Promoter may propose modification of the project, which should primarily be targeted at increasing those indicators that are binding upon the Programme Operator at the programme output level. Project savings can be considered only if the indicators set for the output to which the expenditure relates were achieved.

14 PROJECT MODIFICATIONS

Modifications of a project may be classified into those preceding the project approval, major project modifications, minor project modifications and monitored project modifications. Major project modifications are changes directly affecting the text or provisions of the project contract. Minor project modifications are changes amending the information included in the project application which is not included in the project contract. Minor project modifications are also subject to approval by the Programme Operator. Therefore, **the minor nature of a modification does not mean that the modification does not require approval by the Programme Operator**; such modification just does not necessitate execution of an amendment to the project contract. Minor project modifications are defined as changes that modify the text of the project application but do not modify the text of the project contract.

Entities entitled to propose a project modification include in particular the Project Promoter, a project partner (through the Project Promoter), the Programme Operator and FMC/NMFA or institutions appointed by them. Where it is not clear if the modification is minor or major, the modification will be considered to be major.

Except for modifications preceding the project approval and modifications ordered by the Programme Operator, the project modification application will be submitted by the Project Promoter using the form set out in Annex 6 to this Guide. The form must be submitted electronically.

14.1 Modifications Preceding the Project Approval

Modifications preceding the project approval are modifications ordered or proposed by the Project Promoter. Such modifications may include only correction of obvious and administrative errors.

Corrections of obvious and administrative errors include in particular corrections in the project budget, corrections of obvious errors in the project indicators or project outputs, etc.

Such modifications will be made by way of adjustment of the previously submitted project application, provided that the new submission must be identified by a new project application version (e.g. 1.1, 1.2 etc.).

14.2 Major Project Modifications

Major project modifications are subject to execution of a written amendment to the project contract which must be published in the Central Contract Register (CCR). Major project modifications will come into effect on the day following the publication of the amendment in CCR at the earliest, i.e. any major project modifications may be implemented only after the publication of the amendment in CCR. It follows from the foregoing that major project modifications cannot be approved retroactively. Such modifications must be proposed by the Project Promoter in advance and may be implemented only after the coming into effect of the amendment on the day following its publication in CCR, unless a later date is specified in the amendment itself.

Major project modifications must be properly justified and their implementation will be subject of decision by the Programme Operator. The Programme Operator may approve or reject the project modification proposal submitted by the Project Promoter, or order a project modification. If the Project Promoter proposes a project modification that affects also the project partners, written consent of the partners will be required.

The Programme Operator will make the decision on the project modification no later than thirty working days from the receipt of the complete documentation concerning the project modification. If

the Programme Operator approves the project modification, the notice of approval of the project modification sent by to the Project Promoter will be accompanied by a draft amendment to the project contract. The Project Promoter is required to sign and deliver the amendment to the project contract no later than fifteen working days from the receipt of the draft amendment, unless the Programme Operator has specified a different time limit. The disbursement of the project grant as well as the approval of the current PIR will be **automatically suspended** during the approval of major project modifications.

Major project modifications will include, without limitation:

- a) Change of the project implementation time;
- b) Change of the project sustainability conditions;
- c) Change of the project grant and the co-financing;
- d) Change of the project outputs, outcomes and indicators;
- e) A substantial change in the financial plan;
- f) Changes in the security arrangements;
- g) Change of the Project Promoter's project account;
- h) Change of the Project Promoter's or project partner's legal form;
- i) Other changes relating to the partnership;
- j) Changes relating to the result of public procurement;
- k) Change of the Project Promoter's VAT status;
- l) Other changes affecting the text of the project contract.

In addition to the project contract, information in the project application will also be amended and the project application form will be assigned a new number (e.g. 2.0, 3.0 etc.).

14.2.1 Change of the Project Implementation Time

Project implementation time means the period of time specified as such in the project contract. Such period is normally identified in the project contract by the starting and ending dates of the project related spending.

Change of the project implementation time will not be deemed a major modification if the starting date of the project implementation changes by less than four months as compared to the date specified in the project contract, or the ending date of the project implementation changes by less than one calendar year as compared to the scheduled project completion date specified in the project contract.

If the ending date of the project implementation changes by more than one calendar month and extends beyond the ending date of the eligibility period specified in the Regulations, the change approval will be subject to consent of the Donor States, acting through FMC/NMFA, based on a request of the Programme Operator and NFP.

14.2.2 Change of the Project Sustainability Conditions

Project sustainability conditions include, without limitation, the project sustainability time and the project indicators that must be met throughout the project sustainability time.

The project sustainability time may be reduced in duly justified cases, however it must not be shorter than the timer specified in the call.

Changes in indicators are governed by Chapter 14.2.4.

14.2.3 Change of the Project Grant and the Co-financing

Decisions concerning any change of the project grant and the co-financing will be made by the Programme Operator. Project Promoters' proposals for change of the project grant will not be

accepted. A project grant may be increased only if the Programme Operator reallocates funds decommitted under the programme as a whole according to the Programme Operator's own internal procedures. In such case, the Programme Operator may invite the Project Promoters to submit proposals for additional project related activities.

The indented reduction of the project grant will be notified by the Programme Operator to the Project Promoter in advance, and the Project Promoter will be granted a time limit of fifteen working days within which it may request the Programme Operator to reconsider its intent and give the reasons therefor and submit additional documentation, if appropriate.

The distribution of the project grant between the Project Promoter and the project partners will be fixed and can be changed only in case of a change in the partnership or if savings were obtained in the project.

Changes regarding the co-financing may be effected at the Project Promoter's request, provided that such changes are limited to modification of the distribution of the mandatory co-financing between the Project Promoter and the project partners. Such modification is subject to written consent of the partners concerned.

14.2.4 Change of the Project Outputs, Outcomes and Indicators

The **outputs and outcomes** of the project may be changed only if the Project Promoter or the project partner has demonstrated that it is unable to fulfil them for reasons other than its own fault. As the portion of expenditure related to the affected project outputs and outcomes will not be incurred in such case, such change will entail change of the project grant.

Where the change of the project output and outcome is limited merely to a change in the name while the content remains the same, such change will constitute a minor project modification.

A failure to meet³ an indicator is considered a major project modification!

When proposing project modifications relating to **indicators** at the level of an **objective** and **outcome** of the project, it must be remembered that the Programme Operator is required to guarantee achievement of those indicators at the level of the entire programme and, therefore, proposed modifications that entail a negative impact on the achievement of the indicators will most likely be rejected. The Programme Operator may impose on the Project Promoter an obligation to finance the project from its own funds in order to meet the indicators. Where this is not possible, the failure to meet an indicator will result in repayment of the funding and reduction of the project grant. The Programme Operator will request the PR to repay a prorated portion of the project grant allocated to the financing of the affected output or outcome of the project, which proportion will be calculated as follows:

Output	Indicator	Planned value	Actual value	Grant for the output	SUM TO BE REPAYED
Organisation of training courses	Number of training courses organised	30	15	EUR 150,000	

It should also be noted that a failure to meet an indicator at the level of an objective or outcome of the project, i.e. a superior level, will have more serious financial consequences (since, as a logical result, more funds will be expended on the project objective or outcome than the project outputs).

³ Some indicators are based on reduction in the actual value (such as reduction of emissions by XX ton) and, therefore, for the sake of simplifications, the performance against indicators is referred to as "meeting" or "exceeding" the indicators. The text should, however, be interpreted in line with the logical context. A reference to a major modification generally means a more than two-fold increase in the indicator for indicators expressing a positive change through an increase in the value, and a more than two-fold reduction in the indicator for indicators expressing a positive change through a reduction in the value.

If the Project Promoter finds out during the project implementation that the project is about to **significantly** exceed the project indicators set, the Project Promoter will without undue delay or at the Programme Operator's request submit to the Programme Operator a project modification application. The Programme Operator may then decide that the project has achieved the required outcomes, outputs and indicators and reduce the project grant and order that the project be terminated. The Programme Operator may also decide that the project grant should be reduced only in respect of certain outcomes or outputs of the project that are directly relevant for the indicator concerned, in which case the Project Promoter and the project partner will be entitled to continue the drawing of funds for those project outputs or outcomes whose indicators have not yet been met. In such case, the project will be terminated in a regular manner, i.e. by approval of the Final Project Report.

It is not possible to define exactly when an indicator would be considered **significantly** exceeded. As a general rule, a more than two-fold increase in the value would be considered significant. As a matter of course, indicators such as number of organised training courses will be considered significantly exceeded even if exceeded by one unit. It thus depends on the type of the indicator and the Programme Operator's judgement, and the assessment will be made on a case by case basis.

14.2.5 Significant Change in the Financial Plan

The financial plan of a project annexed to the project contract is a mere summary of the budget headings. When implementing the project, however, the Project Promoter and the project partner are required to respect the budget specified in the project application and the comments on the budget. A change in the budget specified in the project application and the budget comments will be deemed a minor project modification, unless it entails a change in the financial plan.

Transfers between the budget headings specified in the project contract that amount to more than 15 % of the total eligible expenditure of the project are considered major project modifications. Transfers between the budget headings amounting to **more than 15 % of the total eligible expenditure of the project are subject to prior approval by the Programme Operator.**

Example:

Budget heading	TEE	Change proposed	Difference	Difference approved	Decision
Staff costs	60,000	45,000	-15,000	150,000	not subject to PO's consent
Travel expenses	25,000	12,500	-12,500	150,000	not subject to PO's consent
Purchase of equipment	100,000	8,000	-92,000	150,000	not subject to PO's consent
Purchase of land and real estate	0	0	0	150,000	not subject to PO's consent
Costs of material and inventories	50,000	25,000	-25,000	150,000	not subject to PO's consent
Costs of other purchased goods and services	150,000	100,000	-50,000	150,000	not subject to PO's consent
Publicity	20,000	15,000	-5,000	150,000	not subject to PO's consent
Costs of building works - total	590,000	792,000	202,000	150,000	the change is subject to PO's consent
Indirect costs and other expenses	5,000	2,500	-2,500	150,000	not subject to PO's consent
TOTAL	1,000,000	1,000,000	x	x	x

Transfers between the outcomes and outputs specified in the project contract that amount to more than 15 % of the total eligible expenditure of the project are also considered major project modifications. Transfers between the outcomes and outputs amounting to more than 15 % of the total eligible expenditure of the project will also be subject to prior approval by the Programme Operator.

14.2.6 Changes in the Security Arrangements

Changes in the financial security arrangements may be approved only if the total amount of security is not to be reduced and the reliability and credibility of the security are not to be impaired.

14.2.7 Change of the Project Account

The Project Promoter's or project partner's project account may be changes only if the new account complies with the requirements specified in the current version of the Financing and Financial Management System of EEA FM and NFM for the Programming Period 23009 -2014 whose guarantor is the Ministry of Finance of the Slovak Republic. Where the Project Promoter or the project partner intends to change the project account, it will notify the Programme Operator in advance and apply for approval of the change of the project account. Before the conclusion of an amendment to the project contract, a copy of the new account agreement must be submitted to the Programme Operator. Any transfer of funds to the new account will be possible only when the amendment to the project contract has come into effect.

14.2.8 Change of the Project Promoter's or Project Partner's Legal Form

The legal form of the Project Promoter and the project partner should not change throughout the term of the project contract. The Project Promoter must notify any intended change of the legal form as well as any other major project modifications to the Programme Operator.

If the Project Promoter's or project partner's legal form is to be changed in a manner that would cause the Project Promoter or the project partner to remain eligible applicants or project partners under the call despite the change, the Project Promoter will submit justification of the change of the legal form along with all implications of the change for the project. Such change will always be considered a material change in the circumstances that formed the basis for the implementation of the project and/or award of the project grant. If the legal form is to be changed in a manner that would cause reduction of the grant pursuant to the conditions of the call, the Programme Operator will reduce the grant level with effect from the next reporting period following the change of the legal form.

14.2.9 Other Changes Relating to the Partnership

Such changes include without limitation the following:

- a) Substitution of a partner without financial participation with another partner;
- b) Withdrawal of a partner without financial participation from the project;
- c) Change of the partnership agreement between the Project Promoter and a partner without financial participation.

a) It is possible to involve a new partner in the project during the term of the project contract, provided that such partner assumes the liabilities of the former partner without financial participation, or the new partner does not participate in the drawing of the project grant and participates only in the co-financing of the project. The new partner must meet the eligibility conditions designated in the call and must commit itself to the project implementation in such manner as determined in the call, the project contract or this Guide, including without limitation conclusion of the partnership agreement with the Project Promoter, which must be approved by the Programme Operator.

b) Withdrawal of a partner without financial participation from the project is possible only if the liabilities of such partner are assumed by the Project Promoter or a new project partner. The new partner must meet the eligibility conditions designated in the call and must commit itself to the project implementation in such manner as determined in the call, the project contract or this Guide, including

without limitation conclusion of the partnership agreement with the Project Promoter, which must be approved by the Programme Operator.

In exceptional cases, withdrawal of a partner without financial participation from the project will be permitted even if the conditions laid down in the preceding sentence are not met. Then, however, the Programme Operator will request repayment of the whole amount of the project grant awarded to the Project Promoter.

c) A change in the partnership agreement is considered a major modification if it entails amendment of the text of the partnership agreement prescribed by the Programme Operator. The Project Promoter will be required to submit along with its project modification application a draft of the new partnership agreement text in which the changes against the former one must be marked. The partnership agreement will come into effect at the earliest on the next day following the publication in the Central Contract Register of the amendment to the project contract changing the reference to the partnership agreement.

