

# GENERAL PROJECT FINANCIAL MANAGEMENT GUIDELINES, version 1.1, 2024

**Subject:** General project financial management guidelines for development cooperation projects of Slovak Agency for International Development Cooperation (SAIDC) financed by the European Union

**Designed for:** Applicants and Beneficiaries of Grants under development aid projects the Slovak Agency for Development Cooperation financed by the European Union

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## Definitions

<b>Grant (or SAIDC contribution)</b>	Financial contributions provided by the SAIDC to a third party, named Beneficiary, for the implementation of a project (or action), namely of clearly identified activities and the achievement of clearly identified objectives and results
<b>Applicant</b>	A natural or legal person applying for a Grant through a call for proposals or other selection processes
<b>Grant Beneficiary (or Beneficiary)</b>	A natural or legal person to whom the Grant has been awarded by SAIDC
<b>Grant Agreement</b>	The document that is signed by the Contracting Authority (SAIDC) and the Beneficiary stipulating terms and conditions for the management of the grant awarded
<b>Project Partner</b>	The Beneficiary's partner(s), namely the organisation(s) playing a key role in the project implementation, as defined in the expression of interest (or grant application) and in the grant agreement. The present document refers to Beneficiaries to include the Grant Beneficiary and partners
<b>SAIDC</b>	Slovak Agency for International Development Cooperation
<b>Donor</b>	The entity providing the Grant. For the purposes of this guideline, this is SAIDC
<b>Project budget</b>	This consists of the overall budget, including the Grant provided by SAIDC and the Beneficiaries' contribution (co-financing)
<b>Sound financial management</b>	The grant shall be managed fully in line with the principle of sound financial management, meaning that funds must be used in compliance with the principles of economy, efficiency and effectiveness. They should also be used at the correct time and the amount of resources should be sufficient, appropriate in quality and as affordable as possible. The resources should achieve the best possible results. The objectives set for the actions and the expected results should also be achieved.
<b>Approval of the grant</b>	It is the official and formal acceptance of the grant proposal (or expression of interest), following its positive evaluation.
<b>End date</b>	It is the date of the conclusion of the project implementation

# 1 GENERAL PRINCIPLES

## 1.1 Funding principles

The Grant Beneficiary (hereafter 'Beneficiary') is obliged to implement the project in compliance with the concluded Grant Agreement. This agreement precisely specifies activities, objectives and the amounts of grant and project co-financing, together with the applicable contractual clauses.

In case the project is implemented in collaboration with partners, the Beneficiary must ensure that they fully comply with Grant Agreement as well as the rules stipulated in the present guidelines.

The funds provided by the Slovak Agency for International Development Cooperation (SAIDC) are **solely to finance activities related to project implementation**. The Grant may not be applied to other purposes or projects, even for a temporary period. **The Beneficiary is obliged to comply with applicable national legislation<sup>1</sup>.**

The Beneficiary and Project Partners shall promote the respect of human rights and respect applicable environmental legislation including multilateral environmental agreements, as well as internationally agreed core labour standards. The Beneficiary and Project Partners shall not support activities that contribute to money laundering, terrorism financing, tax avoidance, tax fraud or tax evasion.

The Beneficiary and Project Partners shall refrain from any action which may give rise to a conflict of interest.

## 1.2 Co-funding

The level of mandatory project co-funding by the Beneficiaries **is specified in the Call for Grant Proposals**.

The co-funding **must be detailed and reflected in the project budget**, which forms part of the Grant Agreement. The Beneficiary must submit a financial report and must also demonstrate the **use of its own resources** for co-funding eligible project expenses, at least at the level (in %) set in the call for proposals, towards the total eligible project costs (i.e. 10.00%). The co-funding cannot be covered by SAIDC funds.

The Beneficiary must demonstrate the level of co-funding spent for the project not later than in the Final Financial Report. SAIDC will verify the use of co-funding when auditing the Final Financial Report. The final level of co-funding will be **directly proportional to the total actual eligible costs reported**. If the **percentage** of the contractually agreed co-funding is not complied with, the amount of the grant (final payment) will be **reduced by a percentage** up to the amount of the unfulfilled co-funding. Co-funding specified in the Agreement is made in the amount of co-funding specified in the Grant Application. When both contractual parties sign the Grant Agreement, the Beneficiary commits to provide co-funding as indicated in the Grant Agreement.

## 1.3 Project Budget and SAIDC Contribution

The project budget, elaborated by using the template provided in the call for grant proposal, is a mandatory annex to the Grant Application and becomes an annex to the Grant Agreement.

**The total Grant amount may not exceed the maximum amount approved in the original project budget**, even in case the total real expenditures exceeds the total approved budget. Should the eligible expenses after project completion be less than the total approved budget, the Grant is limited to the amount of real eligible expenditures approved by SAIDC.

The approved budget consists of two main types of costs: **direct** and **indirect**.

The budget contains expense categories (cost groups), items and sub-items. Budget items must be clearly named and sufficiently specified so that each expenditure included in the financial report can be clearly assigned to a cost group, item and sub-item.

The first level of cost designation is called **category** (i.e. for example 2). Item is the second level of cost designation (i.e. for example 2.1.) and sub-item is the third level of cost designation (i.e. for example 2.1.1.).

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<sup>1</sup> In particular, the Act on Budgetary Rules, Act on Accounting, Act on Financial Controlling and Audit, Act on Public Procurement, Labour Code, Civil Code, Commercial Code and the like.

The expense categories are binding for the Beneficiary and may not be changed, amended or renamed during the project implementation period.

## 1.4 Bank account

Beneficiaries are required to use a dedicated bank account in EUR, under the name of the organisation, for the management of the project.

The following information must be provided:

- bank name
- bank address
- name of Beneficiary's account
- account number in IBAN format
- SWIFT/BIC code.

Before signing the Grant Agreement, the Beneficiary is obliged to provide a copy of the bank account contract and the bank's confirmation of the zero balance or the minimum amount needed for having the account open.

## 2 ELIGIBILITY OF COSTS

### 2.1 General principles on cost eligibility

Costs are eligible if they meet all the following criteria:

- a) **they are necessary for carrying out the Project**, related to the activities listed in project documentation, arising as a direct consequence of their implementation. It is essential to explain which specific resources and related costs are needed for the implementation of the Project in the grant application form and in the budget, with the appropriate level of detail;
- b) **they are actually incurred by the Grant beneficiary and/or project partners** in accordance with the provisions of signed Grant Agreement;
- c) **they are reasonable and justified, and comply with the principle of Sound Financial Management** and are in line with the usual practices of Grant beneficiaries regardless of their source of funding;
- d) **they are incurred during the Implementation Period**. This does not necessarily mean that the costs have to be paid during the Implementation Period. Costs are incurred when services are rendered, supplies are delivered and works are carried out for the purpose of the Project and they have been verified or accepted, regardless of the date of the actual payment. An exception is made for costs related to the preparation of the final report and for final evaluation, and other expenses linked to the closure of the Project which may be incurred after the Implementation Period. Additionally, if agreed upon with SAIDC, start-up/initialization expenses, defined as costs that will necessarily be incurred by the Beneficiary after the approval of the Grant but before signing the Grant Agreement, are also considered eligible. The total amount of these costs cannot exceed 2% of the total eligible expenses of the project. In all cases, payments should be carried out by the submission of the final financial reports.
- e) **they are identifiable, backed by original accounting documentations and recorded** in the Beneficiary's accounting as well as the accounting of the Project Partners. All costs incurred, corresponding to the entire Project Budget, not only to the SAIDC Contribution, must be recorded in the accounts of the Beneficiaries and partners. The supporting documents (tenders, orders, vouchers, invoices, receipts etc.) must exist, be available for inspection and accurately reflect the recorded costs (see section 3.2 for additional details);
- f) **they are covered by one of the sub-headings indicated in the estimated budget**. In principle, only those cost items that have been approved in the Project Budget are eligible;
- g) **they comply with the applicable tax, social legislation and other applicable legislative and legal**

**frameworks** of the Slovak Republic<sup>2</sup> and those of the third countries where the project is implemented, considering regulations applicable in the territory where the cost arises. The Beneficiary is fully responsible for the coordination and execution of all activities and has to ensure compliance with local, national and other applicable legislation, rules, procedures and policies.

Other additional eligibility principles can be defined in the guidelines of each call for proposals.

## 2.2 Direct eligible costs vs. indirect eligible costs

A distinction is made between direct and indirect eligible costs:

- **Direct eligible costs:** direct costs are project-specific costs, identifiable and verifiable costs, for which concrete supporting documents can be submitted as evidence. They are expenses strictly related to the implementation of the project and exist only by consequence of its implementation. The eligibility of direct costs is mainly defined in Section 2.1: the listed criteria have to be respected at all times for all costs.
- **Indirect eligible costs:** these are not identifiable as specific costs directly linked to the performance of the project. Indirect costs may not include any eligible direct costs included in other headings of the budget. They mainly represent a small proportion of the Beneficiary's overheads. Overheads are all the structural and support costs of an administrative, technical and logistical nature that are cross cutting for the operation of the Beneficiary body's various activities and cannot therefore be booked in full to the project for which the contract is awarded because this action is only one part of the Beneficiary's activities.

