

# EU Structural Funds Programmes 2007-13 National Eligibility Rules

## Financial Management and Control

## S & E and BMW Regional Operational Programmes 2007-2013



Ireland's EU Structural Funds  
Programmes 2007 - 2013

Co-funded by the Irish Government  
and the European Union



EUROPEAN REGIONAL  
DEVELOPMENT FUNDS

# Presentation Outline

- **Assessment of Eligibility**
- **Department of Finance Circular 16/2008 on the 17 National Eligibility Rules**



# Assessment of Eligibility

At a high level eligibility is assessed against 5 main criteria:

➤ **Date the expenditure was incurred and paid–**

Expenditure must have been incurred and paid within the approved eligibility period. 1<sup>st</sup> January 2007-31<sup>st</sup> December 2015

➤ **Purpose of the expenditure –**

Expenditure must only be incurred for projects /operations approved in accordance with criteria approved by the OP Monitoring Committee

➤ **Expenditure must comply with the National Eligibility Rules**

Key references in respect of eligibility of expenditure are Article 56 of Commission Regulation 1083/2006 and Department of Finance Circular 16/2008 –National Eligibility Rules

➤ **Compliant with Information and Publicity Requirements**

➤ **Compliant with National and EU Public Procurement Rules**



# Department of Finance Circular 16/2008

## National Eligibility rules

1. General Rules on Eligibility
2. Salaries, Wages, Travel & Subsistence Costs
3. Overhead/Indirect Costs
4. In-Kind Contributions
5. Purchase cost of asset and depreciation charge
6. Purchase cost of second hand equipment
7. Land Costs
8. Purchase of Real Estate
9. Leasing and Rental Costs
10. Financial and Legal Charges
11. Technical Assistance -Costs incurred in managing and implementing the Structural Funds
12. Cross Financing ERDF activity
13. Repayable Assistance
14. Revenue Generating Projects
15. VAT
16. Sub Contracting Costs
17. Location of Operations



# Rule 1 General Rules on Eligibility

- Expenditure must be actually incurred and paid within the period 1/1/2007-31/12/2015
- Expenditure is eligible only where it is incurred for projects /operations approved in accordance with criteria approved by the Op Monitoring Committee
- New Expenditure, added by revision of the OP, shall only be eligible from the date of submission to the Commission of the revision request
- All expenditure **must** be supported by receipted invoices or accounting 'documents of equivalent probative value'
  - Original Invoices or a certified copy thereof ( see below)
  - Contract Instalment request supported by Project Architect /Engineer Certificate
  - Fee Payment request certified by Project Manager
  - Payroll record to support salaries / wages claimed – must be justified and timesheets kept
  - Travel and Subsistence Claims authorised and in accordance with approved rates
- Bank Statements should ideally be available to evidence proof of payment
- No project/operation may be funded by **more than one source** of EU funding



# Rule 1 - continued

- Derogations to this rule are treatment of overhead / indirect costs, in kind contributions and Depreciation costs on co-financed assets may be treated as Eligible Expenditure incurred and paid under specific conditions – dealt with in Rules 3,4 & 5
- Where O/H charge is allocated record of calculation based on actual expenditure must be maintained
- For Contributions –in-kind claims must be duly assessed & certified as reasonable by the appropriate authority
- All documents must be kept for a period of 3 years after the final payment on the Programme and must be available to the relevant authorities
- Documents should be kept as originals or in versions certified to be in conformity with the originals held on commonly accepted data carriers eg Photocopies, Microfiche, Electronic Versions of original documents, documents existing in electronic format only
- Note Section 17-18 Electronic Commerce Act 2000



# Rule 2 : Salaries, Wages, Travel & Subsistence

- Where an individual is allocated exclusively to an ERDF operation by way of employment contract or documented secondment then the salary or wages costs are eligible
- Where this is not the case costs incurred are eligible when they satisfy the following :
  - Salary and Wage Costs (incl ER PRSI) are eligible if based on real costs, Grades and Pay Scales should be shown
  - Time spent on the operation must be evidenced by timesheets or some such maintained record
- Travel and subsistence costs of staff must relate to ERDF operations only and beneficiaries must have appropriate support documentation