14.3 Minor Project Modifications

The Programme Operator will make the decision on a minor project modification no later than fifteen working days from the receipt of the project modification application and complete documentation concerning the project modification. The Programme Operator **may** suspend the disbursement of the project grant and the approval of the current PIR during the approval of minor project modifications, particularly in cases when the modifications relates to the project budget, outputs, outcomes or indicators of the project, or other financial aspects of the project.

14.3.1 Minor Project Modifications Being Subject to Programme Operator's Approval

The Project Promoter must obtain the Programme Operator's prior approval in case of the following modifications:

- a) Change of the project budget;
- b) Change of the procurement method in respect of a particular expenditure;
- c) Change of the names of project outputs or indicators.

Minor change of a project budget means change of the envisaged quantity of goods or a work or a service (hereinafter "asset"), an increase in the unit price of an asset and creation/deletion of a new budget **item** or **sub-item**. A reduction in the unit price of an asset or transfer between different budget items or sub-items or between budget headings or project outcomes not exceeding 15 % of the total eligible expenditure of the project will not be considered a minor project modification but a monitored project modification.

14.3.2 Minor Project Modifications Being Subject to Reporting Obligation Only

Other minor project modifications that are subject to the Project Promoter's reporting obligation only, i.e. modifications that do not require approval by the Programme Operator, include without limitation:

- Change of the name of the Project Promoter, its statutory representative or partner; contact details, a contact person and persons involved in the project management (project coordinator and accountant); or the Project Promoter's or project partner's registered office;
- Modifications of a partnership agreement other than amending the parts of the partnership agreement prescribed by the Programme Operator;
- Other changes which, after their discussion with the Programme Operator, are considered by the Programme Operator to be a minor modification that does not require PO's approval.

Modifications that are subject only to the reporting obligation must be supported by accompanying official documents, such as the appointment to an office, except from the register of organisations in case of change of the registered office, etc.

In addition to the project contract, information in the project application will also be changed and the project application form will be allocated a new version number (e.g. 2.0, 3.0 etc.).

14.4 Monitored Project Modifications

Monitored project modifications will include modifications that are notified to the Programme Operator on an interim basis through PIRs, and modifications made by the Programme Operator alone.

The most frequent monitored modifications include the following:

- a) Changes in the reporting periods;
- b) Changes in the project budget relating to procurement of assets at prices lower than those budgeted;
- c) Performance exceeding the indicators where the amount of excess is not considered significant within the meaning of this Guide.

Such modifications are considered approved upon approval of the PIR or generation of a new one by the Programme Operator.

14.4.1 Changes in the Reporting Periods

A reporting period specified in the project contract is fixed and its extension or reduction is impossible. However, reporting periods may be merged. Reporting periods will be merged if:

1. A PIR was rejected by the Programme Operator.
2. The Project Promoter has failed to submit a complete PIR within the prescribed time limit.
3. The Programme Operator has suspended the PIR approval process and the PIR concerned will not be approved within the next four-month period.
4. In other cases when the PIR concerned will not be approved within the next four-month period.

14.4.2 Changes in the Project Budget Relating to Public Procurement

The Programme Operator automatically supposes that a change will be made in the project budget on account of those items that are to be obtained through public procurement. The result of public procurement will be notified to the Programme Operator after the signing of the contract. The Programme Operator will adjust the project budget on the basis of the results of control of the public procurement process after the signing of the contract.

14.4.1 Changes Due to Insignificantly Exceeded Indicators

The Project Promoter is required to notify the Programme Operator of changes in performance against the indicators. The Programme Operator will approve the changes if they are considered to be insignificant, and the further performance against the indicators concerned will be monitored.

15 ELIGIBILITY OF EXPENDITURE AND DEMONSTRATION OF ELIGIBILITY

Eligible expenditure is expenditure declared in a submitted PIR and admitted by the Programme Operator as eligible. The Programme Operator may subsequently classify expenditure as ineligible if it was classified as such by CA, AA or other audit bodies; or such bodies may themselves classify expenditure as ineligible if new facts have emerged and the previous classification of expenditure as eligible proves to be improper.

15.1 Eligibility Criteria

The Programme Operator and other audit bodies will admit expenditure as eligible if it meets the following criteria:

1. It was incurred within the eligibility period specified in the project contract;
2. It is directly related to the project and is inevitable for the implementation and achievement of the objective, outcomes and outputs of the project and for meeting the indicators;
3. It is specified in the project budget;
4. It is reasonable, justified and in line with the principles of sound financial management, particularly the principles of economy, effectiveness, purposefulness and efficiency;
5. It is properly supported by an accounting document and other documentation and is properly recorded in accounting books;
6. It can be included in PIR;
7. It was incurred in accordance with the project contract and the implementation rules of EEA FM and NFM.

In case of **expenditure of project partners from donor states that are** in accordance with the Financial Mechanism Regulation in paragraph 3 of section 7.13. justified by a report of an independent certified auditor certifying that the claimed costs are incurred in accordance with the Regulation, the national law and accounting practices of the project partner's country, the **Programme Operator verifies the eligibility of such expenditure based on the content of such submitted report.** Requirements for the report of the independent and certified auditor set by the Programme Operator are described in section 15.11 *Submission of Supporting Documentation to Demonstrate Eligibility of Expenditure* of this Guide.

The Kingdom of Norway is considered as a Donor State for programmes/projects financed by the Norwegian Financial Mechanism.

The Kingdom of Norway, the Republic of Iceland and the Principality of Liechtenstein are considered as Donor States for programmes/projects financed by the EEA Financial Mechanism.

15.1.1 Eligibility of Expenditure in Terms of Time

The period of eligibility of expenditure is specified for each project in the project contract.

Expenditure whose underlying supply or financial transaction was finalised before the beginning of the eligibility period will not be eligible.

Expenditure whose underlying supply was finalised and the relevant accounting document was issued in the last month of the eligibility period is considered to be eligible if the financial transaction was finalised no later than 30 calendar days after the last date of the eligibility period. Expenditure whose financial transaction occurred at a later time will not be eligible.

The Programme Operator may specify in the grant offer the expenditure that may be incurred before the conclusion of the project contract.

15.1.2 Direct Relation to the Project

As a general rule for the eligibility of expenditure, expenditure must be **directly** related to the project implementation. Direct relation means that the activity concerned was impossible to undertake without the expenditure and, at the same time, the expenditure is **primarily** related to the implementation of the Project Promoter’s project.

Expenditures relating to operations unrelated to the achievement of the objective, outputs or outcomes of the project are not eligible expenditure, whether or not they were incurred by the Project Promoter or a project partner in virtue of applicable legislation or internal rules.

15.1.3 Eligibility of Expenditure in Terms of Budget

Expenditure is eligible only if it is specified or indicated in the approved project budget.

Expenditure specified in the budget means expenditure that is explicitly included in the budget, i.e. the unit price and number of units can be precisely determined.

Expenditure indicated in the budget means such expenditure provided for in the budget whose unit price or number of units cannot be precisely determined. As a general rule, the amount of indicated expenditures in the budget should be as low as possible so that the project can be effectively monitored.

Example:

Expenditure	Budget item	Outcome	Unit price	Number of units	Nature of expenditure
Office chairs	Furnishings	Equipment of the centre	10	25	Specified in the budget
Office supplies	Consumables	Equipment of the centre	1,500	1	Indicated in the budget

Expenditure there wasn’t either specified or indicated in the project budget will not be eligible. Also, expenditure claimed in excess of the financial or quantity limits specified in the project budget will not be eligible.

A project contract will include as an annex a financial plan of the project containing structured information about the budget headings and the project implementation time plan. However, a project contract also refers to a project budget that must contain a detailed breakdown of the planned expenditure such that responsible financial management of the project can be ensured. Therefore, a project budget as such will not be annexed to the project contract. Annexes of the project contract will include the financial plan of the project as a mere summary of data based on the project budget. It is so in order to allow for flexible implementation of possible changes in the budget arising from objective causes without a need for modification of the project contract. In eligibility terms, however, it is important to ensure that an expenditure be specified or indicated in the project budget.

15.1.4 Eligibility of Expenditure in Terms of Sound Financial Management

Expenditure must comply with the requirements of economy (minimising expenditure while respecting the objectives of the project), effectiveness (maximising the outputs to inputs ratio of the project), purposefulness (inevitability for the implementation of the project activities and direct relation to them) and efficiency (expenditure must bring a real output, in line with what was planned).

Expenditure must be reasonable, that is consistent with the customary market price of the goods, service or work in the given place at the given time. When assessing eligibility of expenditure, the Programme Operator will have the right to reduce expenditure even if it was planned in the budget at a higher amount or its amount results from the process of procurement of the goods, work or service.

15.1.5 Eligibility of Expenditure and Consistency with the Accounting

All expenditure must be supported by accounting documents and supporting documentation. An accounting document must be properly recorded in the Project Promoter's and project partner's accounting records in accordance with the valid accounting standards. Any inconsistency with accounting documents and supporting documentation must be justified and a judgement must be made whether or not the expenditure has been properly evidenced in terms of both incurrence and amount.

All expenditures must be recorded in appropriate sub-accounts such that their relation to the project is clearly identifiable. In addition to the foregoing, Project Promoters and project partners from the public administration sector of the Slovak Republic are required to account for each expenditure item such that it is clearly assignable to the appropriate source of funding:

11E1 - EEA Financial Mechanism (contribution from EFTA countries)

11E2 - Budget allocation for the EEA FM co-financing

11E3 - Norwegian Financial Mechanism (contribution from the Kingdom of Norway)

11E4 - Budget allocation for the NFM co-financing

11E5 - Financial mechanism co-financing from the budget of a municipality, higher territorial unit, etc.

15.1.6 Eligible Expenditure in a Project Interim Report

All expenditures declared in a PIR must have been actually incurred, i.e. both the underlying supply and the financial transaction have been completed. The declaration of expenditure in PIR is discussed in separate chapters hereof.

15.1.7 Consistency of Expenditure with the Project Contract and the Legal Framework

Expenditure that is inconsistent with the project contract or the legal framework may be admitted as eligible, whether in whole or in part, only if the following conditions have been met **cumulatively**:

- a) The inconsistency is of a merely administrative nature and does not affect the supplier selection, price or any other important parameters of the contract;
- b) The Project Promoter or the project partner has remedied or will remedy the inconsistency; and
- c) The Project Promoter or the project partner admitted the infringement of the legal framework.

The admission of expenditure within the meaning of the foregoing will fall within the authority of the Programme Operator.

15.2 Types of Eligible Expenditure

Pursuant to the Regulations, expenditures are classified into direct and indirect expenditures. **The maximum limits as well as the accounting documents and supporting documentation required as evidence of eligibility for certain expenditure are listed in Annex 1 hereto:**

Direct expenditures include the following:

1. Costs of the staff assigned to the project.
2. Travel and subsistence allowances for the staff taking part in the project.
3. The cost of new and second hand equipment.
4. Purchase of land and real estate.

5. Costs of consumables and supplies.
6. Costs entailed by other contracts awarded by the Project Promoter for the purposes of carrying out the project.
7. Costs arising directly from the project contract or the partnership agreement.

Approval of the project application will not automatically constitute permission of expenditure in excess of the maximum limit, unless the project contract explicitly permits such excessive expenditure. Any expenditure in excess of the limit will always be subject to specific approval of the Programme Operator.

Even if the maximum limits are respected, it is not guaranteed that the Programme Operator will consider expenditure to be economic. A maximum limit represents the highest admissible price and the Programme Operator will certainly not reimburse expenses exceeding the limit, unless it granted its specific approval to the Project Promoter for expenditure in excess of the limit. The Programme Operator may undertake its own market survey and if it finds out that the goods, services or works can be obtained at **significantly lower prices** in the given region at the given time, the Programme Operator will classify the excessive expenditure as ineligible.

If the Programme Operator finds out that a supplier supplies goods, works or services at standard prices that are lower than those at which it supplies to the Project Promoter or a partner, the Programme Operator will have the right to classify the whole price of those goods, services or works as ineligible expenditure.

15.2.1 Costs of the Staff

Costs of the staff include costs of the employees assigned to the project comprising the total cost of labour, i.e. the customary salaries plus social security contributions and other statutory charges included in remuneration, provided that they are **consistent with the Project Promoter's and partner's usual policy on remuneration**. The corresponding salary costs of staff of national administrations are eligible to the extent they relate to the costs of activities which the relevant public authority would not carry out if the project concerned was not undertaken.

The Programme Operator will have the right to request the Project Promoter to submit a summary of salaries of employees that were not involved in the project in order to verify that the salaries of the employees involved in the project are consistent with the Project Promoter's and project partner's usual policy on remuneration.

15.2.2 Employment Relationship

Irrespective of the provisions of national legislation, a contract-based employment relationship or other legal relationship must exist between the employer and the employee.

The employment relationship must be established in accordance with applicable national legislation. The actual working arrangements must be in accordance with the provisions of the contract and the national legislation concerning, without limitation, remuneration and overtime work.

The contract or other document concluded under applicable legislation or the organisation's internal rules must contain the following:

- a reference to the project in which the employee takes part;
- the proportion of the employee's work relative to the other work activities, where applicable;
- the agreed gross monthly salary or hourly pay rate;
- specification of the project works, which must be consistent with the project application;
- specification of the outcomes of the works, where applicable.

15.2.3 Statement of Work

Where the employee participates only partially in the management or implementation of the project within a closed employment relationship, the eligible amount of salary will be calculated on the basis of the proportion of the hours worked on the project in the total amount of hours worked in the month concerned. The resulting coefficient will be applied to the total price of labour.

Where the employee is working on the project on an exclusive basis, no statement of work will be required. However, if the employee works on not all but only one or more of the project outputs, the statement of work must be prepared.

The recommended statement of work form is set out in Annex 7 hereto. The employee's activities listed in the statement of work must **be linked to the project outputs with which the related staff costs are connected**.