Depending on the characteristics of the project and the organisational and cost structure of the Beneficiaries, it may happen that some costs can be considered either direct or indirect costs (e.g. consumables, Headquarters staff), but in all events costs cannot be taken into account twice as a direct cost and an indirect cost.

The distinction between direct and indirect costs is also based on the capacity of the Beneficiaries' accounting system to assign costs to specific activities when they are incurred.

## 2.3 Direct eligible costs

The following direct costs are generally eligible:

- a) **cost of personnel assigned to the Project**, corresponding to actual gross salaries including social security charges and other remuneration-related costs (except bonuses); salaries and costs shall not exceed those normally borne by the Beneficiary and the Project Partners, unless it is justified by showing that it is essential to carry out the project;
- b) **travel and subsistence costs for staff and other persons taking part in the Project;**
- c) **purchase costs for equipment and supplies (new or used)** specifically dedicated to the purposes of the Project, provided that ownership is transferred at the end of the action when required (see section 5.6);
- d) **rental or leasing costs for equipment and other assets (e.g. constructions)** specifically dedicated to the purposes of the Project;
- e) **costs of consumables** specifically dedicated to the Project;
- f) **costs of service, supply and work contracts** awarded by the Beneficiary and Project Partners;
- g) **costs deriving directly from the requirements of the Grant Agreement** (e.g. visibility, evaluation, translation, insurance, etc.), including bank fees;
- h) **duties, taxes and charges, including VAT** if paid and not recoverable by the Beneficiary and Project Partners, if not specified otherwise in the Contribution Agreement
- i) **project office costs:** costs actually incurred in relation to the office in the country in which the project is implemented used specifically for the Project or a portion of these costs may be accepted as eligible direct costs.

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<sup>2</sup> The Beneficiary/partner is obliged to comply with obligations arising from specific regulations when using public funds, in particular, Act No. 431/2002 on Accounting as amended, Act No. 523/2004 on Budgetary Rules of Public Administration and on changes and amendments to some other acts etc.

## *Human resources*

Personnel costs are eligible provided that the staff are essential to the implementation of the Project and are explicitly mentioned in the project proposal. The eligible costs are constituted by gross salaries or wages in respect of the actual time devoted to the project and include income taxes, social security etc., and other statutory costs included in the remuneration, provided they are standard human resources policy of the beneficiary and can be proved by supporting documents of the beneficiary (or project partners). For example, medical insurance, repatriation, relocation, visa costs, housing allowance, salary adjustments, other benefits etc. may only be eligible if they respect all applicable legislation, constitute a standard practice of the Beneficiary/Partner and are actually paid. They should be traceable to payroll records (e.g. salary slips), and to human resources records (e.g. employment contracts).

Human resources are included in the category 1 of the budget, which considers item 1.1. technical personnel (to include – in the sub-items - project managers / coordinators etc.), item 1.2. administrative / support staff (to include – in the sub-items - administrator, logistician, driver etc.) and item 1.3. volunteers (to cover their compensations).

### *Headquarters staff*

As a starting point, costs of Headquarters staff should be covered by indirect costs. However, with due consideration to the description and the functional organisation of the action and of the beneficiaries, they may be charged as direct costs in the following circumstances:

- they relate to the achievement of the action's operational results and have accordingly been identified as an operational activity in the description of the action; and/or
- they cover the actual presence of Headquarters staff in the field (e.g. specific monitoring missions, needs assessment, etc.).
- They relate to staff performing the tasks listed in the description of the action directly assigned to the operation of the project office in Headquarters if any.
- They must be well justified in the framework of the action and accepted by SAIDC.

In all other cases, the related Headquarters staff costs cannot be charged to the action as direct costs either in whole or on a pro rata basis.

### *Consultants (v. employees)*

As a general rule, tasks performed by consultants, experts and/or other service providers (e.g. accountants, lawyers, translators, external IT staff, etc...) are to be considered as resulting from implementation contracts. Consequently, beneficiaries must award these contracts in accordance with the procurement procedures stated under section 4.

These costs are thus not considered as human resources (budget category 1) but as other costs/services (notably budget category 2 'Activities' and/ or categories 5 or 6).

### *Specific case: 'in-house consultants'*

In house / 'intra muros' consultants are natural persons working on the basis of a service contract as opposed to employees hired on the basis of a labour contract. They join a beneficiary's project team and deliver 'external services'. The costs arising from these in-house consultants are in principle to be considered as costs relevant to implementing contracts. However, as an exception to the rule, these costs may be considered as personnel costs if the following cumulative conditions are fulfilled in accordance with the terms of the call for proposals and subject to the eligibility of costs:

- a) a beneficiary has a contract to engage the consultant to work for it and (some of) that work involves tasks to be carried out under the action funded by the grant;
- b) the consultant must work under the instructions/supervision of the beneficiary;
- c) the consultant must work in the premises of the beneficiary as a member of the project team;
- d) the output of the work belongs to the beneficiary;
- e) the costs of employing the consultant are reasonable, are in accordance with the normal practices of the beneficiary and are not significantly different from the personnel costs of employees of the same category working under a labour contract for the beneficiary;



- f) travel and subsistence costs related to such consultants' participation in project meetings or other travel relating to the action is directly paid by the beneficiary or in any case according to the beneficiary's own staff procedures.
- g) the consultant uses the beneficiary's infrastructure.

These conditions describe a de facto situation of subordination, as in a traditional labour contract (regardless of the legal form). Therefore, in these cases, if the national applicable legislation allows for a de facto employee to be hired under a service contract, and provided that all the conditions stated above (similar costs, property of results, subordination, etc.) are satisfied, these service contracts may be assimilated to staff costs in the budget and for all useful purposes (for instance procurement principles set out in the procurement rules in relation to services would not apply).

Unless otherwise specified in the guidelines for applicants, service contracts meeting these criteria may be charged to category 1 - human resources.

**Employees/workers of the Applicant/Beneficiary** must provide evidence of their involvement in the project through a written agreement. The activities and volume of work in the time sheet must correspond to the volume of work actually performed during the reporting period. The work contract must specify the scope of the job (full/part time) per individual projects within the eligible period.

Regarding staff for project implementation purposes, we distinguish between two alternatives:

- An employee working on the project **full-time**<sup>3</sup> (i.e. designated working hours): throughout his/her working hours (or the hours of work), the employee performs work related solely to project activities and no other activities outside the project scope. In such case the eligible expenses represent the total cost of labour; however, the total cost of the work may not exceed the rates approved in the project budget.
- An employee working on the project **part-time**: the employee's total working time is divided into project activities co-funded from SAIDC and other activities. In this case, eligible expenses represent the total cost of labour proportional to the real time spent on work related to the project. Compensation for annual leave pertains to the period the given employee worked on the project, i.e. eligible compensation for annual leave is reduced for employees who worked on the project for only part of their working hours. The annual leave actually drawn during the project implementation period is eligible (i.e. including annual leave transferred from the previous year, should the entitlement to annual leave arise in relation to work performed on the project).

It is not permissible that an employee be paid multiple times for a single identical activity or output performed at identical times. Expenses will be regarded as ineligible in cases where working time overlap is identified for a person working on two or more projects (**including the case of a single project with multiple positions within this project, or of multiple contractual relationships for work performed within and outside the projects**) co-funded from public funds or other EU programs or national programs etc. Expenses pertaining to these time sheets will be excluded from financing of the given project or projects for the relevant day, regardless of the type of labour agreement under which the work was performed. Where overlapping of project expenses is identified, SAIDC is entitled to withdraw from the agreement.

The personnel costs must not exceed the amount typical for a given field of expertise, time and place, and must be **appropriate** to the tasks and responsibilities of the persons involved in the project implementation.

**Bonuses**<sup>4</sup> (as well as incentives or other variable components such as those linked to Beneficiary/Partner economic results) are not an eligible expense.

### **Travel expenses**

Travel expenses of any person taking part in the Project, including staff of the Beneficiary, Partner and final project beneficiaries, are eligible. All travel costs must be compliant with the usual practice for travel of the beneficiary and /or of partners (e.g. internal rules for business travel).

<sup>3</sup> The term "full-time" as a type of employment applies to contractual employment, agreements (Slovak: dohody) outside standard employment, employment by the state etc.

<sup>4</sup> This is a wage component pursuant to Section 118 of the Labour Code, and also applies to similar employment relationships (e.g. Act on State Service).

Travel expenses include **public transport** (i.e. expenses for flight tickets a long-distance public transport, e.g. by train or buses) and reimbursement for using the individual's own passenger vehicle and employer's motor vehicles. The purchase of first-class / business class tickets will not be considered as eligible costs. The price of ticket may be reimbursed maximum to price of the 2<sup>nd</sup>-class / economy tickets.

When using airplanes, a flight ticket for economy class is an eligible expense together with related fees (e.g. airport fees). For domestic business trips, it is necessary to prove that using this particular means of transport is more economically efficient and effective than using another means of transport. Cancellation expenses for flight tickets are subject to due justification to be considered eligible and will be assessed by SAIDC on a case-by-case basis.

The use of **privately-owned motor vehicles by the Applicant/Beneficiary/Partner** is allowed if the employee is authorised to do so in writing by the employer. In this case, the employee is entitled to reimbursement for the fuel consumed and also basic compensation for personal motor vehicle in line with the Beneficiary/Partner's internal procedures.