# Rule 3 : Overheads / Indirect Costs

- Overheads / Indirect Costs are eligible when they meet the following conditions :
  - Must be based on real costs which relate to the co-financed operation & are allocated pro rata to the operation using a fair and equitable method
  - This method must be confirmed and approved in writing in advance by the MA to the Implementing Body in consultation with the CA
- In exceptional circumstances and subject to MA approval, indirect costs declared on a flat rate basis may be eligible, up to a maximum 20% of the operations' direct costs
- The flat rate must be based on real costs relating to the implementation of the operation & allocated as detailed above and is subject to periodic review by the MA in consultation with the CA
- If the approved costs of the project are based on a call for tenders, no O/H costs are eligible unless already included in the contract price



# Rule 3 Examples

- **Example 1**

Project ABC involves the participation of four staff members. The Claim submitted is for a four month period and the total number of staff days spent on the project comes to 44 days, as verified by staff timesheets.

The Total Overhead Bill for the four month period for the organisation is €6000 made up of Heat & Light, Telephone & fax, Stationary, Rent, Cleaning costs etc.

Total number of Staff days in this reporting period =

$220 \times 4 = 880 / 12 \text{ months} \times 4 \text{ months} = 293$

Total number of staff days spent on the project = 44

Therefore the overhead charge to the project is calculated as follows: -

$$\frac{\text{Total No. of staff days spent on the project during this reporting period}}{\text{Total no. of staff days in this reporting period}} = \frac{44}{293} = 15\%$$

\* **Therefore Overhead charge to Project ABC = (6000)(0.15) = €900**

*Please note that the Overhead apportionment calculation, described above, must be carried out every time a claim for re-imbursement is being made, i.e. the portion charged may change from claim to claim.*

This method will apply primarily to small organisations where the total overhead bill for the period is easily calculable.



# Rule 3 Examples continued

- **Example 2**

If a Partner Organisation can prove that the total overhead bill is 100% attributable to the project then all of these overhead costs are eligible for re-couplement.

This will apply to Organisations who have acquired additional office space specifically for the purposes of housing/accommodating the project throughout the project's life and for which 100% of the costs are exclusively incurred by the project.

## **Example 3**

In the case of larger Organisations involved in projects (for example Universities and Local Authorities); the following will also be accepted:

### **Actual Quantities used x Unit costs: -**

This method requires that an actual log of quantities used be maintained, e.g. telephone, fax, stationary etc and a transparent method of calculating unit costs must also be in place.

In the case where certain overheads cannot be calculated on a unit cost basis, a charge to the project based on the remaining overheads will be required on the basis of time spent on the project by staff, augmented by timesheets (as per example 1)



# Rule 4 In – Kind Contributions

- In kind contributions are eligible, if approved by the MA in writing & following consultation with the CA & meet **ALL** of the following conditions :
  - Co-financing from the ERDF does not exceed total eligible expenditure, excluding the value of the in kind contributions
  - The value can be independently assessed and audited
  - For unpaid voluntary work, the value of that work shall be determined, taking account of time spent & hourly and or daily rates for equivalent work
  - The overall cost of the contribution in kind of providing the service and/or goods is not greater than the market value of providing the same service and/or goods, eg where a volunteer takes a greater number of hours to perform a task than a trained professional would, which would result in a cost greater than the market value, even if different hourly rates are applied



# Rule 5 Purchase cost of asset & Depreciation Charge

- For NER purposes an asset is defined as a tangible item with a useful economic life of greater than 1 year and costing more than €1,000(net of VAT)
- The **full purchase cost** of an asset (excluding the purchase of land which is dealt with under Rule 7), used wholly and exclusively for the co-financed project/operation, can be classified as eligible expenditure and may be charged to the project **only where:**
- The asset is purchased within the period of co-financing;
- The asset has a useful economic life less than or equal to the remaining life of the project; and
- Expenditure relates to the purchase or construction of plant and equipment that is to be permanently installed and fixed in the project, provided that it is included in the inventory of durable equipment of the body responsible for implementation and that it is treated as capital expenditure in accordance with standard accounting practice.
- **In all other cases**, the depreciation method for claiming expenditure should be used.