Statements of works must be completed correctly:

- a) In mathematical terms: the hours reported must be correctly summed up; the statement of work form in Annex 7 hereto does the summing operation automatically;
- b) In terms of subject matter: the activities must be linked to the project implementation; the number of hours spent on certain activity must not exceed a reasonable time needed for such activity;
- c) In terms of time: the activities must not overlap with other activities undertaken at the same time, i.e. the statements must be mutually consistent with the other supporting documentation of the employee's activities, such as a travel order, attendance of meetings of a public procurement selection committee, etc.;
- d) In terms of formal requirements: the activities reported in the statements of work must be sufficiently detailed to allow identification of the activity carried out by an employee, and the forms must be signed by the employee who carried out the work concerned (acting through a proxy or agent is not permitted) and by the responsible person.

The Programme Operator may request the Project Promoter to remedy only deficiencies relating to items a) and d) of the division stated above, i.e. only formal inconsistencies in a statement of work. In case of inconsistencies in a statement of work referred to in items b) and c), the expenditure concerned or its part will automatically be classified as ineligible. **Therefore, statements of works should be completed with a particular care.**

15.2.4 Remuneration

Remuneration may be disbursed to an employee only if the project implementation in the period reported proceeds in accordance with the approved time plan. Where the employee is remunerated on the basis of a fixed gross monthly salary, the amount of remuneration must not be higher than 1.5 times the salary. Where the employee is remunerated on the basis of a fixed hourly rate, the amount of remuneration must not be higher than 1.5 times the average of the three preceding monthly pays of that employee.

15.2.5 Author's Contracts, Agency Contracts, Mandate Contracts and Other Types of Contract

The types of contract that the Project Promoter or a project partner may conclude with a natural person that is not a business entity include employment contract, service contract or non-employment work agreements (work performance agreement, agreement on work activity and agreement on student's temporary job). Conclusion of other types of contract or agreement is subject to **prior specific written approval of the Programme Operator**. A specific rule will apply to foreign project partners that they may enter only into such type of contractual relationship with a natural person that is not a business entity that is consistent with the national legislation of the project partner's country.

Expenditure incurred under author's contracts is eligible only to the extent such contracts are made for the purpose of delivery of a work that has a tangible, physical nature (this means in practice that expenditure on speaker's activities (presentation of lectures) incurred under author's contracts will not

be eligible). Conclusion of an author's contract will also be subject to **prior specific written approval of the Programme Operator**.

15.3 Travel and Subsistence Allowances

These are expenses that fall within the category of travel expenses reimbursable under the Travel Reimbursement Act.

Travel and subsistence allowances may be granted only to a person that meets the definition of employee according to the Travel Reimbursement Act, provided that a relationship based on a written contract according to the Labour Code must exist between such person and the Project Promoter or a partner.

Travel and subsistence allowances eligible for reimbursement from the EEA FM and NFM will include the following:

1. Meal allowances
2. Reimbursements for documented transport expenses
3. Reimbursements for documented accommodation expenses
4. Pocket money (only for foreign business trips)
5. Commercial travel insurance (only for foreign business trips)
6. Reimbursements for documented necessary incidental expenses

15.3.1 Meal Allowances

Meal allowances are eligible up to the limit determined in the national legislation in force at the time the domestic or foreign business trip was undertaken.

15.3.2 Reimbursements for Documented Transport Expenses

Travel expenses are eligible for both domestic and foreign business trips. Such expenses include the following:

- a) Air fares (both foreign and domestic flights)
- b) Expenses connected with the use of a motor vehicle other than a Project Promoter's company car,
- c) Train, bus or LPT fares
- d) Taxi service expenses

Motor vehicle other than a Project Promoter's company car

The most usual case is the use of the employee's own motor vehicle. Where the vehicle is not the employee's own vehicle, a written evidence demonstrating authorisation of the employee by the vehicle owner for the use of the vehicle must be submitted. The vehicle must not be a company car of the Project Promoter or a partner.

The eligible expenditure will amount to the basic reimbursement based on the distance travelled and reimbursement for the fuel consumption according to the Travel Reimbursement Act.

Taxi service

Expenses for taxi service are eligible to the extent the service was used for transportation after 10:00 p.m. Such expenditure will also be eligible if it can be evidenced that no other form of public transportation was available at the given time. Justification of the use of a taxi in other exceptional situations can be submitted to the Programme Operator, but PO will decide at its own discretion whether or not the expenditure should be accepted.

15.3.3 Reimbursements for Accommodation Expenses

Reimbursements for accommodation expenses are eligible under the Financial Mechanisms up to the finance limits listed in Annex 1. Local charges are acceptable as eligible expenditure.

15.3.4 Pocket Money

Pocket money is eligible for foreign business trips up to the statutory limits.

15.3.5 Commercial Travel Insurance

Insurance is eligible for foreign business trips in accordance with the provisions of the Travel Reimbursement Act.

15.4 Travel Costs

These are expenses that do not fall within the category of travel expenses reimbursable under the Travel Reimbursement Act.

Eligible travel costs include the following:

1. Travel expenses of foreign experts
2. Travel expenses of participants

This section of the Guide does not address relations between two legal entities (i.e. the Project Promoter or a project partner and another institution whose expert is to participate in a conference). Such cases constitute provision of services to which the Slovak Travel Reimbursement Act does not apply. In light of previous experience, it is important to note that reimbursable travel expenses and travel costs incurred by a supplier are not *per se* eligible for financing under the Financial Mechanisms and must be included in the price of services, i.e. the price quotations must provide for such costs. In other words, travel costs and reimbursable travel expenses should be included in the prices of the services and must not be charged separately in excess of the contract concluded in result of public procurement.

15.4.1 Travel Expenses of Foreign Experts

A foreign expert means a person who is an employee of another institution and with whom the Project Promoter or a Slovak project partner has not entered into an employment relationship or an equivalent legal relationship. Such persons take part in a project on a one-off basis, for instance, as speakers at conferences.

A Project Promoter's employee cannot be considered as a foreign expert and, therefore, the Slovak legislation on travel reimbursements does not stipulate procedures and conditions for the reimbursement of travel expenses of foreign experts. Therefore, this Guide lays down a rule that **travel expenses of foreign experts may be accepted as eligible expenditure to the extent specified in Annex 1 to the Guide.**

In order to unify the reimbursement of travel expenses of foreign experts, NFP lays down the following rules:

1. In case of a direct relationship between a foreign expert hired to carry out tasks in the SR and a Project Promoter or a Slovak partner, a written agreement on reimbursement of travel expenses

between the Project Promoter or the project partner and the foreign expert is required. The reimbursement of travel expenses will be governed by applicable provisions of the Slovak legislation.

2. In case of a direct relationship between a foreign expert and a foreign project partner, the reimbursement of travel expenses will be governed by applicable legislation of the **foreign** project partner's country.
3. In case of a relationship between two legal entities, i.e. a Project Promoter or a project partner and another legal entity, this will be treated as standard provision of a service for consideration. However, a detailed breakdown of the different components (meals, accommodation, transport, necessary incidental expenses and the expert's fee, if any) must be provided in the **accounting document**. Moreover, the conditions imposed by the Public Procurement Act in force in the Slovak Republic must be complied with.

15.4.2 Travel Expenses of Participants

If the Project Promoter or project partner organises a conference or a similar event, it is allowed to reimburse the participants only for meal, accommodation and transport expenses. Such expenses must be included in the approved budget annexed to the project contract. The participants may be either natural persons from the general public or representatives of organisations. Where the participants are representatives of organisations, the Project Promoter/partner will provide evidence to demonstrate that the letter of invitation to the event was sent to a statutory representative of the organisation who approved the participant's attendance of the event (i.e. submit the travel order). The foregoing is required with the aim to ensure that the statutory representative of the organisation understands that the participant's expenses will be borne by the Project Promoter up to applicable limits and, therefore, the organisation is not required to pay the reimbursement for travel expenses to the participant.

15.5 Purchase of Land and Real Estate

Purchase of real estate and/or land is subject to the provisions of Article 7.5 of the Regulation on the Implementation of the EEA FM and NFM.

The cost of purchase of real estate, meaning buildings constructed or under development and the appropriate rights to the land on which they are built, and land not built on may be eligible under the following conditions:

1. There is a direct link between the purchase and the objectives of the project;
2. The purchase of real estate and/or land may not represent more than 10% of the total eligible expenditure of the project, unless a higher percentage is explicitly authorised in the programme agreement and set in the decision to award the project grant;
3. A certificate is obtained prior to the purchase from an independent qualified appraiser or duly authorised official entity confirming that the purchase price does not exceed the market value and that (the real estate/land) is free of all obligations in terms of mortgage and other charges, particularly in respect of damage related to pollution. In case of purchase of real estate the certificate must either confirm that the building in question is in conformity with national regulations, or specify what is not in conformity with national regulations but is to be rectified by the Project Promoter under the project;
4. The real estate and/or the land is used for the purpose and for the period specified in the decision to award the project grant. The ownership must be transferred to the Project Promoter or a partner, or those explicitly designated by the Project Promoter in the project application as recipients of the real estate and/or the land, prior to the completion of the project. The real estate and/or the land cannot be sold, rented, or mortgaged within five years of the completion of the project, or longer if so stipulated in the project contract. FMC or NMFA may waive this restriction if it would result in an unforeseen and unreasonable burden on the Project Promoter;

5. The real estate and/or land may only be used in conformity with the objectives of the project. In particular, buildings may be used to accommodate public administration services only where such use is in conformity with the objective of the project; and
6. The purchase of real estate and/or land is explicitly approved by the Programme Operator prior to the purchase, either in the project contract or by a later decision.

The provisions in paragraph 4 apply also to buildings that are constructed or reconstructed through the financial contribution from the project grant.

The mortgage restriction referred to in paragraph 4 will not apply to a mortgage taken in favour of the Programme Operator or NFP when its purpose is solely to ensure compliance with the said paragraph.

Expenditure on the site preparation and construction which is essential for the implementation of the project may be eligible.

Project Promoter's direct or indirect costs on real estate and/or land already owned, directly or indirectly, by the Project Promoter, or purchase of real estate and/or land owned, directly or indirectly, by the project partner or the public administration, will not be eligible. Under no circumstances will real estate and/or land be purchased for speculative purposes. The real estate and/or the land will not have received a national or external donor grant in the last ten years which would give rise to a duplication of funding.

15.6 Purchase of Goods and Services

Purchases of goods and services are eligible to the extent the eligibility principles in Chapter 15.1 hereof have been complied with. If the project management or project solution are delivered in form of a service (e.g. through activities carried out on the basis of a trading licence and invoiced), the expenditure should be reported under this heading.

15.6.1 Purchase of Goods and Services from Abroad

If an accounting document for the purchase of goods, services and works was issued in a language other than Slovak, Czech or English, the Project Promoter or the Slovak partner is required to obtain a translation to Slovak.

If an accounting document for the purchase of goods, services and works was issued in a language other than Slovak, Czech, English, Norwegian, Icelandic or German, the foreign partner is required to obtain a translation to Slovak.

An exchange rate loss or gain incurred by the Project Promoter or project partner on account of the difference between the book value and the conversion made according to the Accounting Act will not affect eligibility of the expenditure, i.e. the eligible amount will be the amount of expenditure recorded in the Project Promoter's or project partner's accounting.

Where a customs duty was levied on the purchase, the duty will be added to the acquisition cost of the goods and considered eligible expenditure insofar as the Project Promoter possesses all required clearance documents and the duty payment receipt.

15.6.2 Purchase of Second Hand Equipment

Expenditure on purchase of second hand equipment may be considered eligible if the following conditions are met:

1. The seller of the equipment has provided a declaration of origin of the equipment and confirmed that at no point the equipment was purchased or financed with the aid of national grants, EU grants or EEA FM/NFM grants.

2. The price of the equipment does not exceed its fair value, taking into account the reduced technical and economic lifetime of the equipment, and is lower than the price of equivalent new equipment; and
3. The equipment has the necessary technical parameters required for the project and complies with applicable norms and standards.

Where the acquisition cost of the second hand equipment exceeds EUR 10,000, the opinion of a qualified appraiser confirming compliance with the conditions in paragraphs 2 and 3 is required.

15.6.3 Value Added Tax

Value added tax (VAT) is accepted as eligible expenditure if the Project Promoter or project partner is not entitled to refund of the tax, irrespective whether or not the refund claim was actually made.

15.6.4 Depreciation

Depreciation will be accepted as eligible expenditure up to the tax-deductible amount. Depreciation will be considered incurred if it was accounted for by the Project Promoter or project partner.

Depreciation will also be subject to the rule that the prorated portion not used for the purposes of the project is ineligible.

The amount of depreciation covered from the project grant must not exceed EUR 10,000, except where the asset was acquired through public procurement procedures.

Unless the call stipulates otherwise, eligible expenditure is the costs amounting to the depreciation, not the input acquisition costs of the equipment. The Project Promoter must submit an equipment depreciation plan before the conclusion of the project contract, provided that equipment means a tangible asset whose input price is higher than EUR 1,700 and whose service life exceeds one year; or an intangible asset whose input price is higher than EUR 2,400 and whose service life exceeds one year.

The following rules will apply to depreciation:

1. Depreciation is reimbursed on the basis of monthly book depreciation;
2. An equipment item must be classified to a depreciation group in accordance with applicable **tax** legislation. The amount of depreciation will be calculated using the appropriate straight-line rates.
3. Subject to the Programme Operator's approval, the Project Promoter may also use accelerated depreciation rates if the project related assets prove to actually depreciate at an accelerated rate.

Where equipment is purchased from the project grant of a foreign partner, the above rules will be applied *mutatis mutandis* in order to prevent an artificial increase in the book value of assets.