The transport expenses are to be budgeted under the category 2 – Activities and are to be estimated with clear reference to the activities they relate to.

The Beneficiary must provide as supporting document an Agreement on use of private or business motor vehicle and calculation to its report on business trip costs.

### ***Subsistence allowances (per diem)***

Subsistence costs cover accommodation, meals, tips, local transport (e.g. from the airport to the place where the relevant project activity takes place) and sundry expenses. The maximum amount per daily rate cannot exceed those established by the per diem rates published by the European Commission at the time of contract signature (available at [this link](#)).

Per diems should be traceable to supporting schedules (number and names of staff, number of times the per diem was paid, per diem rates and countries concerned) and in the Beneficiary/Partners' records (accounting, payroll, human resources).

The budget must indicate the locations/countries where the per diems have taken place, the applicable amounts and the number of nights spent outside the working station.

The Beneficiary/Partners must reimburse these costs (accommodation, meals, tips, local travel, and sundry expenses) to their staff according their internal rules and regulations following one of these two options:

- On the basis of real costs incurred by the staff: the total amount of the reimbursement of travel and *per diem* cannot exceed the per diem rates published by the European Commission and each cost must be backed by supporting documents. The costs should not exceed those costs normally borne by the Beneficiary/Partners according to its rules and regulations and the national legislation.
- On the basis of per diem fixed amount (daily allowances, as per the max EC's rates): not all supporting documents are required (restaurant's bills, taxi slips etc), but only those to prove that the travel actually took place (e.g. flight tickets, invitation to an event, payments of the per diem to the staff).

The Beneficiary should indicate the option adopted in the Budget (2.1.4 – Per diem).

There may be different rates even within the same country, depending for instance on the profile of the person receiving the per diems or, in any case, according to the rules and procedures of the beneficiaries. Therefore, a student accommodated in a hostel would possibly receive a lower compensation than a person who is supposed to be accommodated in a hotel.

### ***Equipment costs (new or used) and supplies***

Equipment costs include the purchase of vehicles, computer equipment (including monitor, hardware, keyboard and mouse), other equipment for the project beneficiaries and supplies.

The cost of equipment and supplies is estimated in the budget:

- Under category 2 – Activities in case they are necessary for the implementation only of one or more activities (e.g. activity of support of a national organisation: the laptop that is procured and given to the national organisation is budgeted under the activity)

- Under category 3 – Office costs, supplies and equipment, in case they are necessary for the implementation of all activities / management of the project (e.g. office laptop, printer etc.)

#### *Purchase of used equipment*

Regarding expenses for purchase of used equipment are eligible where the following conditions are met:

- the procurement price of the used equipment is lower than the expenses for similar new equipment;
- the used equipment is necessary for the given project and complies with applicable norms and standards;
- the previous owner of the equipment, has not received a grant or subsidy from public funds (e.g. from the state budget, local or regional authorities' budgets, EU funding etc) to purchase the given equipment, as this would result in duplicate financing and therefore in the arising of an ineligible expense.

### **Consumables**

This category of costs includes non-durable goods, such as stationery, office materials and similar.

The cost of consumables is estimated in the budget:

- Under category 2 – Activities in case they are necessary for the implementation only of one or more activities (e.g. activity of support of a national organisation: the stationary that is procured and given to the national organisation is budgeted under the activity)
- Under category 3 – Office costs, supplies and equipment, in case they are necessary for the implementation of all activities / management of the project (e.g. project office stationary)

### **Service, supply and work contracts**

These contracts must be awarded in line with the procurement rules set out in Section 4.

External services include various items depending on the type of project to which they are related. Selected services must contribute to achieving project objectives and be indispensable for its implementation.

The Beneficiary/Partner may use outsourced services in cases and for activities where they do not have or cannot effectively provide such services/activities within their capacity. The condition remains that the Beneficiary/Partner must prove that such services are indispensable for project implementation.

Inducements agreed between the Beneficiary/Partner and the service provider in percentage (e.g. percentage of the amount in application) shall be ineligible in their full amount. The Beneficiary/Partner is obliged to determine the value of project management services<sup>5</sup> determined for financing in person-hours (or another time unit) or unit per specific activity, though using "project" is not allowed.

The following are the most frequent types of services that can be classified as eligible expenses:

- a) Expenditures for the organisation of conferences/courses** organised within the scope of the project. This includes expenses for organisation and delivery of conferences or courses organised for project purposes, involving target groups, guest participants or a wider public. These expenses most often cover: rental of venues and technical equipment; fees for guest speakers; photocopies, print outs, handouts, stationary; expenses for participants' refreshments, meals and accommodation at events. In the budget, these costs are to be estimated under category 2 – in 2.1.6.
- b) Analyses, methodologies, studies** - Publications/training materials/manuals- purchase of customised publications, the preparation of compilation of publications and training materials such as textbooks, books, manuals, guidelines) or multimedia aid, professional services/studies, and research<sup>6</sup> – including e.g.

<sup>5</sup> This is without prejudice to the possibility that compensation for services agreed between the supplier and the Applicant/Beneficiary is higher than the maximum value determined by SAIDC; the difference between the agreed compensation and the maximum value shall be defined as ineligible expense.

<sup>6</sup> The Applicant/Beneficiary must respect the "value for money" principle". The cost must be of essential character and the service must be usable as part of project implementation, and it is necessary to monitor the professional competence of the individuals participating in the given services, as ensured by the fact that the individuals participating in the services are not in an employment relationship with the Applicant/Beneficiary (and/or cannot be so invited).

expenses for processing studies, analyses, data collection, translation and interpreting, and other partial research activities necessary for project implementation.

- c) **Accreditation and certifications** – expenditures relating to the accreditation of newly established fields of study, certifications attesting professional competence.
- d) **Other expenses** – e.g. expert opinions<sup>7</sup> and other services not specified above that are directly related to project implementation and are indispensable for the project.

In the budget, costs of b), c) and d) are budgeted under 2 – Activities, if they relate exclusively to the activity or under 4 – Other costs, if they are cross-cutting and relate to the entire project implementation and management.

### ***Other costs deriving directly from the requirements of the contract***

This type of costs includes: communication and visibility activities, evaluation specific to the action, audits, translation, visibility, insurance, bank fees and other possible financial service costs.

A general condition for eligibility of financial costs (expenses) and fees is that they must be of essential character and in direct relationship to the project. This condition also applies to insurance of assets and administrative and local fees, such as notary fees. Bank fees for international transactions are to be covered by indirect costs. However, bank fees related to payments of goods/services procured for a project (either in Europe or in other countries) are direct eligible costs.

Other costs are generally budgeted under the category 3 – Office costs, supplies and equipment (if they are assimilated to current / running costs), or under the category 4 – Other costs.

### ***Duties, taxes and charges, including VAT***

This clause refers to indirect taxes such as VAT and customs/import duties and not to direct taxes such as the income tax of staff working on the project, which are part of the gross salary.

As a general rule, beneficiaries have to apply for tax (including VAT) exemption whenever possible. The rules on taxes apply to the Beneficiary and Partners. Taxes that can be reclaimed or refunded in full or in part (even some years later) may not be considered either as eligible.

If the Beneficiary/Partners cannot be exempted from the payment of these taxes or refunded by the competent national authorities and provided that related costs are necessary, directly related to the action and incurred during the implementation period, costs of VAT and other taxes can be considered eligible.

However, if a Beneficiary/Partner fails to show that it cannot reclaim such taxes, these taxes will be declared simple ineligible costs.

### ***Project office costs***

These are costs actually incurred in relation to the office used for the project and located in the country where the project is implemented. They may be accepted as eligible direct costs (in full or with only a portion of total costs) if the following conditions are respected:

- a) the need for setting up or using a project office is approved by SAIDC;
- b) the costs concerned comply with the cost eligibility criteria referred to in section 2;
- c) they fall within one of the following categories:
  - rental costs or lease of building, equipment and assets;
  - costs of maintenance and repair contracts;
  - running costs of vehicles;

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<sup>7</sup> The Applicant/Beneficiary must respect the “value for money” principle”. The cost must be of essential character and the service must be usable as part of project implementation, and it is necessary to monitor the professional competence of the individuals participating in the given services, as ensured by the fact that the individuals participating in the services are not in an employment relationship with the Applicant/Beneficiary (and/or cannot be so invited).

- costs of consumables and supplies;
- costs of IT and telecommunication services;
- costs of facility management contracts including security fees and insurance costs.

### **Shared costs**

If the Beneficiary/Partner shares out certain costs to different projects according to a cost allocation system, the related costs may be eligible provided that they are linked to the project and comply with the eligibility principles.

In terms of allocation of staff, the staff specifically assigned by the labour contract to spend a defined share of its working time on a project may be considered as a shared direct cost actually incurred. Assignment of a cost share on the basis of timesheets can be accepted as a shared direct cost actually incurred; by contrast, assignment on the basis of annual timesheets or estimation cannot be realistic and verifiable and cannot be accepted as an actually incurred cost.

The implementation of the action may require significant deployment of staff to manage operations in the field or set up an office at another location. Reimbursement of those costs may be justified.

Where an office is used for several projects in parallel, shared office costs (such as cost of rent, electricity, security etc.) can be declared as following:

#### **a) Actual Costs Booked based on Actual Use:**

- The amount corresponding to the actual use of the input is booked to the Project.
- The actual use is supported by evidence, such as vehicle logbook.
- An exact amount, inclusive of the costs for the input booked to the Project, is substantiated by supporting evidence.