# Rule 5 Purchase cost of asset & Depreciation Charge

- The **depreciation** charge for an asset directly used for the project/operation can be declared as eligible expenditure for a contribution from the ERDF, **provided that the following conditions are met:**
- The purchase cost of the asset has not been already declared as eligible expenditure;
- The depreciated asset is used exclusively for the duration of the project/operation within the co-financing period. If the asset is not used exclusively for the duration of the project/operation then the depreciation charge may be apportioned to the project as an overhead/indirect cost if all the conditions set out under Rule 3 are met;
- National or European Community grants have not contributed towards the purchase of such asset; and
- The depreciation charge is calculated in accordance with generally accepted accounting practice. In any case where it is proposed to use a depreciation method which does not comply with generally accepted accounting practice the specific agreement of the Managing Authority, in consultation with the Certifying Authority, must be obtained in advance.



# Rule 5 Purchase cost of asset & Depreciation Charge – Example

- XYZ Ltd. purchased equipment in 2005 out of own funds for €25,000, the company depreciates equipment at 20% straight line, in line with International Accounting Standards. In 2007 the company was approved for funding under the BMW / S&E Operational Programme 2007-2013 for a project which was expected to span 2 years.
- The equipment purchased was used wholly and exclusively for 2 years on the project
- Eligible expenditure with regard to depreciation which can be declared is therefore €10,000. - i.e.  $€25,000 \times 20\% \times 2 \text{ years}$ .
- Depreciation in 2005 and 2006 is ineligible as it falls outside the Operation Programme.
- Depreciation in 2009 is also ineligible as the equipment is no longer being used in the project.



# Rule 6: Purchase Cost of second hand equipment

- The purchase of second-hand equipment is eligible provided that the conditions set out below are met in full:
- The seller of the equipment shall provide a declaration stating its origin, and confirming that the equipment has not been purchased with the aid of National or Community grants;
- The price of the equipment shall not exceed its market value and shall be less than the cost of similar new equipment; and
- The equipment shall have the technical characteristics necessary for the project/operation and comply with applicable norms and standards.
- It should be noted that where the value of second-hand equipment exceeds €1,000 the provisions of Rule 5 also apply.



# Rule 7 : Land Costs

- The purchase cost of land, and any associated costs, is eligible only with the prior agreement of the Managing Authority, in consultation with the Certifying Authority.



# Rule 8: Purchase of Real Estate

- The cost of purchase of real estate i.e. buildings already constructed and the land on which they are built, is eligible for co-financing **provided** there is a direct link between the purchase and the objectives of the project/operation, **subject to** the following conditions:
- There is a certificate of the value of the property from an independent qualified valuer certifying that the price does not exceed prevailing market values;
- The property shall not have received within the previous ten years a National or Community grant;
- The property shall be used in conformity with the objectives of the project/operation; and
- An apportionment methodology (which must be capable of being independently assessed and audited) must be agreed with the Managing Authority, following consultation with the Certifying Authority, where the real estate is not used exclusively for the project/operation.