15.8 Bank Charges

Bank charges connected with the management and administration of the project account specified in the project contract or the partnership agreement, and transactions over such account, including charges for foreign transfers from such accounts, are eligible expenditure, unless the project contract stipulates otherwise.

15.9 Indirect Costs

Indirect costs are understood as all eligible costs of a project that cannot be directly attributed to the project by the Project Promoter and/or the project partner but can be identified and justified by its accounting system as incurred in direct relation to the eligible direct costs attributed to the project.

Indirect costs are overheads classified as indirect costs, including without limitation staff costs of employees that are indirectly involved in the project, and other costs such as heating, lighting, other operating expenses and costs of the building management, to the extent they are attributable to the project and the proportion of such costs attributable to the project can be determined.

Overheads may include the following costs:

- Costs connected with the use of premises for the purposes of the project, such as electricity, gas, water, cleaning, office supplies, office rental, tax on real estate;
- Administrative expenses, such as telephone, fax, internet, postal, coping charges, stationery and office supplies needed for the project activities;
- Other administrative expenses that are absolutely necessary for the successful completion of the project, such as labour costs of the supporting staff and top management involved in project, commonly used assets; etc.

The above list of indirect costs is not exhaustive and it indicates the most common types of indirect cost normally incurred.

15.9.1 Methods of Calculating Indirect Costs

Subject to the limitations set out below, the Project Promoter and project partner may elect one of two methods of calculating and claiming indirect costs in accordance with Article 7.4.1 of the Regulations. The methods are based on either:

- 1) actual indirect costs; or
- 2) a flat rate.

- 1) Actual indirect costs are calculated on a pro-rata basis from the appropriate accounting documents relating to the overheads incurred in each reporting period. The result is the actual amount of indirect costs attributable to the project implementation.
- 2) Application of a flat rate is possible only in case of complex organisations or projects where the determination of the absolute amount of overheads based on accounting documents could cause a disproportionate administrative burden. For projects where the demonstration of actual indirect costs is not problematic, the Project Promoter and project partner must use the methodology of actual indirect costs. **The flat rate methodology can be applied only if the appropriate call so permits!**

The Project Promoter and the project partner is required to choose one of the above methods before the start of the project implementation. The method will remain unchanged throughout the project implementation time. Combination of the actual indirect cost method and the flat rate method is not allowed.

Where the Project Promoter or the project partner has chosen the flat rate method, all accounting documents on which the determination of the flat rate by the Project Promoter was based must be retained throughout the term of the project contract.

When establishing the flat rate it is necessary to demonstrate that no direct costs are included in the indirect costs. The rate is directly applicable to the project's direct eligible costs, excluding its direct eligible costs for subcontracting and costs of third parties and, therefore, the value may vary depending on those direct costs. The maximum flat rate is 20% and its precise amount must be established prior to the start of the project (in the project application) and will be determined in the project contract.

Details of the flat rate calculation methodology are provided in Annex 5 to this Guide.

15.10 Specific Provisions on Management Expenditure

Management expenditure constitutes a specific project output and, therefore, it is not recorded as a specific project budget item. The reason for this is that management expenditure may include labour costs, costs of services and goods, travel expenses and allowances, etc., i.e. various types of expenditure.

Expenditure immediately linked to the Project Promoter's activities or the purposes for which the Project Promoter was established or set up or the Project Promoter's statutory duties, but are not linked to the activities which the Project Promoter is obligated to carry out within the implementation of the project will not be accepted as eligible management expenditure. Typical examples of such expenditure may include expenditure on the preparation and approval of consolidated financial statements, expenditure on insurance of property other than purchased from the project grant, expenditure on promotion of the Project Promoter other than directly promoting the project.

Eligible project management expenditure will include in particular:

1. Labour costs of the staff involved in the project management;
2. Costs of project related services, including without limitation project coordination and accounting, unless such services are provided under an employment contract or non-employment work agreement;
3. Expenditure connected with business trips related to the project management, including without limitation travel allowances, transport expenses, meal expenses, reimbursements for the use of an employee's own vehicle and accommodation expenses;
4. Costs of the rent, utilities, waste removal, postal and telecommunications and internet charges, and other similar charges related to the project management to the extent they are not included in indirect costs⁴;
5. Expenditure on goods, such as purchase of office supplies and devices related to the project management;
6. Bank charges for the bank account specified in the project contract and transaction charges, except debit interest;
7. Expenditure on publicity;
8. Expenditure on bilateral relations;
9. Costs of security for possible future claims of the Programme Operator.

Management expenditure must not exceed 10% of the total eligible expenditure, provided that expenses on publicity, bilateral relations and financial guarantees will not be included in the calculation.

15.11 Submission of Supporting Documentation to Demonstrate Eligibility of Expenditure

Expenditure by Project Promoter and Project Partner (excluding Project Partner from the donor states)

Neither the Project Promoter nor the project partner will send to the Programme Operator the accounting documents and relevant supporting documentation for expenditure not exceeding EUR 5,000, unless they are specifically requested by the Programme Operator. However, the Project Promoter is required to keep the proofs of all expenditure internally and submit the accounting documents and supporting documentation referred to in Annex 1 of this Guide to audit bodies, as well as other requested supporting documentation during the on-the-spot verification.

Expenditure by Project Partner from the donor states

⁴ For more information please refer to the section on flat rates - Chapter 15.9.1 of the Guide.

Project Partner can demonstrate expenditure eligibility in the same manner as the Project Promoter, i.e. applying the same rules as in the above paragraph of this Guide.

Project Partner after the agreement with the Project Promoter, if case of such interest, can simplify the facilitation of the proof of expenditure eligibility in accordance with Article 7.13 Paragraph 3 of the Regulation. In such case, the proof of partner's expenditure (in the Project Interim Report /PIR/) is also required to be **submitted by a report of the independent and certified auditor**, in which there will be confirmed that the claimed expenses were incurred in accordance with the Regulation, national legislation and accounting rules in the project partner countries. **Programme Operator verifies the eligibility of such expenditure based on the content of such report.** If such report has been submitted to the proof of expenditure of project partners from the donor states and it meets all the requirements, it is not necessary to prove eligibility of expenditure in other way, i.e. Project Promoter shall not internally need to document the eligibility of such expenditure on the spot (by keeping the accounting records and supporting documentation).

The Project Promoter shall submit to the Programme Operator just a scanned version with the legible content. The printed original report should be kept by the Project Promoter and must be available in case of conducting on- on-the-spot verification (coloured photocopy is not acceptable).

The report from the independent and certified auditor shall include the following requirements:

- Accurate partner identification, identification of project auditor, project identification, stamp and signature of a certified auditor (it must be clear from the stamp that it is the certified auditor or if necessary it is possible to prove it in some other appropriate manner);
- Declaration of the auditor's independence (in particular to eliminate conflict of interests with partners from donor countries, Project Promoters and other partners);
- Purpose of the drafted report;
- A list of all expenses covered by the report (description of expenditure, the main characteristics and financial statement to be included in the project budget - items and sub-items);
- The list of expenditure in the report of certified auditor must enable the Programme Operator to identify particular expenditure also in the in the Project Interim Report /PIR/ (within the actual settlement);
- The extent of verification (except Regulations, in particular a list of the main provisions of national law);
- Certified auditor's statement on the eligibility of verified expenditure, accurate identification and financial expression of ineligible expenditure.

The report shall be drafted in English. If it is written in the language of donor country or in another language (except Slovak and Czech language), it is necessary to provide an official translation into English or Slovak language.

15.12 Payment of Expenditure

The Project Promoter and the project partner is required to demonstrate for all expenditure that the payments were actually made by submitting an account statement for the project account or, in specific cases, another account, along with a statement of the expenditure transferred to the project account. Expenditure may be paid from an account other than the project account only in case the Project Promoter does not have a sufficient amount of funds in the project account at the time of the financial transaction.

Except travel allowances and labour costs, **expenditure may be paid in cash only if their total amount does not exceed EUR 300 per month**. Expenditure paid in cash will be evidenced by submitting a cash receipt or an account statement showing the cash withdrawal.

15.13 Establishing the Amount of Ineligible Expenditure

The amount of ineligible expenditure may be established as:

1. The actual amount of ineligible expenditure;
2. A percentage of the contract value, for instance, according to the Commission decision on Financial Correction Guideline.

15.14 Excluded Expenditures

Expenditures that are automatically excluded from the financing include the following:

- Interest on debt, debt service charges and late payment charges;
- Charges for financial transactions and other purely financial costs, except costs related to accounts required by the NMFA, the National Focal Point or applicable law and costs of financial services imposed by the project contract;
- Provisions for losses or potential future liabilities;
- Exchange losses, except losses covered by a provision explicitly approved by NMFA for each programme;
- Recoverable VAT;
- Costs that are covered by other sources;
- Fines, penalties and costs of litigation;
- Excessive or reckless expenditure not related to the project;
- Such other expenditure as specified in the relevant call, state aid scheme, regulation or any other document of the legal framework of EEA FM and NFM.

16 IRREGULARITIES

Irregularity is defined as any infringement of the legal framework of EEA FM and NFM which affects or prejudices any stage of the implementation of the Financial Mechanisms, including without limitation the implementation and/or the budget of any programme, project or other activities financed by EEA FM and NFM, for instance by unjustified or disproportionate expenditure, or by reducing or losing revenue under the programme and/or the project. **For the purposes of this Guide, a reference to irregularity includes also suspected irregularity.**

The following, in particular, will be treated as irregularities:

1. Irregularities that involve allegations of an act or omission which constitutes a criminal offence under the national legislation of the Beneficiary State, such as corruption, fraud, bribery or embezzlement;
2. Irregularities that indicate the presence of serious mismanagement affecting the use of the financial contribution from the Financial Mechanisms;
3. Irregularities that pose an immediate threat to the successful completion of the project, due to the amounts in proportion to the total project cost, their gravity or any other reason;
4. Irregularities that have been the subject of a primary administrative or judicial finding;
5. Irregularities that consist solely in the failure to implement a project, in whole or in part, owing to the bankruptcy of the Project Promoter;
6. Irregularities that brought to the attention of the Programme Operator, National Focal Point or Certifying authority by the Project Promoter voluntarily and before detection by any of them, whether before or after the payment of the project grant related to that irregularity;
7. Irregularities that are detected and corrected by the Programme Operator, National Focal Point or Certifying authority before any payment to the Project Promoter of the project grant and before the inclusion of the expenditure concerned in an interim financial report or the final programme report;
8. Irregularities preceding a bankruptcy;
9. Irregularities that are detected and corrected after the payment to the Project Promoter or the project partner of the project grant and/or after the inclusion of the expenditure concerned in IFR/FPR.

Where the project grant is paid through advance payments, the above categorisation of irregularities will mean that any expenditure that was paid by the Project Promoter or the project partner from the project grant and then classified by an audit body as ineligible will constitute an irregularity.

The register of irregularities is kept by NFP.

16.1 Definitions

This chapter is based on the following legislation:

- a) Act No. 523/2004 on the Budget Rules of Public Administration and on Amendments to Certain Laws (hereinafter "Budget Rules Act")
- b) Act No. 502/2001 on Financial Control and Internal Audit, as amended (hereinafter "Financial Control Act")

Since the funds of the Financial Mechanisms and the state budget of the SR are public funds within the meaning of the Budget Rules Act, said Act applies to the use of those funds.

The funds of the Financial Mechanisms and the state budget of the SR are public funds until the instance of their end use; end use means a payment made by the Project Promoter or a project partner to a supplier, contractor or employee. In other words, the transfer of an advance payment to the Project Promoter or a project partner does not constitute end use of the public funds and the Project Promoter and the project partner are contractually committed to use the project grant in compliance with the Budget Rules Act.

16.2 Responsibilities of Entities Involved

The Programme Operator will not be authorised to impose a charge or fine or penalty under the Financial Control Act. Such authority will attach only to the audit bodies explicitly specified in the Financial Control Act⁵.

The Programme Operator is authorised under the project contract and, analogically, this Guide to demand repayment of the project grant or its part, or reduce the project grant. The repayment of the project grant, whether in whole or in part, will not constitute imposition of a charge, fine or penalty within the meaning of Act No. 502/2001.

The Programme Operator, the Project Promoter and the project partner is required to provide mutual assistance to each other in order to address any infringement on financial discipline in such manner that the Programme Operator/NFP is not made to request the competent financial control authority to initiate administrative proceedings. This provision will operate in practice as follows, in particular:

- a) Before classifying an expenditure as ineligible, the Programme Operator will give the Project Promoter and the project partner an opportunity to submit their statement, which the Project Promoter may support by opinions of relevant institutions (the Public Procurement Office, the relevant government department or other public entities that are competent to issue a methodical guidance or carry out their own audit);
- b) The Project Promoter and the project partner will be required to repay the sum of the expenditure classified by the Programme Operator as ineligible, or otherwise remedy the situation constituting infringement on financial discipline in cases where the law so permits.

If the Programme Operator does not reach satisfactory resolution of an irregularity, i.e. fails to recover the funds to be repaid by the Project Promoter, the Programme Operator will file a petition to initiate administrative proceedings with the competent Financial Control Authority.