#### **b) Apportioned Actual Costs:**

The portion of costs for the input is determined by a 'distribution key' specified in the budget and utilized in the financial reports. Examples of possible cost distribution keys are:

- the number of staff assigned to the action as a percentage of the maximum total number of staff that could work in the project office;
- the office space occupied for the purpose of the action as a percentage of the total available office space.

A description of the project office, the services or resources it makes available, its overall capacity (where applicable), the costs to be apportioned and the proposed distribution key have to be included in the proposal.

The proposed cost apportionment approach will be assessed by the evaluation committee and SAIDC at proposal stage. If the proposed cost apportionment approach is not accepted, there are two options: 1) adjust the distribution key in line with the conclusions of the evaluation committee; 2) exclude the costs from the budget.

#### **c) As part of the indirect costs (7%)**

Please note: Shared costs are not automatically considered as direct eligible costs. Depending on their relevance to the action, they may be classified by SAIDC as either direct or indirect.

## **2.4 Indirect costs –overhead expenses**

The indirect costs for the Project are those eligible costs which may not be identified as specific costs directly linked to the implementation of the Project and may not be booked to it directly according to the eligibility conditions. However, they are incurred by the Beneficiary/Partners in connection with the eligible direct costs for the project.

Indirect eligible costs relate to the functioning and general activities of the Beneficiary: they cannot be attributed entirely to the project, but are still partially generated by it. Given the difficulty of justifying each of these costs separately, they can be calculated as a flat-rate funding corresponding to max 7% of the total direct eligible costs (or less, according to what defined in the Call for proposal and the Grant Agreement). This is meant to simplify the administrative charge of the Beneficiary by facilitating the management and reporting of these indirect costs. In fact,

no supporting documents are required for these costs once agreed in the contract: the list of costs reported under this item is nevertheless to be provided as per annex 9.

The final amount of indirect costs that can be claimed depends on the amount of total direct costs reported in the final financial report and approved by SAIDC.

**Example of indirect costs:** costs connected with infrastructure and the general operation of the Beneficiary at headquarter level and costs such as administrative and financial management, training, legal advice, documentation, IT, maintenance of buildings, water, gas, electricity, insurance, office supplies, communications, human resources, accounting fees, telephone bills, travel and other utilities costs, etc.

## 2.5 Ineligible costs

The following costs shall not be considered eligible:

- a) debts and debt service charges (interest);
- b) duties, taxes and charges, including VAT, that are recoverable/deductible [by the Beneficiary and Project Partners](#);
- c) return of capital;
- d) provisions for losses, debts or potential future liabilities;
- e) purchases of land or buildings, except where necessary for the direct implementation of the action and according to the conditions specified in Grant Agreement; in all cases the ownership shall be transferred in accordance with Section 5.6, at the latest at the end of the action;
- f) currency exchange losses. Please note that exchange rate gains are not considered as action revenue and will not be deducted in the final liquidation process (nor do they have to be reported for);
- g) credits to third parties, unless otherwise specified in the Grant Agreement;
- h) in kind contributions. The cost of staff assigned to the project and actually incurred by the Beneficiary/Partners is not an in-kind contribution and may be declared as a direct eligible cost;
- i) bonuses, provisions, reserves or non-remuneration related costs;
- j) Negative interest charged by banks or other financial institutions.

The Call for Proposal and the Grant Agreement may consider other additional costs as ineligible.

## 3 PROJECT ACCOUNTING

### 3.1 Accounting system

The Beneficiary/Partners shall keep accurate and regular accounts of the implementation of the action using an appropriate accounting and double-entry book-keeping system, in accordance with the applicable national law.

The accounts:

- a) may be an integrated part of or an adjunct to the Beneficiary/Partners' regular system;
- b) must comply with the accounting and bookkeeping policies and rules that apply in the country concerned;
- c) should enable income and expenditure relating to the action to be easily traced, identified and verified.

Expenditure relating to the action must be easily identifiable and verifiable. This is done by using a separate and dedicated bank account for the project concerned and ensuring that expenditure can be easily identified and traced to, and within the Beneficiary/Partner's accounting and bookkeeping systems.

The Beneficiary must put in place the relevant control instruments and agreements with the Project Partners to be able to ensure that the financial reports (both interim and final) can be properly and easily reconciled to each one's accounting and book-keeping systems and to the underlying accounting and other relevant records. For this purpose, the Beneficiary and Partners must prepare and keep appropriate reconciliations, supporting schedules, analyses, and breakdowns for inspection and verification.



### *Right of access*

The Beneficiary and Partners shall allow verifications to be carried out by SAIDC, the European Commission, the European Anti-Fraud Office, the European Public Prosecutor's Office, the European Court of Auditors and any external auditor authorised by the contracting authority. They could require access to documents in the country where the action is operational, and at the head office, as appropriate.

The Beneficiary and Partners and their contractors have to take all measures possible to facilitate the verifications and promptly provide the required information.

The Beneficiary and Project Partners must comply with the relevant national laws and regulations as regards protection of personal data.

## 3.2 Supporting documentation for eligible expenses by categories

The Beneficiary and Partners shall keep all records, accounting and supporting documents related to this contract for ten years following the payment of the balance. They shall be easily accessible and filed so as to facilitate their examination and the Beneficiary must inform SAIDC of their precise location.

Supporting documents are either kept in hard copies (original or copy of a documentation<sup>8</sup>) or electronically.

The following is a non-exhaustive list of supporting documents to be kept for each category of costs and to be **submitted in electronic copies to SAIDC, together with financial reports.**

### *Personnel costs*

When claiming and documenting personnel expenses, the Beneficiary/Partner must prove the existence of an employer-employee relationship under which the employees perform project-related works and the volume and type of work they performed within the project framework.

The following supporting documents may be provided:

- Staff contracts with job description or letter of assignment
- Payrolls
- Proof of payment of salaries (i.e. bank statements)
- Details of calculation from gross salary to net salary including relevant social security and insurance contributions
- Proof of payment of social security and other charges, according to national law
- Signed and approved time-sheets in accordance with annex 1. *Nota Bene:* Activities and volume of work on the time sheet must correspond with work actually performed within the reported period and must be in line with records on time worked as kept by the Beneficiary.
- Human Resources internal policy, procedures and salary grids
- Organisation's organigram with roles and responsibilities

### *Travel expenses and subsistence allowances (per diem)*

- Travel order form, containing the following data: employee name and surname, consent to business trip with the employee's signature, start of travel, place of activity, purpose, end of travel, and set means of transportation.
- Tickets and boarding passes (for flights)
- In case of a rented form of transport, an invoice from the supplier and summary list of distance covered
- Proof of payment of the tickets/rented for of transport (i.e. bank statement)
- Request and receipt of *per diem* (for the nights spent abroad)

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<sup>8</sup> Copies of documents must be signed by the Beneficiary's statutory representative (or an individual so authorised); this is only required for documents proving payment for expenses (such as bank account statements). If the documentation consists of various documents, each must comply with the requirement in the first sentence. Statements from the state treasury do not require copies of documentation.

- List of expenditure incurred: accommodation, food and local transport (if applicable)
- Proof of payment of *per diem* or reimbursement of actual expenditure
- Invitation to the event/meeting/workshop and agenda
- Travel report including the following: date, hour and place of departure/arrival, minutes of attended meetings, certificate of attendance to the workshop/training, etc.

### *Equipment, supplies and work contracts*

- Internal procurement procedures
- Internal purchase order with authorization
- Contract notice (local or international publication) or invitation to tender
- Tender dossier with technical specifications and selection, award and exclusion criteria
- Offers received
- Questions received and clarifications published during procurement process
- Proof of creation of the evaluation committee (att. to avoidance of conflict of interest)
- Information on the public opening of offers (when applicable)
- Evaluation committee final report: evaluation grids with scores and suggested winners
- Award notice, letter sent to the winners and to the rejected candidates
- Contract signed
- Invoices, receipt, proof of payment
- Proof of distribution of supplies to beneficiaries and installation of equipment

### Other possible documents

- Adherence to ILO standards in work contracts, when applicable
- Compliance with the green procurement, when applicable
- The presence of appropriate authorisation if any specific derogation is required for the action

### In addition, for work contracts

- photographic documentation of progress of works;
- acceptance certificate from supplier/subcontractor and construction supervisor,
- Depending on the type of intervention, SAIDC may also request the following documents in case of **procuring construction works**:
  - valid certificate of occupancy (if applicable);
  - construction project documentation;
  - construction budget/appraised bill of quantities (upon finalised public procurement);
  - construction diary (those parts that correspond to the period documented in the list of performed work), which should include:
    - day, month, year;
    - number of workers by type of craft;
    - air temperature, weather conditions;
    - start/end time of construction works;
  - construction and assembly works performed, by type of construction works and operating units;
  - delivery of construction products, and waste collection and disposal;
  - protocol on performed construction works: an annex to the invoice; the Supplier confirms by an authorised individual's signature and stamp that works listed in attached documents are in line with the



actual situation and comply with the supplier's requirements listed in the contract. The list of performed works and other related supplier documents must be attached to this documentation as stipulated by the contract. If those documents comply with the above requirements, the protocol on performed construction works does not need to exist as a separate document; and

- list of performed work: with each issued invoice, the supplier must attach a list of performed work, in keeping with the requirements below:
- The itemised list of performed works (supplied goods and services) must correspond with itemised work (goods and services) listed in the bill of quantities as an integral part of the approved contract;
- The list of performed works must include quantities of activities/works performed by the supplier and quantities of delivered goods pursuant to the budget/ appraised bill of quantities that is an integral part of the contract;
- The list of performed works must be confirmed by an authorised individual (such as construction supervisor) with his/her stamp and signature;
- The list of performed works must contain unit prices of items of invoiced works pursuant to the contract;
- The reporting system for performed works must ensure that performed work will not be reimbursed twice.