# Rule 9 : Leasing and Rental Costs

- The leasing/rental costs of projects/operations are eligible only when the following conditions are met:
- The lease/rental costs are **exclusively related** to the ERDF co-financed project/operation, and are incurred within the period of eligibility of the project/operation;
- The lease/rental costs are **exclusively related** to the ERDF co-financed project/operation, but the lease/rental period exceeds the period of eligibility of the project/operation, only those costs incurred within the project eligibility period are eligible;
- If the lease/rental costs are **not exclusively related** to the project/operation, then the lease/rental costs are ineligible, but may be claimed as an overhead/indirect cost if all the conditions set out under Rule 3 above are met; and
- The maximum amount of ERDF eligible expenditure shall not exceed the market value of the asset leased/rented as supported, where possible, by a receipted invoice or an accounting document of equal probative value detailing the purchase cost to the lessor of the asset being leased/rented.



# Rule 10: Financial & Legal Charges

- The financial/legal charges of projects/operations are eligible **only** in the following circumstances:
- charges for transnational financial transactions<sup>[1]</sup>;
- the bank charges for opening and administering a bank account or accounts, where the implementation of an project/operation requires a separate bank account or accounts to be opened;
- legal consultancy fees, the costs of technical and financial experts and accountancy and audit costs, if they are directly linked to the co-financed project/operation and are necessary for its preparation or implementation; and
- the cost of guarantees, not including interest on debt, provided by a bank or other financial institutions to the extent to which the guarantees are required by national or Community legislation.
- <sup>[1]</sup> These include all financial transactions outside the state.



# Rule 11: Technical Assistance

- The technical assistance costs including central services provided by the Department of Finance, for the preparatory, management, monitoring, evaluation, information and control activities of the ERDF Operational Programmes together with activities to reinforce the administrative capacity for implementing the ERDF actions are eligible **if** they meet the following conditions:
- Costs relating to the preparation, selection, appraisal and monitoring of the assistance and of projects/operations;
- Costs relating to meetings of monitoring committees (NSRF and OPs) and sub-committees relating to the implementation of assistance and EU operational committees of Regional Authorities. This expenditure may also include the costs of experts and other participants in these committees, including third-country participants, where the chairperson of such committees considers their presence essential to the effective implementation of the assistance;
- Costs relating to audits and management checks of Managing Authorities, Intermediate Bodies, Public Beneficiary Bodies and projects/operations;
- Expenditure relating to studies, seminars, information and publicity actions and evaluation;



# Rule 11- continued

- The development, hosting, maintenance and support of the EU Structural Funds 2007-2013 IT Systems for the certification of expenditure;
- The acquisition, installation, hosting, maintenance and support of computerised systems for management, monitoring and evaluation. Depreciation costs may be claimable if all the conditions set out under Rule 5 are met; and
- As there is a clear and demonstrable link between programmes of the 2007-2013 period and those of the 2000-2006 period in terms of geographical scope, fields of intervention and administrative systems regarding management and control; technical assistance costs relating to the 2000-2006 period e.g. closure, may be eligible under the 2007-2013 programming period subject to approval from the Managing Authority in consultation with the Certifying Authority.



# Rule 11-continued

- **Staff Costs**
- Expenditure on salaries, including social security contributions and other pension costs, travel and subsistence, is eligible **only** in the following cases:
- the staff in the ERDF Financial Control Unit;
- other civil servants or other public officials seconded by duly documented decision of the competent authority to carry out tasks required under the categories of expenditure outlined in Rule 11.1;
- other staff employed to carry out specific tasks required under the categories of expenditure outlined in Rule 11.1 e.g. IT specialists or auditors; and
- the staff of Managing Authorities and Regional Authorities involved in the carrying out of tasks required under the categories of expenditure outlined in Rule 11.1.



# Rule 12 : Cross Financing ERDF Activity

The approval of the Managing Authority, following consultation with the Certifying Authority, must be granted to the ERDF cofinanced project/operation before any cross-financing (funding of actions within the scope of the European Social Fund) is considered eligible.

The amount of cross-financing expenditure at project/operations level must be recorded and made available on request in order for the Managing Authority to ensure that the 10% limit is respected at priority level.