16.3 Infringement on Financial Discipline

Pursuant to the Budget Rules Act, the following will constitute infringement on financial discipline:

- a) Provision or use of public funds that is contrary to their designated purpose;
- b) Provision or use of public funds beyond the appropriate scope of authority, resulting in an increased withdrawal of public funds;
- c) A failure to pay a designated or prescribed amount to a public administration entity within the designated or prescribed time limit;
- d) A failure to transfer revenue from public funds to the budget of a public administration entity under the Act or a special law;
- e) Not respecting a time limit designated or prescribed for the use of public funds;
- f) Acting beyond the scope of authorised assumption of liabilities under Section 19 (5) of the Act;
- g) Facilitating unjust enrichment through a financial benefit gained from public funds;
- h) Acting in conflict with Sections 15 thru 18 of the Act;
- i) Using public funds to finance, establish or set up a legal entity in conflict with this Act or special laws;
- j) Uneconomic, ineffective and inefficient use of public funds;
- k) Non-respecting the designated or prescribed method of management of public funds;
- l) Transfer of an advance payment from public funds in conflict with this Act or the established conditions for provision of public funds;
- m) Breach of the rules and conditions for provision of funds from the public administration budget to public administration entities;

⁵ Such bodies include in particular the competent financial control authority, Audit Authority and the Supreme Audit Office.

n) Breach of the rules and conditions under which public funds were provided.

16.4 Relation between an Irregularity and Infringement on Financial Discipline

As a general rule, any irregularity constitutes at the same time infringement on financial discipline, and vice versa. This is to ensure that the Programme Operator is able to identify the conduct of a particular entity as an irregularity only on the basis of legal grounds, including without limitation the legislation in force and the project contract. If an entity commits, for instance, a breach of the project contract, such conduct will amount to, at least, breach of the rules and conditions under which public funds were provided.

Therefore, in addition to its explicit connection with the project contract, an irregularity is also connected with infringement on financial discipline, i.e. the procedures provided for in the Budget Rules Act and the Act on Financial Control and Financial Control Act.

The Financial Control Act allows to not initiate administrative proceedings against the subject of control (the Project Promoter or the partner) in certain cases, provided that such entity must remedy the unlawful situation. This means that the Programme Operator as an entity authorised to carry out controls and audits is also required to take all necessary action to ensure that the unlawful situation be remedied, for instance, by recovering the ineligible expenditure from the Project Promoter.

16.5 Addressing Irregularities

An irregularity with or without a financial impact may be addressed in two ways:

1. By taking action to remedy the unlawful situation without recovery of funds or imposition of a financial correction;
2. By imposing a financial correction.

16.5.1 Action to Remedy the Unlawful Situation

The possibility of remedying an unlawful situation without recovery of funds or imposition of a financial correction means that the entity which committed the irregularity identified is able to remedy the unlawful situation without a financial impact of the matter on the project.

A typical example of such option is a single failure of the Project Promoter or the project partner consisting in improperly accounting for certain expenditure.

16.5.2 Financial Correction

Pursuant to the Regulations, any repayment of funds will entail a reduction of the project grant to the extent the expenditure concerned was funded from an advance payment. A financial correction consists in repayment of the disbursed project grant, whether in whole or in part, and reduction of the awarded project grant by the ineligible part. Where the final project report has already been approved, the project grant will not be reduced and the Programme Operator will instead impose the obligation of repayment of the whole project grant or a portion of it. Where FPrR has not yet been approved, the Programme Operator will reduce the project grant, request the Project Promoter to repay the whole project grant or a portion of it, and the Project Promoter will be obligated to finance the completion of the initially intended scope of the project from its additional own funds. The spending of such additional own funds will constitute ineligible expenditure of the project. Where such procedure is not feasible, the Programme Operator will follow the procedures laid down in this Guide for premature project termination based on the Programme Operator's decision.

If the project grant is reduced, the Project Promoter or the project partner will not be allowed to reuse the funds for the project. The financial correction will be determined as a percentage of the project grant, up to 100 % of the project grant. The imposition of financial correction will imply reduction of the project co-financing, i.e. the amount of the total eligible project expenditure will be reduced.

The Programme Operator will notify the Project Promoter of the intended financial correction by a letter. The Programme Operator will state the reasons for the intended financial correction and grant to the Project Promoter a time limit of thirty working days for the submission of its statement. When the statement has been delivered, or failed to be delivered within the designated time limit, the Head of the Office of the Government of the Slovak Republic, in coordination with the Donor States, will decide on the financial correction. The Donor States will have the right to adjust the financial correction.

The decision on financial correction will be accompanied by a request for repayment of the funds within thirty working days from the delivery of the request to the Project Promoter. If the Project Promoter fails to repay the funds to the account specified in the request within the designated time limit, the Programme Operator will satisfy its claim by calling on a guarantee, or initiate administrative proceedings through a financial control authority.

The below is a list of the cases when the Programme Operator will make a financial correction and the corresponding amounts of the financial correction:

Description of irregularity	Amount of financial correction
The Project Promoter failed to submit a complete PIR for two consecutive reporting periods	100 % of the project grant
Fictive accounting documents (i.e. accounting documents for payment for goods, services or works that were not supplied)	100 % of the project grant
Falsified documents (i.e. accounting documents issued by a fictive supplier)	100 % of the project grant
Falsified account statements, customs documents, certificates and other supporting documents	100 % of the project grant
False bank accounts	100 % of the project grant
False identity of an economic operator	100 % of the project grant
Accounting documents issued and paid in duplicate	100 % of the project grant
Reverse financial flows between the Project Promoter and a supplier/contractor	100 % of the project grant
Fraudulent transfer of funds to an improper account	100 % of the project grant
Declaration of fictive losses or damages	100 % of the project grant
Manipulation of the results of an audit of documents	100 % of the project grant
Manipulation of the results of an on-the-spot verification	100 % of the project grant
Change of the legal form of the Project Promoter or a project partner during the term of the project contract owing to which the entity concerned would not qualify as an eligible applicant for the call	100 % of the project grant disbursed or awarded to the entity concerned
Persons signed on the attendance sheet were demonstrably not present at the event	up to 100 % of the project grant
Alteration of a pledge or cancellation of a bank guarantee without the Programme Operator's knowledge	up to 100 % of the project grant
Other conduct by which the Project Promoter or a project partner seriously breached the project contract and thus caused harm to the reputation of the EEA Grants and Norway Grants, including without limitation suspected offence of bribery, acceptance of a bribe, fraud, subvention fraud or any other offence where reasonable ground exists to believe that they were committed by statutory representatives of the Project Promoter or the partner, or other persons involved in the management of the project.	up to 100 % of the project grant
The project outputs are not available to the target groups as foreseen in the project contract	up to the amount of the related expenditure, at least 25 % of the project grant
The Project Promoter or a project partner have failed or will fail to implement the project in the manner described in the project application	up to the amount of the related expenditure, at least 25 % of the project grant
The expenditure declared under the project was financed from other public funds (e.g. the structural funds, the Cohesion fund, other funds of the EU, etc.)	up to the amount of the related expenditure, at least 25 % of the project grant
The Project Promoter has seriously neglected its obligations and thereby	at least 25 % of the project grant

caused harm to the reputation of the EEA/Norway Grants	
The conditions of co-financing were not respected	up to the amount of the related expenditure, at least 25 % of the project grant
Substantial matters affecting the implementation or sustainability of the project were not reported to the Programme Operator	at least 25 % of the project grant
Equipment purchased from the project grant has not been used for the purposes of the project	up to the amount of the related expenditure, at least 15 % of the project grant
Assets actually supplied differ from those invoiced	up to the amount of the related expenditure, at least 15 % of the project grant
The Programme Operator or another audit body was not duly allowed to carry out control, or documentation was not submitted at the request of the Programme Operator or another audit body	up to the amount of the related expenditure, at least 15 % of the project grant
An employer did not notify establishment of an employment relationship in conformity with regulations	up to the amount of the related expenditure, at least 15 % of the project grant
An employer did not pay statutory contributions or tax for an employee	up to the amount of the related expenditure, at least 15 % of the project grant
An employer entered into a relationship with an employee aimed at evading the obligation to pay statutory contributions	up to the amount of the related expenditure, at least 10 % of the project grant
Accounting documents with overstated amounts were issued	up to the amount of the related expenditure, at least 10 % of the project grant
An employment relationship was actually established after the time when its establishment was declared by the Project Promoter	up to the amount of the related expenditure, at least 5 % of the project grant
Rebates and discounts were not included in accounting documents	up to the amount of the related expenditure, at least 3 % of the project grant
Expenditure was not recorded in the Project Promoter's accounting records	up to the amount of the related expenditure, at least 3 % of the project grant
The project generates an excessive profit which was not taken in account when the project application was approved	According to the "Income from the Project" Chapter of the Guide
Ineligible expenditure other than involving conduct by which the Project Promoter or a project partner materially breached the project contract and thereby caused harm to the reputation of the EEA Grants/Norway Grants, including without limitation suspected offence of bribery, acceptance of a bribe, fraud, subvention fraud or any other offence where reasonable ground exists to believe that they were committed by statutory representatives of the Project Promoter or the partner, or other persons involved in the management of the project.	up to the amount of the related expenditure
Other material breach on the part of a project partner without financial participation	up to the amount of the related expenditure, at least 15 % of the project grant

Financial corrections according to this table will be cumulated and may multiply in case of recurring irregularities up to 100 % of the project grant as the maximum. In justified cases, particularly if the Project Promoter demonstrates that the irregularity was not caused directly by fault or with knowledge of the Project Promoter or any of its project partners, the financial correction may be reduced, subject to consent of FMC/NMFA.

Financial correction for irregularities in public procurement

In addition to the above rules, the following rules will apply to irregularities in public procurement:

The percentage of financial correction for identified irregularities in public procurement will be determined according to the Commission decision on Financial Correction Guideline. .

Determination of the amount of financial correction:

- The correction will be based on the value of the contract, or the portion of it claimed from EEA FM/NFM;
- Where the irregularity cannot be unambiguously classified to a particular type of irregularity according to the Commission decision on Financial Correction Guideline, the correction will be determined on the basis of a type that is closest to the irregularity identified;
- Financial corrections for infringements of the Public Procurement Act will not be cumulated and where more than one irregularity was identified, the amount of correction will be determined on the basis of the highest identified irregularity (however, a correction for an irregularity in public procurement will be cumulated with corrections for other types of irregularities in the project implementation).

17 ACCOUNTING

The most important principle which the Project Promoter and a project partner are required to respect is that the accounting records of project expenditures must be kept separately from those of other Project Promoter's and project partner's expenditures. In practice this may require, in particular, setting up a specific sub-account and accounting on the basis of costs centres or SPP elements. Project Promoters and Slovak project partners are required to keep accounting records in accordance with the national legislation on accounting. Foreign project partners are required to keep accounting records in accordance with their national legislation.

With respect to the accrual accounting principle, any repayment of the project grant should be accounted for using the same sub-accounts, cost centres and SPP elements as were used for the expenditure of the project. The Project Promoter and the project partner must be able to demonstrate at any time that the sum of expenditures recorded in the Project Promoter's accounting records is equal to the sum of eligible expenditures, i.e. those expenditures that were accepted as eligible by the Programme Operator, and by other audit bodies, where appropriate.

Where the Project Promoter or the project partner is not an accounting entity, it will keep the records of assets, liabilities, income and expenses relating to the project in the cash book, accounts receivable ledger and accounts payable ledger and supporting books, provided that the keeping of those records, the documents supporting the entries and the methods of valuation of assets and liabilities will be governed by provisions of Act No. 431/2002 on Accounting Entries, Accounting Documentation and Valuation Methods.

The Project Promoter and the project partner are required to demonstrate that an expenditure was properly accounted for by submitting a copy of the respective page of the general ledger (for the dual-entry accounting system) or the cash book (for the single-entry accounting system), provided that it must clearly follow from the documentation so submitted that the expenditure was recorded in the designated sub-account, cost centre and SPP of the project.

In addition to the individual expenditures, the Project Promoter's and project partner's accounting records must contain the records of the allocation and receipts of the project grant. We recommend that the Guideline of the Ministry of Finance of the SR No. MF/002429/2004-72 concerning the drawing, accounting for and taxation of non-repayable contributions from the structural funds and the budget of the European Communities for the private and public sectors should be used as reference; though the Guideline does not specifically apply to EEA FM and NFM, it may, subject to appropriate adjustments, provide useful guidance to Project Promoters and Slovak project partners.

17.1 Accounting Documents

The Project Promoter is required to demonstrate eligibility of expenditure through accounting documents and other documents of equivalent probative value. An accounting document is a document defined in Section 10 (1) of Act No. 431/2002 on Accounting, as amended. An accounting document is a demonstrable accounting record that must contain the following essentials:

- a) A textual and numeric designation of the accounting document;
- b) The content of the accounting transaction and identification of the parties to the transaction;
- c) The monetary amount or a price per unit of measurement and the quantity;
- d) The date of the accounting document;
- e) The date of the accounting transaction, if different from the date of the document;
- f) A signature entry (Section 32 (3)) of the person responsible for the accounting transaction on behalf of the accounting entity and a signature entry of the person responsible for the accounting for the transaction;
- g) Identification of the accounts in which the transaction will be recorded (applicable to accounting entities using the dual-entry accounting system), unless it implicitly follows from the accounting software.

Accounting documents must be accompanied by the relevant supporting documentation. The Project Promoter will demonstrate by means of a supporting document the link between the financial and subject-matter aspects of the project.

17.2 Types of Accounting Document

The following types of accounting document in particular will be used as proofs of eligible expenditure:

- a) Supplier invoices containing a schedule of the goods, works or services supplied and specifically indicating the relation of the expenditure to the project;
- b) Receipts from electronic cash registers;
- c) Petty cash receipts specifically indicating the relation of the expenditure to the project;
- d) Internal accounting documents;
- e) Contracts and other documents to the extent they meet the requirement laid down in Section 10 (1) paragraphs a) thru f) of the Accounting Act.

Accounting document of equivalent probative value means any document submitted by the body responsible for implementation to prove that the book entry gives a true and fair view of the transactions actually made, in accordance with standard accounting practice.