### *Costs of services*

- Internal procurement procedures
- Internal purchase order with authorization
- Contract notice (local or international publication) or invitation to tender
- For services: Terms of Reference, including selection, award and exclusion criteria
- Offers received
- Questions received and clarifications published during procurement process
- Proof of creation of the evaluation committee (att. to avoidance of conflict of interest)
- Information on the public opening of offers
- Evaluation committee final report, including evaluation grids with scores and suggested winners
- Award notice, letter sent to the winners and to the rejected candidates
- Contract signed
- Invoices, receipt, proof of payment
- Proof of completion of service (e.g. output: publications, report, website/video completed)
- For the organisation of training sessions:
  - A detailed description of the training: training modules, methods, timing, etc.
  - Training schedule, agenda
  - List of participants /Attendance sheets and list of trainers / lecturers
  - Feedback questionnaires
  - Training evaluation report

### For surveys, studies, publications

- Detailed description of the methodology
- Reports, copies of publications and distribution lists

### For seminars, working meeting

- Programme, list of presentations / conference reports, handouts
- List of participants and list of speakers
- Minutes (if applicable)

- Press clippings
- Feedback questionnaires (if applicable)

### *Duties, taxes and charges, including VAT*

The Beneficiary and Partners must document the fact that they cannot recover taxes nor obtain an exemption under the applicable national law. A 'self-certification' would not be sufficient to demonstrate impossibility to get exempted or reimbursed, an 'external' confirmation is needed. This evidence may take the following forms:

- An official document from the competent tax authority stating that the entity is not entitled to reclaim taxes incurred for the activities in question (and that this does not depend on the simple fact that it does not wish to be subject to VAT). This official document may be a specific declaration or a refused claim for reimbursement by the competent tax authority.
- The absence of a reply by the competent tax authority within the legal deadline set by the applicable national law to a request submitted in due time (or 6 months in the absence of a legal deadline).
- The entity's annual accounts complemented for example by an extract of the national VAT tax law showing that the entity does not have to account for VAT, a declaration of honour from the entity concerned accompanied by an expert statement (e.g. by a lawyer, auditor etc.).

### *Project office costs*

#### When the local office is dedicated to the project

- Contract and receipts for renting of local office
- Copies of bills (e.g. electricity, water, heating)
- Contracts and receipts for insurance and maintenance of the office
- Contracts, invoices and receipts for vehicles fuel, maintenance and insurance
- Invoices and receipts for office consumables and supplies
- Proofs of payment (bank statements)

#### When the local office is used for different projects

- Copies of all the above-listed documents
- Internal procedure on cost allocation system with specific allocation key (must be explained in the budget justification)

### *Financial expenses and fees*

**Bank fees** (i.e. expenses related to opening and managing a bank account and financial transactions from/to this account) are reported and documented by **bank account statements** documenting the amount of expenses and payment thereof, or through other documents issued by the relevant bank that clearly indicate the fees for the given period and payment thereof by the Beneficiary. The same principle applies to expenses for bank guarantees awarded by financial institutions (if applicable).

### *Indirect costs - Overhead expenses*

An excel sheet (see annex 9) with list of expenditure covered by indirect costs should be provided. No other supporting documents are requested.

### 3.3 Archiving of supporting documents

The location of supporting documents is often an important issue in audits/verifications, particularly in cases where activities are dispersed over various and, sometimes, remote locations within the same country or in various countries.

Many national regulations may require any legal entity to maintain originals of accounting documents (e.g. invoices and tax documentation) in the country where the entity is registered.

However, the Beneficiary bears the financial responsibility towards SAIDC in case adequate supporting documents are not provided (in a timely manner) and/or costs are declared ineligible, including with regards to Project Partners. The Beneficiary has to put in place control systems to ensure that costs are eligible according to the contract.

It is thus recommended that at least electronic copies of the supporting documentation related to disperse activities be kept by the Beneficiary at a central location (without prejudice to the fact that SAIDC or the auditors may request to consult the original documentation). Data stored in electronic form in computerised information systems should be accessible from this location.

Where local legislation requires Project Partners to retain original documentation on their premises, the Beneficiary must be able to check this, and should ensure in advance the existence of established internal control systems to ensure that costs are eligible according to the contract.

If documents exist only in an electronic version, the computer systems used must comply with accepted security standards that will ensure stored documents comply with national legal requirements and are reliable for audit purposes.

When submitting the final report, the Beneficiary/Partner must inform SAIDC of the physical location(s) where the supporting documentation is stored.

## 4 PROCUREMENT PROCEDURES

### 4.1 Procurement principles

If the implementation of an action requires procurement by the Beneficiary or Project Partners, the contract must be awarded to the tender offering best value for money (i.e. the tender offering the best price-quality ratio) or, as appropriate, to the tender offering the lowest price.

In doing so, the Beneficiary/Partners shall avoid any conflict of interests and respect the following basic principles:

- Where they do not launch an open tender procedure, they should be able to justify the choice of tenderers that are invited to submit an offer.
- They have to evaluate the offers received against objective criteria which enable measuring the quality of the offers and which take into account the price (the offer with the lowest price shall be awarded the highest score for the price criterion).
- They have to keep sufficient and appropriate documentation with regard to the procedures applied and which justify the decision on the pre-selection of tenderers (where an open tender procedure is not used) and the award decision.
- There is no detection of the selected contractors/providers in the list of EU Restrictive measures, available at this website: <http://www.sanctionsmap.eu/>

**In addition, the following principles should be followed:**

- **Transparency:** ensuring openness and clarity on procurement policy and its delivery, including a degree of advertising sufficient to enable the market to be opened up to competition and the impartiality of procurement procedures to be reviewed.
- **Equal treatment and non-discrimination:** all interested parties should be treated in the same way, meaning that all tenderers must be afforded equal opportunities when formulating their tenders, which therefore implies that the tenders of all competitors must be subject to the same conditions.

- **Competition:** procurement should be carried out by competition, unless there are justified reasons to the contrary; this obligation also means that the estimated value of a contract may not be established in such a way as to avoid the competitive tendering procedure or to circumvent the rules which apply to certain procurement procedures or above a certain threshold, nor may a contract be split for that purpose ('artificial splitting'). Moreover, the widest possible opening-up to competition is also in the interest of the Beneficiary/Partners themselves, which will have thus greater choice as to the tender that is the most advantageous and the most suited to the needs.
- **Proportionality:** measures adopted by the Beneficiary/Partner do not exceed the limits of what is appropriate and necessary in order to attain the objectives pursued and that where there is a choice between several appropriate measure recourse must be had to the least onerous.
- **Sound financial management:** all purchases must be done in accordance with the principles of economy, efficiency and effectiveness.

## 4.2 Procurement rules and procedures

### *Types of contract:*

- **A contract for the supply of goods** is a contract having as its object the purchase of goods; it may also include activities related to the placement and assembly of goods.
- **A service contract** is a contract whose object is to provide a service.
- **A contract for the execution of construction works** is a contract the subject of which is the elaboration of construction project documentation, the execution of construction works or the execution of a construction.

**In compliance with Section 1 (13) (c) of Act No. 343/2015**, as expenses intended for development cooperation, we consider in particular the expenses incurred in partner third countries or in direct connection with the implementation of development aid, aimed at promoting sustainable development in partner countries or humanitarian aid.

Procurement of goods, construction works, and services form an important part of project implementation. Despite the fact that **Act No. 343/2015 on Public Procurement**<sup>9</sup> does not apply to below limit contracts ("podlimitná zákazka") and low-value contracts ("Zákazka s nízkou hodnotou"), the subject of which is, inter alia, the supply of goods and services within the official development cooperation and international humanitarian aid of the Slovak Republic, in case of the above activities, SAIDC determines **simplified procedures** for the assurance of meeting the terms and conditions of transparency, efficiency and effectiveness in spending public funds.<sup>10</sup> The beneficiary is obliged to apply the principle of equal treatment and the principle of non-discrimination of applicants/candidates when awarding contracts for goods, services and works.

### *Types of procurement procedures*

#### **Direct contracting:**

The Beneficiary may award the contract for the delivery of goods and/or provision of services and/or execution of construction works directly if the value of contract is **below the limit set for the low-value contracts** ("Zákazka s nízkou hodnotou") according to the **Act No. 343/2015 on Public Procurement**. The supplier to whom the beneficiary will award the contract directly will be determined on the basis of the previous experience of the beneficiary or the contractual project partner, references, advertising, information obtained on the Internet and the like. The Beneficiary must follow **the principle of economic efficiency** and must not knowingly award a contract directly to a supplier that would provide unfavourable conditions for contract implementation. A direct contract may be awarded through a direct **purchase order**.