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# Rule 13 Repayable Assistance

- Repayable Assistance is assistance provided under the Operational Programmes to eligible recipients which must be refunded in accordance with agreed schedules e.g. repayable grants issued by County Enterprise Boards
- Repayable assistance paid by a Public Beneficiary Body (PBB) is eligible only where the following conditions are met:
- Repayable assistance may only be used to fund loan/grant schemes which have the prior written approval of the Managing Authority, in consultation with the Certifying Authority;
- The PBB maintains separate bank accounts into which refundable aid repayments are made;
- Repayable Assistance only becomes eligible expenditure when it is actually paid out by the PBB;
- Repayments received in respect of aid/grants issued are disregarded for the purpose of expenditure declarations;



# Rule 13 Repayable Assistance - continued

- Income received in respect of repayable assistance (e.g. interest, dividends etc.) is deducted from eligible expenditure;
- Grants subsequently funded (recycled) by the repayable assistance accounts are not included in any subsequent expenditure declarations;
- Disbursement by the PBB from the repayable assistance accounts to grant-assist further projects must respect the same EU rules/regulation on eligibility, publicity, environment protection, state aids etc.; and
- The PBB is obliged to control and ensure that the ERDF related returns were used for the purpose of the assistance. In advance of Closure the PBB must identify the residual returns to the original ERDF input. These returns must be allocated in the form of a non-repayable grant to SME's in the original programme area.



# Rule 14 – Revenue Generating Projects

- A revenue-generating project, for the purposes of ERDF co-financed operations in Ireland and in accordance with Article 55 of the General Regulation 1083/2006, means any operation involving the provision of services against payment (e.g. admittance fees, rents etc.).
- The threshold applicable to Revenue generating projects is where the total cost of the project exceeds €1,000,000 – per Council regulation (EC) 1341/2008 of 18<sup>th</sup> December 2008
- Intermediate Bodies and Public Beneficiary Bodies must have written approval from the Managing Authority, in consultation with the Certifying Authority, prior to the inclusion of such projects/operations in the declaration of eligible expenditure to be submitted for ERDF funding.
- Further Guidance to issue on this matter
- Receipts (e.g. Course fees) should be netted off, as heretofore



# Rule 15 VAT

- The cost of VAT is eligible only in circumstances where such VAT is not recoverable by the beneficiary by any means.



# Rule 16 Sub – Contracting Costs

- Sub-contracting costs are eligible where the sub-contracting does not add to the cost of execution of the project/operation, without adding proportionate value to it.
- Sub-contracts with intermediaries or consultants in which the costs are defined as a percentage of the total cost of a project/operation are not eligible unless such costs are justified by the beneficiary by reference to the actual value of the work or services provided. If such justification can not be provided the costs for sub-contracting are not eligible.



# Rule 17 : Location of Operation

- As a general rule, operations not located in Ireland are ineligible, with the exception for projects/operations approved by the Managing Authority in writing, in consultation with the Certifying Authority, and that meet the following conditions:
- The Managing Authority must foresee that Ireland will accrue a greater than 50% proportion of benefits from a project/operation located outside its region; and
- The project/operation must be located in a NUTS III area of a Member State immediately adjacent to Ireland.



# Useful Internet Sites

- Circulars and Regulations referred to in this presentation can be accessed at the following :
- [www.eustructuralfunds.ie](http://www.eustructuralfunds.ie)
- [www.finance.gov.ie](http://www.finance.gov.ie)
- [www.bmwassembly.ie](http://www.bmwassembly.ie)
- [www.seregassembly.ie](http://www.seregassembly.ie)
- [http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm)



# Contact Details

- Southern and Eastern Regional Assembly  
Assembly House, O'Connell Street, Waterford  
Tel 051 860700, Fax 051 879887  
Web : [www.seregassembly.ie](http://www.seregassembly.ie)
- Border, Midlands and West Regional Assembly  
The Square, Ballaghaderreen, Co Roscommon  
Tel 094 9862970, Fax 094 9862973  
Web : [www.bmwassembly.ie](http://www.bmwassembly.ie)