Accounting documents must include a text from which it can be clearly identified that the expenditure is related to the implementation of a project supported by a project grant. Where the Project Promoter or the project partner does not claim the whole amount of the accounting document for reimbursement from the project grant, or if the supplier/contractor failed to make an appropriate indication in the accounting document, the Project Promoter will be required to add the relevant information to the accounting document, including the amount claimed from reimbursement from the project grant.

17.3 Issuance of Credit Notes and Verification of Accounting Documents

The Project Promoter is required under the project contract to request from a supplier/contractor issuance of two counterparts of an accounting document of which one will be retained by the Project Promoter and one will be sent to the Programme Operator (if the amount in the accounting document exceeds EUR 5,000), or handed over to the Programme Operator during the on-the-spot verification if the expenditure is subject to such verification.

Where the nature of the accounting document impedes issuance of two counterparts, or the Project Promoter or the project partner does not have two counterparts of an accounting document at its disposal, the Project Promoter or the project partner will retain the first copy of the document and send or hand over to the Programme Operator an authenticated photocopy.

Neither the Project Promoter nor the project partner will be required to submit officially authenticated accounting documents or documents of equivalent probative value or supporting documentation unless the Programme Operator specifically so requires.

Account documents or documents of equivalent probative value to be sent by the Project Promoter or the project partner to the Programme Operator will be validated by a signature of the Project Promoter's and/or project partner's statutory representative and an imprint of the Project Promoter's stamp attached to each page of the accounting document, document of equivalent probative value and supporting documentation. Where the documentation is firmly bound, validation on the first page will be sufficient.

For accounting documents to be handed over by the Project Promoter to the Programme Operator during the on-the-spot verification, the Project Promoter's or project partner's persons present at the

verification will attach their signatures to the documents to confirm that the documentation enclosed is a true copy of the original archived by the Project Promoter or the partner.

17.4 Archiving

The Project Promoter and the project partner are required to retain the complete project documentation, including accounting documents and all other documents, **throughout the term of the project contract**. This is without prejudice to provisions of national legislation imposing a longer document retention period than the project contract (such as for documentation concerning public procurement, etc.).

18 CONTROL OF THE PROJECT

For the purposes of this material, 'control' refers to administrative verification, review, preliminary financial control, interim financial control, follow-up financial control, monitoring, evaluation, audit, and other types of control carried out by bodies appointed or authorised for that purpose. Authorised persons of the Programme Operator are persons authorised in writing to carry out the on-the-spot control.

18.1 Access to Information

The Project Promoter and the project partners are required to grant to audit bodies full access to all information, documents, persons, locations and facilities, public or private, relevant to the control. Audit bodies include in particular the Programme Operator, the Office of the Government of the Slovak Republic, the Ministry of Finance of the Slovak Republic, the Financial Mechanism Office, the Ministry of Foreign Affairs of the Kingdom of Norway, the Financial Mechanism Committee, the Office of the Auditor General of the Kingdom of Norway, and such other audit bodies and bodies authorised to carry out control and audits under applicable legislation of the SR, as well as all entities appointed by those institutions. At the same time, Project Promoters **are required to ensure that such access be granted to audit bodies also by suppliers of assets for their projects selected through public procurement.**

18.2 On-the-spot Verification Procedures

On-the-spot verification may be undertaken as part of the preliminary, interim or follow-up financial control, audit, monitoring or review. Most on-the-spot verifications will be connected with the preliminary financial control carried out by the Programme Operator prior to the disbursement of a project grant payment, and the subject matter of such control may be all expenditure declared by the Project Promoter and the project partner throughout the project implementation time.

On-the-spot verifications means checking at the Project Promoter's or project partner's place that the expenditures declared in the accounting documents and supporting documentation are eligible and that the goods were actually supplied and works and services performed in accordance with the project contract.

The Programme Operator will notify the Project Promoter and the project partner of the date of the on-the spot verification by email and no later than five working days before that date. The Project Promoter and the project partner are not allowed to disapprove the timing of the on-the-spot verification without a justified reason, and are required to make sure that responsible persons be present at the verification.

A record of the on-the-spot verification will be written down with which photocopies or scans will be enclosed of the accounting documents and supporting documentation received by the Programme Operator from the Project Promoter and the partner. Those present will certify by their signatures that the documents are true to the originals archived by the Project Promoter or the partner, and signatures of the control team leader and of a Project Promoter's or project partner's person will be attached to each page of a document. The draft record will be submitted to the Project Promoter and the project partner for comments, provided that the Project Promoter and the project partner will be required to submit their statements regarding the record within five working days from the delivery of the draft record, and their objections, if any, will be stated in an appropriate section of the record. The Programme Operator will consider the Project Promoter's objections and, if sufficiently explained or substantiated, amend the content of the record. After the delivery of the statement, the record will be submitted to the Project Promoter or the project partner for signature. If the on-the-spot verification is

carried out at the project partner's place, the project partner will be required to forward a copy of the record to the Project Promoter.

The Programme Operator's authorised persons will have, in particular, the authority to:

- enter the buildings, facilities, establishments, transport means and land as well as other premises of the Project Promoter and the project partner to the extent it is relevant to, and inevitable for, the on-the-spot verification;
- request the Project Promoter to submit original documents, data records on computer memory media and their printouts, statements, project outcomes and other information and documents, sample products and other necessary documents required for the execution of the verification, as well as other project related documents as required by the persons authorised to carry out controls;
- collect, whether within or outside the Project Promoter's or project partner's premises, originals of documents, data records on computer memory media and their printouts, statements, project outcomes and other information whose release is not prohibited by legislation of general application and which are necessary for the taking of evidence, including such other materials as are necessary for further action in connection with the on-the-spot verification;
- request the Project Promoter and the project partner to rework the corrective measures designed to remedy irregularities identified through the verification and eliminate their causes if, in view of the degree of severity of the irregularities, the authorised person reasonably supposes that the designed measures would be inefficient, and submit a written list of the measures within such time limit as the authorised person determines;
- inspect data and documents to the extent they are relevant to the subject of the on-the-spot verification;
- make copies of data and documents to the extent they are relevant to the subject of the on-the-spot verification.

The Project Promoter will be required to adopt **without undue delay** measures to remedy the irregularities identified through the on-the-spot verification pursuant to the on-the-spot verification report within the time limit determined by the authorised persons. The Project Promoter will also be required to send the authorised persons a written report on the implementation of the measures adopted to remedy the identified irregularities and on the elimination of their causes immediately after the implementation of the measures.

18.3 Obligations of the Project Promoter and the Project Partner during the On-the-spot Verification

The Project Promoter and the project partner are required to submit to the Programme Operator's authorised persons all accounting documents and supporting documents, as referred to in Annex 1 hereto, including all PIRs and other reports submitted by the Project Promoter during the implementation of the project. **The documents must be submitted to the authorised persons in a logical and well-arranged manner in order to facilitate a smooth course of the verification by the authorised persons.**

Relevant documents that may be requested by authorised persons beyond the prescribed scope of accounting and supporting documents include, without limitation, complete accounting reports, such as the chart of accounts, general ledger turnovers, supplier invoice register, supplier/contractor ledger (account 321xxx) for the project, ledger of companies related to suppliers/contractors, etc.

19 INCOME FROM PROJECT, INTEREST, ACCOUNTS AND EXCHANGE RATES

19.1 Income from the Project

The capacity of a project to generate income is considered a positive aspect of the project to the extent it does not generate an excessive profit.

An applicant is required to submit within its project application a summary of the expected project income and expenses if the following conditions are met:

1. The total project expenditure is higher than EUR 1,000,000; and
2. The project is not submitted under a state aid scheme.

Profit is the surplus of receipts over operating costs, including loan repayments.

Profit margin is the quotient of profit and income and is expressed as a percentage.

Excessive profit is the income multiplied by the profit margin percentage, less interest on 10-year government bonds (or an equivalent) in the SR + 2 %.

19.1.1 Project Application Approval Process

Applicants are responsible for the determination, justification and calculation of the potential profit an excessive profit. The identification should take into account the economic duration of the project. An excessive profit has an impact on the amount of the project grant. The below calculations are provided to illustrate the impact:

Budget	Economic duration		
	R1	R2	Rn
Income	I1	I2	In
Operating expenses	E1	E2	En
Profit	I1 - E1	I2 - E2	In - En
Profit margin (profit/income)	$PM1 - (I1 - E1) / I1 * 100 \%$	$PM2 - (I2 - E2) / I2 * 100 \%$	$PMn - (In - En) / In * 100 \%$
Government bonds + 2 %	GB + 2 %	GB + 2 %	GB + 2 %
Excessive profit in %	$PM1 - (GB + 2 \%)$	$PM2 - (GB + 2 \%)$	$PMn - (GB + 2 \%)$
Excessive profit in EURO	$I1 * [PM1 - (GB + 2 \%)]$	$I2 * [PM2 - (GB + 2 \%)]$	$In * [PMn - (GB + 2 \%)]$

$$Reduced\ excessive\ profit = \frac{I1 * [PM1 - (GB + 2 \%)]}{1 + (GB + 2 \%)^{\wedge} 1} + \frac{I2 * [PM2 - (GB + 2 \%)]}{1 + (GB + 2 \%)^{\wedge} 2} + \frac{In * [PMn - (GB + 2 \%)]}{1 + (GB + 2 \%)^{\wedge} n}$$

The project grant will be reduced by the excessive profit.

The above impact is further indicated in the following form:

Budget	Economic duration							
	R1	R2	R3	R4	R5	R6	R7	Rn...
Income	10	15	20	20	20	20	20	20
Operating expenses	10	13	15	15	15	15	15	15
Profit	0	2	5	5	5	5	5	5
Profit margin (profit/income)	0 %	13 %	25 %	25 %	25 %	25 %	25 %	25 %
Government bonds + 2 %	8 %	8 %	8 %	8 %	8 %	8 %	8 %	8 %
Excessive profit in %	-	5 %	17 %	17 %	17 %	17 %	17 %	17 %
Excessive profit in EURO	0	0.8	3.4	3.4	3.4	3.4	3.4	3.4

Reduced excessive profit

14

Reduced rate equalling to
government bonds + 2 %

Impact on the grant amount:

Grant allocation:

100.0

Reduced excessive profit:

11.9

Grant offered

88.1

Suppose that the co-financing amount is 15 %,
the excessive profit will be reduced proportionally:
i.e. $14 \times 0.85 = 11.9$

19.1.2 Procedures Applicable during the Project Contract Term

If the project contract so provides, the Project Promoter will submit to the Programme Operator on an annual basis a calculation of the project income and expenses for the preceding period. Where any excessive profit was generated, the sum equalling to the excessive profit multiplied by the project grant rate must be returned to the Programme Operator.

19.2 Interest

If the project account is an interest-bearing account, the Project Promoter is required to transfer the interest income to the accounts designated by the Programme Operator no later than 15 February of a calendar year. The Project Promoter will make the transfers of interest income also for its project partners. The net interest income accrued on the project accounts, i.e. interest less tax, constitutes revenue of the state budget of the SR.

19.2.1 Standard Calculation of Interest Income

In standard cases, i.e. when the disbursements of the project grant are not suspended or no other circumstances have arisen because of which funds were gathered in a separate account at such proportions that correspond to the distribution of the funds for financing the total eligible expenditure according to the project contract, the amount of interest to be transferred by the Project Promoter will be calculated using the formula below:

$$\text{Tol} = (I - T) * \text{PGR}$$

where:

I = interest

T = tax

PGR = project grant rate

Tol = transfer of interest

Model example:

Interest = EUR 100

Tax = EUR 20

Net interest (interest - tax) = EUR 80

Project grant rate = 85 %

Transfer of interest = $80 * 0.85 = \text{EUR } 65$

of which: EEA FM/NFM = 85 %

SB SR = 15 %

19.2.2 Calculation of Interest Income in Specific Cases

If circumstances have arisen in the course of the implementation of the project because of which funds are not gathered in a separate account at such proportions that correspond to the distribution of the funds for financing the total eligible expenditure according to the project contract, the amount of interest to be transferred by the Project Promoter will be calculated according to the table below:

Variable	Item	Formula	Amount
A	All disbursements of the project grant as of 31 December 2013	sum of grant payments	€ 250,000
B	All co-financing payments as of 31 December 2013	sum of co-financing payments	€ 125,000
C	Current average project grant rate of the total eligible expenditure	$= A/(A+B)$	66.65 %
D	Annual interest as the sum of interest accrued in each month	sum of interest for the year	€ 1,850
E	Net annual interest, i.e. interest - tax (20 %)	$D-(D*0.2)$	€ 1,480
F	Transfer of interest by the Project Promoter for 2013	=C*E	€ 986.66

19.2 Project Promoter's and Partner's Accounts

The requirements for mandatory essentials of Project Promoter's and partner's accounts are laid down in the current version of the Financing and Financial Management System of EEA FM and NFM for the Programming Period 23009 -2014 whose guarantor is the Ministry of Finance of the SR, and the project contract. Project partners from the Slovak Republic are required to set up a project account for the **receipt of funds and payment of expenditure** in accordance with the said document, depending on the type of beneficiary. The document specifies accounts of the following organisations:

- state organisation financed, fully or partially, by the state budget
- higher territorial unit
- municipality
- private sector, including non-governmental organisations

Foreign project partners are required to set up a project account in accordance with the conditions stipulated in the said document for the private sector, including non-governmental organisations.

Except state organisations financed, fully or partially, by the state budget of the SR whose accounts do not bear interest, it is up to the Project Promoter and the project partner to elect whether or not their project accounts should bear interest. Where the accounts do not bear interest, account maintenance charges will not be eligible expenditure.

All project accounts must be denominated in EUR!