<sup>9</sup> <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2015/343/>

<sup>10</sup>At the same time, expenses arising from the above activities (by the contractual project partner) in the legislative and legal frameworks of third countries are applied appropriately and must also take into account the rules at the point of origin. By respecting the conditions of transparency, economy, efficiency, effectiveness and purposefulness in the spending of public finances.

The contract may be directly ordered provided the documents accompanying the subject of the contract are sufficient for its use, for possible claims in case any defect identified while under warranty, or for exercising other rights in the future. All situations that arise will be agreed in the contract in writing.

#### **Awarding contracts based on market price research:**

The Beneficiary may award the contract for the delivery of goods and/or for provision of services and/or for execution of construction works based on a market survey in case of below-limit contracts (“podlimitná zákazka”) and low-value contracts (“Zákazka s nízkou hodnotou”). The limits for such contracts are defined in the the **Act No. 343/2015 on Public Procurement**. Beneficiary will select the supplier from amongst the potential suppliers based on the information on contract subject, respecting **the principle of economic efficiency**, such that the costs incurred for performing the survey correspond to its quality and price. The Beneficiary must carry out market survey **with at least three selected suppliers** that are entitled to deliver goods, provide services, perform construction work being the subject of the survey, with whom the Beneficiary has had prior positive experience/or have positive references. At the same time, the Beneficiary **must publish the market survey results** for the delivery of the contract at its website or contractual project partner’s website depending on the location where the contract will be ordered and purchased. If publishing such information on the contractual project partner’s website is not possible due to objective reasons (e.g. the contractual project partner has no website or because of security issues), the Beneficiary must send **prior written notification** about such circumstances **to SAIDC** with due justification. The market survey **may be performed electronically** - by e-mail survey or written correspondence if written correspondence is relevant. The beneficiary will send a call for tenders to the selected candidates. The call for tenders must contain: a) definition of the beneficiary, b) precise definition of the subject of the contract, c) place, date and method of submitting the price offer, d) criteria and method of evaluation of bids, e) required delivery date, f) bid bindingness, g) other necessary data. In case of **objective reasons**, due to which it is not possible to conduct a market survey of at least three bidders, the beneficiary is **obliged to notify the facts occurred and justify them to SAIDC** and also state them **in the interim and final report** (in writing/electronically).

When selecting the method of performing the market survey and within the market survey, in accordance with the principle of economy in spending funds, the following must be taken into account: a) costs of performing the survey, b) total contract price, including transport, possible quantity discount, etc., c) delivery time, (d) other factors depending on the nature of the subject of the contract. The Beneficiary must follow **the principle of economic efficiency** and always choose a place for purchasing the contract in order not to unreasonably increase the costs related to the delivery of the contract, servicing/maintenance costs, etc.

The beneficiary is obliged to set up a commission of **at least 3 members to evaluate the submitted bids**. From the evaluated survey, the beneficiary will submit a **Record of Market Price Research** according to Annex no. 11, containing, inter alia, a solemn declaration by the members of the commission that they are not in a conflict of interest. At the same time, the Beneficiary shall document the market survey and the evaluation of the market survey with relevant documents - sending a call for tenders to selected suppliers; publishing a call for tenders on the website; submitted price offers.

#### **Over-limit contract procedure (“Nadlimitná zákazka”):**

Limits and procedures are defined in the **Act No. 343/2015 on Public Procurement**

#### Framework contracts

Although it is not a procurement procedure in itself, a framework contract is an agreement between the Beneficiary/Partner and one or more economic operators, the purpose of which is to establish the terms governing

specific contracts which may be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged. In this way, the framework contract represents a structure within which subsequent specific contracts are concluded.

The duration of a framework contract may not exceed 4 years, save in exceptional cases duly justified in particular by the subject matter of the framework contract.

The award of a framework contract always requires a public procurement procedure (open or restricted tender). However, once a framework contract has been concluded, the award of specific contracts follows a request for services sent by the Beneficiary/Partner to the selected contractor. A specific contract or a purchase order is then concluded. Specific contracts based on framework contracts are thus awarded in accordance with the terms of the framework contract. Hence, when awarding specific contracts under a framework contract, the procedure set out in the framework contract should be followed, provided that the principles of transparency, proportionality, equal treatment and non-discrimination are respected, and framework contracts are not used improperly or in such a way that their purpose or effect is to prevent, restrict or distort competition.

## 5 INTERIM AND FINAL REPORTS

### 5.1 Reporting rules

The Beneficiary must submit Interim and Final Project Reports **by the deadlines set forth in the Grant Agreement**, using forms included in Annex 2, 3, 4, 7, 8 to these Guidelines.

The Beneficiary shall provide SAIDC with all required information on the implementation of the action. The report shall describe the implementation of the action according to the activities envisaged, difficulties encountered and measures taken to overcome problems, eventual changes introduced, as well as the degree of achievement of its results (impact, outcomes or outputs) as measured by corresponding indicators. The report shall be laid out in such a way as to allow monitoring of the objective(s), the means envisaged or employed and the budget details for the action. The level of detail in any report should match that of the description of the action and of the budget for the action. The Beneficiary shall collect all the necessary information and draw up consolidated interim and final reports.

These reports shall:

- a) consist of a narrative and a financial report drafted using the templates provided in Annex 2, 3, 4, 6, 7;
- b) provide a full account of all aspects of the project's implementation for the period covered;
- c) include the results achieved in the reporting period (impact, outcomes or outputs) as measured by their corresponding indicators; agreed baselines and targets, and relevant sources of verification;
- d) provide information on the implementation of the Visibility and Communication activities and any additional measures taken to identify SAIDC and the EU as source of financing;
- e) be drafted in the currency and language of the Agreement, namely English;
- f) include any relevant reports, publications, press releases and updates related to the action.

With reference to financial reports in particular, they shall:

- a) follow the structure set out in the Budget, using the annexes 7 and 8;
- b) provide the budget forecast for the next reporting period.

The final report shall cover the entire Implementation Period and include, if relevant, details of transfers of equipment, vehicles and remaining major supplies mentioned in Section 5.6 by enclosing annex 10 duly filled in.

### 5.2 Reporting modalities

Unless otherwise stated in the Contract Agreement, the reporting modalities shall be as follows:

- The Beneficiary shall provide an **Interim (narrative & financial) Report every 6 months**, if not differently stipulated in the Grant Agreement. Therefore, for one-year project two interim reports are foreseen and for



two-year projects 4 interim reports are foreseen. The Interim report shall be submitted **one month after the end of the reporting period, if not otherwise agreed in the Grant Agreement.**

- Scanned copies of the supporting documents shall be submitted together with the financial and narrative interim reports.
- The Beneficiary shall provide the **Final (narrative & financial) Project Report two months after the end** of implementation period of the project, if not differently stipulated in the Grant Agreement. The final Project Report also provides an assessment of the overall project results.

Reporting periods are set from the start of the implementation of the project, not from the start of the calendar year.

The financial reports are audited by SAIDC and, for the purposes of its final decision, the auditing firm is authorised to request additional information from the Beneficiary throughout the whole financial control. The Beneficiary may apply for the next/final instalment in line with the provisions of the Agreement only upon being notified about the approval of the Auditor's report and relevant Interim/Final Report pursuant to the timeline specified by the Agreement by SAIDC.

**If the Beneficiary does not submit a complete financial report together with the relevant accounting documents, the audit company and SAIDC are entitled to invite the Beneficiary to send the required missing accounting documents** two times and then close the audit of the financial report. Costs lacking sufficient supporting documentation, even after two additional requests, will be deemed ineligible. SAIDC is electronically informed by the audit firm about the non-fulfilment of the condition for submission of accounting documents by the Beneficiary, in accordance with the national legislation.

The Beneficiary is obliged to submit the required accounting documents to SAIDC no later than within **five working days** from the date of sending the call by the audit firm. In case of repeated failure to submit the missing accounting documents, SAIDC then sends a written reminder to the Beneficiary. If the Beneficiary does not submit the missing accounting documents within 10 working days from the sending of the written reminder, the PFM (Project and Financial Manager) shall send the Draft Report from the Administrative Financial Control (AFC) to the Beneficiary by e-mail. The Beneficiary may provide its opinion on the Draft Report from AFC, and/or send comments within 5 working days. After approval of the Draft Report from AFC and/or after incorporating the comments, the PFM of SAIDC sends the final version of the Report from AFC with the finding to the grant beneficiary. SAIDC reserves the right to withdraw from the contract or to terminate the contract in accordance with Article 10 of the Grant Agreement.

**The deadline for the payment of the next/final instalment needs to be extended by the time of fulfilment of the terms of submission of the required accounting documents, by the Beneficiary.**

SAIDC may suspend the term for the payment at any time, as stated in the agreement, by officially notifying to the Beneficiary that its financial report and the corresponding accounting documents have not been submitted pursuant to the provisions of the agreement, or due to the lack of the appropriate supporting documents, or there are any doubts exist on the eligibility of reported costs.

### *Submission of accounting documentation*

The Beneficiary will keep accounts according to the structure of expenses (by subgroups) and budget items, as approved in the budget or as specified in the notification and request for budget adjustments (transfers) between budget items.

**The Beneficiary must submit the following accounting documentation:**

- a) **Copies of the Beneficiary's tax documents and accounting documentation** and copies of the Project Partner's (PP) accounting documentation demonstrating eligible costs (see detailed list in annex 4). A person authorised by the Beneficiary verifies, with a stamp, date and signature, that the originals of the tax and accounting documents conform to the copies thus submitted for settlement. The date, stamp and signature of the authorised person must be indicated on the first page of the accounting document. In case of documents that have more than one page, it is possible to verify the conformity in summary (on the first page, the employee shall indicate the Copies conform to the original in the number of pages). SAIDC does not require official certification of project documents. All accounting documentation must be identified with the budget sub-item number, which they correspond to. The Beneficiary must submit a copy of proof of

payment for each eligible cost document (e.g. bank account statement, cash receipt with a signature of the recipient), or mark a clear reference on copies of bank account statements to a document (item) paid for by transfer. On all documents in languages other than Slovak and/or English the Beneficiary must indicate in Slovak and/or English language the type of document and name of goods or services and confirm the accuracy of translation with his/her signature.

- b) **Copies of all project bank account statements for the given period.** The Beneficiary must submit individual parts of bank account statements from other current accounts of the Beneficiary or PP if they were used for paying eligible project expenses. It must be clear to whom the money was transferred from the bank account as well as the number of the Beneficiary's account, variable payment identifier (variabilný symbol), date of payment and amount paid. For payments in foreign currency, if the bank account statement does not indicate all the above details, the recipient must attach a transfer order or payment notice or other documentation with the given details.

The Beneficiary must cooperate during audit/control in order not to disrupt the timeline of Grant instalments specified by the Agreement. The Beneficiary proves the following basic facts through accounting and other documentation that:

- the expense was incurred and paid for in due time; and
- The expense was directly related to project implementation and indispensable for project implementation.

The Beneficiary/PP proves eligible expenses claimed under a given project by relevant accounting or other documentation. Eligible expenses that are not duly supported by documents are considered non-eligible.

### 5.3 Payment procedures

The Beneficiary submits requests for payment, after the approval of the financial reports, pursuant to the time schedule agreed under the Grant Agreement. This application is submitted (electronically – with a scan of the signed agreement) using the form that is included as Annex 5 to these Guidelines. SAIDC will review the formal accuracy of the application. In case of any discrepancies, it returns the application to the Beneficiary. If Grant eligibility requirements are met, the funds will be transferred to the Beneficiary's project account within 10 working days. SAIDC reserves the right to extend this period in case of a shortage of available funds.

Payments made for the project must be made from a **separate dedicated bank account** (the project account): SAIDC will transfer payments to the project account of the Beneficiary as stated in the Grant Agreement. This account is to be established by the Beneficiary no later than the day the Agreement is signed while informing the bank that funds are provided from a state budget within a grant framework for the specific project. The bank's statement confirming the opening of the project account or a copy of the contract with the bank (with the original accessible for inspection) for opening the project account must be submitted to SAIDC no later than the day the Agreement is signed and is part of project documentation. This separate bank/project account must have a balance of EUR 0 ("zero") as of the day the Agreement is signed, or the minimum account balance required for account management, as proven by the Beneficiary by submitting an account statement. Should the Beneficiary already have an established account that has been used as a project account in a previously-completed project, this account may be used as the project account.

This separate bank account (project account) is to be used **only for making payments related to Grant** and project activities.

Salaries, social and health insurance payments, etc are made similarly. The Beneficiary will pay for these items from their regular account, to which it will subsequently refund only eligible expenses pertaining to the project from the separate account (project account). The Beneficiary may only refund eligible expenses.

If at the end of the reporting period eligible costs incurred are less than 70% of the last payment (and 100% of the preceding payments), the further pre-financing payment may not be paid in full. If the Grant Beneficiary submits a payment request, the payment is reduced by the amount corresponding to the difference between the 70% of the last pre-financing payment (and 100% of the preceding payments) and the part of the eligible costs incurred that is financed by the contracting authority.

Before the end of the project, SAIDC shall transfer no more than 90% of its contribution to the project. The final instalment (10%) will be reimbursed by SAIDC upon approval of final report and within the deadline specified in the Grant Agreement.



## 5.4 Final financial report, final payment

A request for final payment (final Grant instalment) is submitted by the Beneficiary **upon the approval of the Final Report and Final Financial Report** using the requested form (annex 5). SAIDC will review the formal accuracy of the application. In case of any discrepancies, it returns the application to the Beneficiary for necessary corrections. If Grant eligibility requirements are met, the funds will be transferred to the Beneficiary's project account within 10 working days. SAIDC reserves the right to extend this period in case of a shortage of available funds.

There are three conditions to approve the final report of the Beneficiary:

- Submission of all the supporting documents related to the project expenses in accordance with the contract, its annexes and other documents
- Submission and approval of all the interim reports and final report
- The approval of the final report by the EU. This means that the final instalment (max 10% of the grant) is transferred to the Grant Beneficiary upon successful completion of the audit. The final financial report will be therefore provisionally approved, waiting for the final approval of the SAIDC project from the EU.

**The final payment, which is a refund payment**, will be transferred to the Beneficiary's account only upon complete financial reporting of all project expenses, within the deadline established in the Grant Agreement. That means the Beneficiary must cover expenses from its resources and SAIDC will make the final payment only based on the complete final financial report. **The Grant may not lead to generating profit for the Beneficiary** and must be limited to an amount needed to cover project expenses. **The final payment is in the amount of at least 10% of the total Grant amount.**

## 5.5 Currency conversion method

The Beneficiary submits a financial report on incurred expenses related to project activities in EURO. If the documents are in another currency, the Beneficiary must also provide the exchange rate and the its source (e.g. Inforeuro, Oanda, Slovak Central Bank or exchange slips).

This rule has to be applied to convert costs incurred in other currencies than EURO. In order to further reduce exchange rate differences and to align as much as possible to the Beneficiary/Partners' accounting practices, they may use their usual accounting practices, provided they are compliant with the following basic requirements:

- they are written down as an accounting rule, i.e. they are a standard practice of the Beneficiary/Partners' organisations
- they are applied consistently
- they give equal treatment to all types of transactions and funding sources
- the system can be demonstrated and the exchange rates are easily accessible for verifications

For verification purposes, the exchange rate used for recording expenses in the accounts, together with the generated value, should be stamped/written on the original documents. In any case, the Beneficiary/Partners must be able to demonstrate it and the accounting system allow for easy verification of the rates used and how the conversion is operated.

When reporting costs in foreign currency, **the Beneficiary submits:**

- documents confirming used bank and exchange rates, or
- exchange rate list of used reference rates printed e.g. from the Internet.

When converting foreign currency to euro, the Beneficiary must round up the amounts indicated in the budget form two decimal places (e.g. 10,500 Kenyan shillings = 80.37 euro instead of 80.371462 euro).

## 5.6 Handover of equipment and supplies

Unless otherwise clearly specified in the Project Proposal, the equipment, vehicles and supplies paid for by the budget for the action shall be transferred to the final beneficiaries of the action, by using the template in annex 10, at the latest when submitting the final report.

If there are no final beneficiaries of the action to whom the equipment, vehicles and supplies can be transferred, the beneficiary(ies) may transfer these items to:

- local authorities
- local project partners
- another action funded by SAIDC or the European Union
- or, exceptionally, retain ownership of these items.

In such cases, the Beneficiary shall submit a justified written request for authorisation to SAIDC, with an inventory listing the items concerned and a proposal concerning their use, in due time and at the latest with the submission of the final report.

In no event may the end use jeopardize the sustainability of the action or result in a profit for the Beneficiary.

## 6 CHANGES IN THE PROJECT

Changes during the project implementation are possible when they are necessary or increase the impact of the project. Any change of the Agreement must be communicated and, in some specified cases, authorised in writing by SAIDC. Oral arrangements or an exchange of emails must never be legally binding for the parties in this regard. Requests of modifications are allowed only **during the project implementation period**. Any request delivered after the project implementation period will not be considered.

The modification may not have the purpose or the effect of making changes to the Grant Agreement that would call into question the grant award decision or be contrary to the equal treatment of applicants. Therefore, the conditions of the call for proposals must be strictly followed when making changes, to avoid situations where unequal conditions are applied to grants awarded under the same call.

The maximum grant (SAIDC contribution) referred to in the Grant Agreement shall never be increased.

### 6.1 Unilateral changes in the budget

The approved budget attached to the Grant Agreement must be respected. However, the Beneficiary can benefit from a certain flexibility within the budget, as long as the 'expected objectives and results of the action' are not affected and the change does not call into question the initial award of the grant or the equal treatment of applicants. In particular, the Beneficiary can:

- make transfers between items within the same budget category. The term 'main budget category' is to be understood as the numbered budget headings, i.e. the headings number 1 (human resources), 2 (activities), 3 (office costs, supplies & equipment), 4 (other costs, services).
- transfer part of the budget from one main budget category to another (from 1 to 4 for instance) as long as this transfer does not imply a variation of more or less than 25% of the budget categories concerned by such transfer.

To calculate the amount of the variation it should be noted that:

- the 25% variation is calculated on the original value of the category where the funds are taken from and the original value of the category where the funds are to be added. If a main budget category has a provision of 100, and it is sought to transfer the maximum allowed amount to another category, i.e. 25, this will only be possible if the other category had also a provision of 100 or more. If this other category had only a provision of 90, it cannot receive a transfer of 25 as this would constitute an increase of more than 25%. In other

words, the limit of 25% applies not only to the category where the money is taken from, but also to the category intended to receive the transferred amount.