19.2 Exchange Rates and Exchange Rate Differences

The Project Promoter and the project partner may pay their project related expenditures in a currency other than the euro. Any internal exchange rate differences are borne by the Project Promoter, provided that a difference that arises at the level of the Project Promoter or the project partner between the date when the liability and the payment to the supplier were accounted for in the Project Promoter's accounting will not be treated as an exchange rate difference. Such difference will be relevant to the assessment of the amount of eligible expenditure in terms of eligibility. This provision means that the amount of eligible expenditure will be calculated on the basis of the book value of the expenditure, and any exchange rate gain/loss arising from the difference between the exchange rate applied to the payment and that applied to the accounting entry will be disregarded.

Where the foreign partner keeps its accounting records in a currency other than the euro, such partner is required to convert the total amount of expenditure shown in the list of accounting documents to the euro using the exchange rate announced by the European Commission in the month when the expenditure was accounted for in the project partner's accounting records.

It follows from the foregoing that a foreign partner may specify in the list of accounting documents only one currency, namely the currency in which it keeps its accounting records. If such currency is other than the euro, the sum of eligible expenditure in the list of accounting documents will be automatically converted to the euro. Thus, the sum of declared eligible expenditure in the euro will not be identical to the sum which would be displayed on the expenditure side in the project partner's accounting records; it is the sum that determines the amount of the settled expenditure.

20 PUBLICITY

The Project Promoter is required to implement the measures defined in the project publicity plan, as approved along with the project application. A project partner will cooperate with the Project Promoter in the implementation of the information and publicity measures to such extent as specified in the publicity plan/partnership agreement.

The Project Promoter is required to inform about the EEA Financial Mechanism/Norwegian Financial Mechanism and the state budget of the Slovak Republic by which the project is financed at all stages of the project implementation and wherever it is possible. The Project Promoter is required to abide by the measures defined in the publicity plan and this Guide and, accordingly, make use of an as wide as possible range of communication instruments. The following boilerplate texts must be used by the Project Promoter in all representations, articles, information published in the media and other information communicated to the public:

EEA Grants for the EEA Financial Mechanism
Norway Grants for the Norwegian Financial Mechanism
State Budget of the Slovak Republic

Costs of information, communication and publicity are eligible expenditure of the Project Promoter/partner to the extent they were approved through the project evaluation process and are part of the project budget. The Project Promoter is required to archive and document all implemented measures in accordance with this Guide. Also, the project partner is required to provide to the Project Promoter all supporting materials documenting the implementation of the information and publicity measures. In case those requirements fail to be complied with, expenditure relating to activities in this area may be classified by the Programme Operator as ineligible.

The Project Promoter is required to provide to the Programme Operator all audiovisual and image materials regarding the implementation of the measures to promote information and publicity. **By forwarding those materials, the Project Promoter automatically gives the Programme Operator its consent to further modification and distribution of those documents within the meaning of the project contract.**

Moreover, with a view to ensuring maximum visibility and effectiveness of the information and publicity measures relating to a bilateral fund, the fund manager will use in all communication channels the basic identification messages: “EEA and Norway Grants - Create and share results together” and “EEA and Norway Grants - Cooperation with common values”.

20.1 Instant Visual and Content Identification

In order to ensure maximum effectiveness of the communication and implementation of publicity measures, the Project Promoter will provide an as broad as possible spectrum of information about the project to the general public and the target groups on the national/regional/local level, including information about the cooperation with partner institutions under the project, where applicable.

20.1.1 Use of the EEA FM/NFM Logos

The primary element of the instant visual identification is the **EEA FM/NFM logo**. Any financial assistance from the financial mechanism must be made visible through the use of a logo. It is forbidden to use the logos with a form and colours different from the officially defined and prescribed design of the logo, as specified in the Communication and Design Manual issued by the Financial Mechanism Office in Brussels.

The current logos must be used in all printed and electronic documents relating to the implementation of the project. The prescribed design of the logos and all technical details regarding the logos are available on the website of the Financial Mechanism Office in Brussels:
<http://eeagrants.org/Results-data/Results-overview/Documents/Logos>.

20.1.2 Brand Promotion - Alternative EEA FM/NFM Names

In order to facilitate easy and fast identification, the Project Promoter will use in all promotional activities the abbreviated names of the Financial Mechanisms. It is recommended to use:

- “**EEA Grants**” instead of “EEA Financial Mechanism”
- “**Norway Grants**” instead of “Norwegian Financial Mechanism”
- “**EEA and Norway Grants**” instead of “EEA Financial Mechanism Norwegian Financial Mechanism”

20.1.3 Slogans

In order to facilitate the instant content identification, when implementing the information and publicity measures, the Project Promoter is required to use the **main slogans** relevant to the particular programme, as defined in the Communication Strategy issued by the Office of the Government of the Slovak Republic as the National Focal Point.

Main programme slogans:

Programme SK02 - Adaptation to Climate Change - official slogan: “Think globally, act locally” (in Slovak: “*Mysli globálne, konaj lokálne*”)

Programme SK04 - Local and Regional Initiatives to Reduce National Inequalities and to Promote Social Inclusion - official slogan: “Education of Roma, on Roma and for Roma” (in Slovak: “*Vzdelanie Rómov, o Rómoch a pre Rómov*”)

Programme SK05 - Conservation and Revitalisation of Cultural and Natural Heritage - official slogan: “Save the heritage of our ancestors” (in Slovak: “*Zachráňme dedičstvo našich predkov*”)

Programme SK07 - Green Industry Innovation - official slogan: “Biomass – our energetic future” (in Slovak: “*Biomasa – naša energetická budúcnosť*”)

Programme SK08 - Cross-border Cooperation - official slogan: “Slovakia – Ukraine: Cooperation across the Border” (in Slovak: “*Slovensko – Ukrajina: Spolupráca naprieč hranicou*”)

Programme SK09 - Domestic and Gender-based Violence - official slogan: “A home must be a safe place for everybody” (in Slovak: “*Domov musí byť bezpečné miesto pre všetkých*”).

Moreover, it is recommended that in addition to the main programme slogans the Project Promoter and project partners should use in all promotional materials some of the:

a) General slogans of EEA FM and NFM 2009 - 2014, including:

- “EEA and Norway Grants - Getting closer to the highest European standards” (in Slovak: “*Granty EHP a Nórska – Vykročme bližšie k najvyšším európskym štandardom*”)
- “EEA and Norway Grants - Cooperation with common values” (in Slovak: “*Granty EHP a Nórska – Spoluprácou k spoločným hodnotám*”)
- “EEA and Norway Grants - Grants can be simple” (in Slovak: “*Granty EHP a Nórska – Aj fondy môžu byť jednoduché*”).

B) Slogans emphasising the bilateral dimension of the cooperation with the Donor States:

- “EEA and Norway Grants - Getting closer to the highest European standards” (in Slovak: “*Granty EHP a Nórska – Vykročme bližšie k najvyšším európskym štandardom*”)
- “EEA and Norway Grants - Cooperation with common values” (in Slovak: “*Granty EHP a Nórska – Spoluprácou k spoločným hodnotám*”).

Summary of key information and publicity measures

The Project Promoter/partner is required to implement and interlink information and publicity measures of the project through the following activities:

- PR and media communication;
- Internet-based communication (communication through the web and social networks);
- Printed and electronic information and promotional materials;
- Information activities and events (conferences, meetings, workshops, competitions, exhibitions, etc.);
- Other information and promotional activities

Obrázok:

PR and media communication

Other information and publicity activities

Web and social network communication

PROJECT PUBLICITY

Information events

Information and promotional materials

The implementation of the abovementioned activities is closely related to a proper setup of the internal administrative processes in the area of information and publicity, including in particular:

- effective PR management;
- design and visual identification;
- event management;
- targeted media planning.

The Project Promoter/partner will undertake the following information and publicity activities: press releases, press conferences, media communication, web communication, social network communication, direct e-mailing, publishing of newsletters, brochures, leaflets, posters, organisation of events (meetings, seminars, workshops, conferences, competitions, exhibitions, etc.), production and distribution of promotional items (for more information refer to Chapter 20.4).

20.2 Billboards and Commemorative Plaques

A billboard must be placed in a point that is visible and accessible to the general public and within the site of each project activity to which more than EUR 50,000 is allocated in the budget (it is advisable to place a billboard, for instance, at the main entrance to the building where the project is being implemented, next to the rooms and offices of the persons involved in the project implementation, in training centres, etc.). The dimensions of a billboard must be at least 250cm x 150cm and the billboard must comply with the standards and designs specified in the Communication and Design Manual issued by the Financial Mechanism Office in Brussels and available on its website : <http://eeagrants.org/Media/Files/Toolbox/Communication-manual>.

A billboard must incorporate the following key elements:

- 1. NAME OF THE PROJECT**
- 2. NAME OF THE PROJECT PROMOTER**
- 3. TEXTUAL IDENTIFICATION:** For projects financed by EEA FM, the following text must appear under the logo of EEA FM: "Supported by a grant from Iceland, Liechtenstein, Norway", followed by the text "Co-financed by the State Budget of the Slovak Republic" and then by the Slovak version of those texts ("*Projekt je financovaný z grantov Islandu, Lichtenštajnska a Nórska*").

prostredníctvom Finančného mechanizmu EHP a zo štátneho rozpočtu Slovenskej republiky” and “Spolufinancované zo štátneho rozpočtu Slovenskej republiky”.) For projects financed by NFM, the following text must appear under the logo of NFM: “Supported by a grant from Norway”, followed by the text “Co-financed by the State Budget of the Slovak Republic” and then by the Slovak version of the texts (“Projekt je financovaný z grantu Nórskeho kráľovstva prostredníctvom Nórskeho finančného mechanizmu” and “Spolufinancované zo štátneho rozpočtu Slovenskej republiky”).

4. **PROJECT GRANT AMOUNT**
5. **STARTING DATE AND ESTIMATED ENDING DATE OF THE IMPLEMENTATION OF THE PROJECT or THE DURATION OF THE PROJECT IMPLEMENTATION**
6. **THE MAIN INFORMATION MESSAGE (SLOGAN)** (refer to [Chapter 2 of this Guide](#))
7. **OTHER OPTIONAL DATA (NAME OF THE SUPPLIER/CONTRACTOR, BRIEF PROJECT DESCRIPTION, PROFILE PHOTO)**

In case of fixed tangible assets purchased within the framework of the project activities, the Project Promoter is required to replace the billboard with a commemorative plaque no later than three months after the completion of the physical implementation of the project.

A **commemorative plaque** must have a durable design and be placed in a point accessible to the public (such as the face of the building), at a suitable height and in such manner that it does not interfere with the historical or architectural profile of the building.

The commemorative plaque must be impressed on an aluminium or plastic backing. Where it is impossible to mount the commemorative plaque directly onto the building, the Project Promoter must arrange installation of the plaque on a self-standing pole, post or other suitable structural element such that the visibility requirements are complied with. In terms of content, a commemorative plaque must bear as mandatory at least the information referred to in items 1) thru 5) above. The dimensions of a commemorative plaque will be 30cm x 20cm x 0.2cm.

The graphical design of a commemorative plaque and/or billboard are subject to **approval by the Programme Operator** which will check the appropriateness of the elements used, their sizes and the information included in the draft of the plaque against the Communication and Design Manual issued by the Financial Mechanism Office. The Project Promoter will submit its request for the Programme Operator’s opinion exclusively via e-mail and the Project Promoter will submit its opinion via e-mail within three working days from the receipt of the request.

20.3 Mandatory Elements of Information and Promotional Materials

Information and promotional materials and publicity measures must contain the following key elements:

Type of promotional/information material/measure	EEA FM/NFM logo and national emblem of the SR	Textual identification	Reference to eeagrants/norwaygrants website	Slogan	Grant amount	Name of project/Project Promoter	Other (specific element) Recommendation
1. Printed information materials							
1.1 Leaflets, posters, brochures	+	+	+	+	+	+	photo
1.2 Guides, manuals, textbooks, analyses and other specialist publications	+	+	+	+	-	+	photo
2. Promotional items							
2.1 Pens, pencils, USB sticks, bags, umbrellas,	+	-	-	-	-	-	-
2.2 T-shirts, calendars, notebooks, document holders	+	-	+	-	-	+	photo
3. Documents							
3.1 Correspondence	+	-	+	-	-	+	-
3.2 Attendance sheets	+	+	+	+	-	-	photo
3.3 Business cards	+	-	-	-	-	-	-
3.4 Study materials	+	+	+	+	-	+	photo
3.5 Survey questionnaires	+	-	+	+	-	+	-
3.6 Certificates, attestations	+	-	+	+	-	+	-
3.7 Invitation letters	+	+	+	+	-	+	photo
3.8 Application forms	+	+	+	+	-	+	-
4. Assets							
4.1 Designation of fixed assets and consumables (such as PCs + technical equipment + office equipment, etc.)	+	+	-	-	-	-	-
5. Information activities							
5.1 Conferences, seminars, workshops, meetings	+	+	+	+	+	+	photo
6. Web-based communication							
6.1 project website	+	+	+	+	+	+	photo
6.2 Communication via social networks	+	+	+	+	+	+	photo
7. Media communication							
7.1 Press releases	+	+	+	+	+	+	-
7.2 Press conferences	+	+	+	+	+	+	-
7.3 Articles	+	+	+	+	+	+	photo
7.4 Advertisements	+	+	+	+	+	+	-
7.5 Interviews	+	+	+	+	+	+	photo
7.6 TV ads	+	+	+	+	+	+	-

* The **Project Promoter** is required to submit one sample of a promotional material/information activity outcome to the Programme Operator (in addition to the mandatory submission of a proof of eligibility of the expenditure in connection with the verification of a payment claim), except categories 3.1, 3.2, 4.1, 5.1, 6.1, 6.2, 7.2

20.3.1 Press Releases

Press releases provide a simple and fast method of communicating information to the public about the news, the current progress in the project implementation, partial or overall project outcomes through the mass media. Press releases must carry a key message conveyed in a comprehensible way. The basis of a well prepared press release is a concise and specific headline. Press releases must meet the formal requirements defined in the Communication and Design Manual issued by the Financial Mechanism Office.