- successive unilateral modifications to the budget must be taken into account in a cumulative way. This means for instance that, if a budget category was already increased with a unilateral modification by 20% of its initial value (as set out in the original budget of the action or as modified by an addendum), that category can be further increased by no more than 5% of its initial value (thus reaching in total the limit of 25% of its initial value).

When the cumulative variations of a given budget category exceed 25% of the budget category's value, it is necessary to process a formal budget revision (through an addendum requested by following the template in annex 6). Without such addendum (to regularize the modification that leads to exceeding the 25%) all costs exceeding the threshold related to that modification would be ineligible.

The accounting must follow the approved number of units and unit prices. In case of unexpected events - *vis major* on the side of the Beneficiary/Partner that will have principal impact on compliance with the terms and conditions set in the Grant Agreement, the Beneficiary is obliged to justify any such changes representing significant deviation from the original number of units and unit prices in its Financial Report to SAIDC. Changes in units of measure must be reported in the next interim report. SAIDC is authorized to approve travel costs and accommodation costs for business trips indicated in the approved budget that the Beneficiary or the Contractual Project Partner did not carry out due to *vis major* only upon submitting a confirmation from the travel agency and accommodation facility that refused to refund these costs.

When informing the SAIDC, a comparative version of the budget with the cumulative changes already made must also be submitted.

In all these cases, the Beneficiary may amend the budget and must inform SAIDC accordingly, in writing and at the latest in the next interim report, **after prior consultation with SAIDC**. All changes must be **thoroughly justified**.

This method may not be used to amend the headings for indirect costs.

**SAIDC reserves the right to reject any application for budget changes** should there be any suspicion of ineffective Grant use, such as an unjustified increase in compensation to professionals in the final days of project implementation or if the change is considered as unfounded.

**Attention:** Caution should always be used in making any **modification to the human resources allocated to the Project**. In this case and in all doubtful cases, it is advisable to discuss and, if possible, agree in writing with SAIDC beforehand.

## 6.2 Changes in project activities and in schedule

The Beneficiary has the option to request the **rescheduling of an activity** to the subsequent reporting period if there are valid reasons for such a change. This can be accomplished by **submitting a request via email within the current reporting period**. Alongside this request, the Beneficiary is required to **provide an updated version of the project activities timeline**.

In situations where the project circumstances necessitate an **extension of the original activity or the inclusion of a new activity**, the Beneficiary can request such changes via email. These modifications may be funded from the saved funds.

It is important to note that SAIDC discourages **altering approved activities**. However, if unavoidable, the Beneficiary must request for the change in advance at least **5 working days before the planned implementation of the proposed change**.

Additionally, if the **planned achievement of an indicator** specified in the logic of intervention (in the approved project document) falls below 75% of the originally approved value, it is considered a change. In such cases, the Beneficiary must submit a **comprehensive explanation** along with the request for change (via email, with a scan of the signed request). The request should clearly outline both the original and new indicator values or provide a detailed description of the activity change. SAIDC commits to informing the Beneficiary within 5 working days upon accepting or receiving the complete request.

Once the requested change receives written or electronic approval from SAIDC, the Beneficiary is obligated to update the budget accordingly, using the prescribed form. It is important to acknowledge that SAIDC retains the right to reject, in writing or electronically, any application for changes.

### 6.3 Changes requiring addendum to agreement

If not otherwise specified in the Grant Agreement, any change and additional provisions to the signed agreement is performed in writing by an **addendum** to the agreement. The purpose of the addendum shall not be to perform changes to the agreement which may call into question the decision to submit a grant, or which could violate the principle of equal treatment of applicants.

**Possible changes requiring an addendum** can be:

- the extension of the project implementation period;
- change of the Project Partner

Requests of extension of project implementation period must clarify which activities will be implemented during the proposed additional period.

Upon SAIDC approval of a written and justified request – to be **submitted by the Beneficiary at least 10 working days before the changes enter into force** - a written addendum to the Grant Agreement will be signed.

These requests for changes shall be duly justified in writing and sent via email to SAIDC ahead of time **and not later than 30 working days<sup>11</sup> before the end of the project implementation period**, specified in the agreement.

The addendum to the grant agreement shall enter into force on the date on its signature by both contracting parties.

In the case of a change at the position of the Statutory representative, business seat, business name or organisation name, bank details of the Beneficiary, Business Identification Number of Tax Identification Number, SAIDC is not obliged to sign an addendum to the Agreement with the Beneficiary. The Beneficiary must announce these changes to SAIDC in writing at the latest within 10 working days from when such changes were implemented.

Please note that the amount of the SAIDC contribution can never be increased.

## 7 VISIBILITY

Unless SAIDC requests or agrees otherwise, the Beneficiary and Partners shall take all appropriate measures to publicise the fact that the Project has received funding from SAIDC through the EU. The SAIDC visibility principles shall be respected, together with the EU visibility principles.

It is possible to waive the publication of an award, including name of recipient, for reasons of confidentiality and security. Where a decision is made to take advantage of this option, the reasoning should always be fully documented and approved by the SAIDC Director. Such an instance could arise, for example, where the publication of award of a grant and associated recipient details would potentially then threaten the rights and freedom of individuals who would then seek to implement the funded project.

If, during the implementation of the Action, equipment, vehicles or major supplies are purchased, the Beneficiary shall display appropriate acknowledgement on such vehicles, equipment or major supplies, including the display of SAIDC logo and the [EU emblem](#) (twelve yellow stars on a blue background). The EU emblem should be accompanied by a funding statement mentioning the EU's support. The funding statement 'Funded by the European Union' or 'Co-funded by the European Union' and be placed next to the emblem.

Examples of visibility materials with the use of logos and funding statements are:

- **Display panels:** they identify the key deliverables and project management structures of the project to which they refer and they must be clearly visible so that passers-by are able to read them and understand the nature of the action and the role of donors. Display panels must be erected beside access routes to the site where the action is taking place and must remain in place from the start of the action until six months

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<sup>11</sup> In exceptional and duly justified cases, SAIDC may shorten the time limit

after its completion. The Beneficiary must also produce display panels when promoting the project at exhibitions or events, and at the entrances to training centres, office receptions, etc.

- **Commemorative plaques:** they highlight the SAIDC and EU contributions to the construction of permanent structures such as houses, clinics, factories, institutions, training centres, roads and bridges. These must be placed, for example during the opening ceremony, in the most visible part of the structure, such as the main entrance, or in front of the building.
- **Vehicles, supplies and equipment:** they must be clearly identified, and visibly bear the SAIDC logo and EU emblem and the relevant funding statements
- **Banners:** they are produced as a backdrop for special events such as inaugurations and conferences with logos and funding statements prominently visible.
- **Publications:** e.g. reports, brochures, leaflets, flyers, posters, newsletters and other publications, printed or electronic, directly relating to project.
- **Digital assets:** they are understood to be any product that is stored digitally and is uniquely identifiable that organisations can use to promote their project. Examples of digital assets include webpages, visuals, infographics and videos.
- **Stationery, business cards, letterheads, etc.**
- **Other types of production:** e.g. theatre, mime, griots, heralds and street artists

The Beneficiary undertakes to **publish on its website**, if any, **basic information on the project** together with photo documentation of the project.

SAIDC encourages the Beneficiary to consider the use of other available tools for project presentation (e.g. printed or audio-visual materials, communication with the media, public information presentations, **videos** and others). In case of producing an image material, the Beneficiary undertakes to provide the material in question to SAIDC (**videos** and **photographs**) based on the Contract on Grant provision for marketing purposes, together with the consent of the data subjects.

If any personal data (such as images of natural persons, their voices or any other private personal attributes) is featured in a recognisable manner in the communication and visibility materials of project, the Beneficiary must obtain formal consent through statements from the persons concerned (or, in the case of minors, from the persons exercising parental authority) giving their consent for the specified use of their image, voice or other private personal attribute and, on request, submit copies of those statements to SAIDC. The Beneficiary must take the requisite steps to obtain such consent in accordance with the legal provisions applicable.

Intellectual property rights of buildings and artworks should be cleared with the right holders before being reproduced in any communication material.

SAIDC- as a rule - publishes the name and address of the Beneficiaries receiving its grants, as well as the purpose and amount of these contributions. In the event that such disclosure would harm the Beneficiary's safety or interests (as well as the safety of its staff), SAIDC and the Beneficiary may agree on specific arrangements which would have to be included in the Grant Agreement. It is important that the relevant discussion between the Beneficiary and SAIDC takes place before the signature of the Agreement.

## 8 ANNEXES

Annex no. 1: Time-sheet\_template

Annex no. 2: Interim-Narrative-Report\_template

Annex no. 3: Final-Narrative-Report\_template

Annex no. 4: List-of-Expenditures\_template

Annex no. 5: Request-for-Payment\_template

Annex no. 6: Addendum-Request\_template

Annex no. 7: Interim-Financial-Report\_template

Annex no. 8: Final-Financial-Report\_template

Annex no. 9: Overhead-Report\_template

Annex no. 10: Declaration-of-Donation\_template