20.3.2 Organisation of Press Conferences

The primary aim of a press conference is to give representatives of the mass media more detailed information, based on a published press release, about the topic being communicated and provide sufficient opportunities for direct communication, interviews and other interpersonal activities of media communication.

A particularly significant benefit stemming from press conferences is the capturing of media's attention, and it is, therefore, crucial to prepare interesting materials for journalists that are worth publishing and present the activities described or mentioned in the press releases against a practical background, and allow them to talk to the people involved in the project implementation or those concerned with the project implementation to a larger or lesser extent.

The Project Promoter is required to inform the Programme Operator of the press conference timing at least ten working days ahead and invite representative of the Programme Operator and the Embassy of the Kingdom of Norway to the conference no later than **five working days** before the date it is to be held.

20.3.3 Cooperation with Representatives of the Media and Media Communication

The cooperation with representatives of the media is an important element in an effective media communication. Media activities using print and electronic media are an essential pillar of the presentation of a project itself as well as its outcomes to the broad public. The Project Promoter may employ, in particular, print advertisements, interviews, articles, radio and TV interviews and ads to promote the project outputs achieved, etc. The Project Promoter is required to submit to the Programme Operator samples of the media outcomes and allow their distribution/sharing with the aim of promoting good practices in the SR, the Donor States, etc.

20.3.4 Photo Documentation

The Project Promoter is required to create interim photo documentation of a reasonable quality (at least 300 dpi) of the project activities.

The photo documentation must sufficiently record the process of implementation of the project activities and must be provided by the Project Promoter to the Programme Operator for unlimited further distribution at any time. **By sending digital photos to the Programme Operator, the Project Promoter automatically gives its consent to the distribution of the photos for information and publicity purposes, and the Project Promoter is responsible for their content.**

20.3.5 Information Activities (Seminars, Conferences, Exhibitions, Workshops, Competitions)

In connection with the information activities, the Project Promoter is required to present the role and significance of EEA FM/NFM in the project as widely as possible, and observe the publicity measures through employing all available information tools.

At the information activity planning stage, it is particularly important for the Project Promoter to define the primary objectives of the information activity and the type of information to be conveyed to the audience and the target groups through the activity. For larger information events, the Programme Operator recommends that local/regional/national media should be addressed and a series of practical examples and interesting information should be prepared for the representatives of the media.

The Project Promoter is required to inform the Programme Operator of the information event timing at least **ten working days** ahead and invite representative of the Programme Operator to the event no later than **five working days** before the date it is to be held.

20.3.6 Designation of Fixed Assets and Consumables

The Project Promoter is required to designate each item of assets or consumables acquired within the framework of the project activities with a label, plate or poster placed in a visible point within the item.

The size of the label must be proportionate to that of the item, or the price of the asset, as appropriate. Where the designation is complicated because of the size or properties of the item, the Project Promoter will place an adequate information carrier in a close vicinity of the item.

Office consumables that do not fulfil an information or promotional function do not have to be designated with a label.

20.3.7 Small Promotional Items

Small promotional items include pens, pencils, bags, USB sticks, umbrellas, T-shirts, calendars, notebooks, document holders, etc. Promotional items serve the quick visual identification function and play a specific advertising role. Small promotional items have a strong advertising potential. An essential feature of those items is identification through the EEA FM/NFM logo as a mandatory element of promotional items.

The logo may be complemented by other project information (if the size of the promotional items so allows).

20.3.8 Web Communication

Web communication includes in particular communication through a website and social networks. The project website must inform a visitor about the key objectives of the project, project implementation progress, news, interim results of the project implementation, and provide visual documentation and Project Promoter's contact information, including visible links to the website of the programme and the Financial Mechanisms.

Communication via social networks provides a modern and user-friendly way of communicating that provides ample opportunities for information sharing between the members of social communities. Social networks allow fast dissemination of information and instant data updating even without the need to visit a particular website.

20.3.9 Publications, Brochures, Leaflets and Other Information Materials

The publishing of publications, brochures, leaflets and other information materials is one of key information activities of a project that summarises and conveys a lot of information on the outputs and achieved outcomes of the project "at one place".

The publishing of information materials serves as a medium- to long-term tool for summarising information and making it available in a compact form through a specific material. A specific group of information materials is periodicals and on-line project newsletters.

All implemented measures and activities must be documented and archived, whether in a hard-copy or electronic form.

20.4 Technical Characteristic of Information and Publicity Measures

All technical characteristics, the use of the logos and other technical specifications are regulated in the Communication and Design Manual issued by the Financial Mechanism Office in Brussels and available on its website:

<http://eeagrants.org/Media/Files/Toolbox/Communication-manual>

The manual defines the logotypes, their colours, graphical relations, fonts, dimensions and designs of information materials (stickers, posters, roll-up panels, presentations, videos and website templates). All templates are available on the website of the Financial Mechanism Office in Brussels:
<http://www.eeagrants.org/id/2777.0>

20.5 Monitoring and Evaluation of Information and Publicity Measures

The Project Promoter/partner will report on information activities and publicity measures it has implemented via e-mail and through a project interim report or the final project report.

Compliance of publicity measures with the rules laid down in this Guide and the approved communication plan of the project will be subject of administrative verification and/or on-the-spot verification. The Project Promoter will inform the Programme Operator, either through a project interim report or via e-mail, about the following matters in particular:

- Implementation of the measures of the communication plan;
- Implemented information and publicity measures;
- All communication means employed;
- Partial and final results of the implementation of publicity measures, awareness-building regarding the project and EEA FM/NFM and measures aimed to ensure maximum openness and visibility of the benefits stemming from the project implementation.

If the Project Promoter fails to observe all mandatory publicity measures during the project implementation, the expenditure on information and publicity will be categorised as ineligible.

20.6 Public Access to Project Outputs

Throughout the term of the project contract, all project outputs must be available to the public in accordance with the conditions stipulated in the project contract and this Guide. Duties of the Project Promoter and project partners are defined as follows:

1. All documents in a paper form or convertible to a paper form that were created with the aid of the project grant must be provided to the Programme Operator for publication on its websites, and **the Project Promoter or the project partner are required to settle all copyrights relating to the documents in such manner that the publication thereof cannot constitute infringement of applicable legislation, for instance the Copyright Act, Commercial Code and Personal Data Protection Act.** Such documents include methodical guidelines, guides, studies, brochures and any other material whose creation was financed, wholly or partially, from the project grant.
2. All documents in a paper form or convertible to a paper form that were created in connection with the project grant, for instance the project contract, contracts with suppliers/contractors, project interim reports, lists of accounting documents, accounting documents and supporting documentation etc. will be published by the Programme Operator or submitted at a request based on the Freedom of Information Act in a manner that respects the **Personal Data Protection Act.**

3. Equipment other than serving production of assets, for instance cultural relics, homes etc. must be accessible to the public on a non-discriminatory basis and on terms to be agreed between the Programme Operator and the Project Promoter.
4. Equipment other serving production of assets must be accessible to interested persons or media, representatives of general government, etc., subject to safety regulations.

21 BILATERAL FUNDS AND FUNDS FOR COMPLEMENTARY ACTIVITIES

The overall objective of the implementation of the fund for bilateral relations as an integral part of the implementation of the programme follows from the primary aim of EEA FM and NFM pronounced in the Memoranda on Understanding, which is “to strengthen the bilateral relations between the Donor States and the Beneficiary States”. The implementation of EEA FM and NFM aspires to create closer, more stable ties between the different sectors in the society aimed at experience and knowledge sharing between the Donor States and the Slovak Republic, taking regard of the social, cultural, historical, economic, natural and others specifics of each country.

In order to achieve the objective of strengthening the bilateral relations between the Slovak Republic and the Donor States, the Programme Operator sets aside a certain portion of the allocation of each programme for the fund for bilateral relations (hereinafter “Bilateral Fund” or “Fund”). The Programme Operator issues for the purposes of the implementation of the Bilateral Fund at the programme level a Bilateral Funds Guideline of the programme laying down details of the conditions and procedures of the implementation of the Fund under the programme.

21.1 Subject Matter of the Fund

The subject matter of the fund is implementation of two key measures:

Measure “A” is intended to support the search for donor partners from the Donor States before or during the preparation of a project application, and development of the partnerships, the process of preparation of an application for a donor partnership project, with the primary aim of accelerating and effectively elaborating the project intents.

Measure “B” is focused on the networking, exchange, sharing and transfer of knowledge, technology, experience and best practice between the Project Promoters and their partner institutions in the Donor States.

21.2 Bilateral Fund from the Project Promoter’s Point of View

Only the Measure B is relevant to a Project Promoter or partner, and a rule applies that activities financed from the Bilateral Fund should not be supported within the frame of a project. This means that a Project Promoter may apply through the project application for a contribution from the Bilateral Fund, however the expenditure concerned will be financed not from the project grant but the specific programme-level allocation.

If the Project Promoter does not include a claim for a contribution from the Bilateral Fund in the project application, the Project Promoter may submit such claim in the course of the project implementation in accordance with the Programme Operator’s Guideline.

The Chapters below discuss only the Measure “B” of the Bilateral Fund at the programme level.

21.2.1 Approval of a Contribution

The award of a contribution from the Bilateral Fund may be approved in two ways:

1. By approval of the claim for contribution from the Bilateral Fund within the project application approval process.
2. By approval of a specific claim for contribution.

Approval of the claim for contribution referred to in paragraph 1 will be notified to the Project Promoter through the grant offer.

21.2.2 Conditions for Payment of a Contribution

Unlike a majority of other projects, no mandatory co-financing is required from the Project Promoter for a contribution from the Bilateral Fund, unless the Programme Operator determines otherwise. The contribution will be paid in form of reimbursement of the expenditure incurred and cannot be transferred to the project account.

Disbursement of a contribution is conditional on:

- The result of the review of the contribution claim, confirmed by the Cooperation Committee;
- Availability of funds;
- Achievement of the output (Result Based Management) in accordance with the criteria laid down in the Notice of the Opening of a Bilateral Fund at the Programme Level.

21.3 Eligibility of Expenditure to be covered by a Bilateral Fund

The following rules apply to expenditures to be financed by a Bilateral Fund:

- The expenditure must be incurred during a period following the submission of the claim for contribution;
- The expenditure must be supported by an accounting document and supporting documentation in accordance with the Notice of the Opening of a Bilateral Fund at the Programme Level;
- The expenditure must be incurred in accordance with laws of the SR (e.g. Public Procurement Act);
- The expenditure must be incurred in a manner consistent with the principles of economy, effectiveness, purposefulness and efficiency.

Eligible expenditure includes:

- Fees and travel expenses for participation in conferences, seminars, courses, meetings and workshops;
- Travel expenses for study trips;
- Travel and salary expenses for visits by experts;
- External consultancy fees.

21.4 Limits and Limitations

The amount of eligible expenditure will be determined by the amount of the actually incurred eligible expenditure in cases when the actually incurred eligible expenditure is lower than the limit set for the relevant type of expenditure in the Notice of the Opening of a Bilateral Fund at the Programme Level. If the actually incurred eligible expenditure is higher than the limit, the eligible expenditure will amount to the limit.

Detailed selection criteria and procedures for the award of support from a Bilateral Fund, the grant rate and the maximum grant amount are determined in the Programme Agreement and the Notice of the Opening of a Bilateral Fund at the Programme Level.

22 HORIZONTAL, CROSS-CUTTING CRITERIA

Horizontal, cross-cutting criteria mean a set of additional values of the projects implemented, consisting in their contribution to the strengthening of the principle of voluntarism, sustainable development, good governance, strengthening of gender equality and promotion of bilateral relations with the Donor States.

22.1 Principle of Voluntarism

One of the key ideas behind the implementation of EEA FM and NFM is to promote the principle of volunteering in the Slovak Republic. The involvement of volunteers in projects and programmes will enhance the public awareness of not only EEA FM and NFM but also the different programme areas being the subject of the support.

The objective to be conveyed through the participation of volunteers is achieving a general public consensus on projects and programmes, and ensuring their sustainability and continuation in the upcoming periods.

22.2 Sustainable Development

For the purposes of EEA FM and NFM, sustainable development is defined as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Sustainable development encompasses three dimensions and, accordingly, is based on three basic pillars: the environment as the basis for achieving sustainable development, economy is a means, instrument of achieving sustainable development, and the social pillar as the target of the development in terms of improved quality of life and living conditions of people. Where the project involves a construction or other waste generating activity, the Project Promoter is required to enclose with each PIR a completed form of the Solemn Declaration on Waste Management during the Implementation of the Project under EEA FM/NFM, as set out in Annex 9 to this Guide.

22.3 Good Management

Good management, or otherwise referred to as good governance in relation to the EEA Financial Mechanism and Norwegian Financial Mechanism, incorporates two interrelated lines with regard to which good management should be understood as a cross-cutting criterion encompassing the principles of good governance, such as accountability towards the general public for the project implementation, transparency, involvement of the public in the project implementation, focus on the needs of the public, public access to information, etc.

22.4 Gender Equality

All projects financed from the EEA Financial Mechanism and the Norwegian Financial Mechanism must afford equal opportunities for the participation to men and women, and any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation must be prevented at every stage of the intervention under the mechanisms. Equal opportunities must be provided to men and women in the areas of social and economic rights, participation in the decision-making process, non-discriminatory measures regarding remuneration, etc.

22.5 Equal Opportunities

All stakeholders involved, or interested in involvement, in the implementation of EEA FM and FM must be granted equal opportunities, including the right to equal treatment.

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