

Eligibility of staff and office maintenance costs as project costs

Background

A question whether staff costs incurred by public institutions may be considered eligible as project costs had been asked by several executing agencies as this would be an area of uncertainty when a public institution (whether it be at the national, regional or local level) acts as an executing agency.

Problem encountered / Legal basis

Art. 5 of the Framework Agreement states that staff costs incurred by public institutions are not considered eligible as project costs:

"The following costs shall not be eligible for grant support: [...] staff costs of the XY Government [...]". This provision was included in the Framework Agreement to prevent Switzerland's EU+ funding from inflating government agencies.

However, article 7.2 of the Framework Agreement states that:

"Other levies, taxes or charges, in particular direct taxes and social security contributions on salaries and wages, shall constitute eligible expenditure only if they are genuinely and definitely borne by the Executing Agency."

Therefore, under certain circumstances, public institutions acting as executing agencies may consider their staff costs as project costs if all of the following conditions are met:

- The corresponding costs are incurred exclusively by the executing agency;
- The corresponding costs are limited to the duration of the project,
- The corresponding costs are directly related to implementation of the project. In other words, if the project is cancelled, the staff would be reduced accordingly;
- The staff whose salaries are paid by Switzerland's EU+ funding are clearly identified.

With respect to office maintenance costs the following rules shall be followed:

- Executing Agency (EA) will submit one invoice for each reporting period for the expenditure incurred by it in carrying out the project activities. Expenditure incurred will be determined on the basis of payments made by EA in the reporting period.
- In carrying out the activities for which it is responsible, EA will incur expenditures in LVL and other currencies. The EA maintains its accounting records in LVL and converts all expenditure into CHF at the exchange rate of the Bank of Latvia of the date of issuing the reimbursement request.
- Each invoice will include project's share (if any) of the expenditure incurred by EA in the reporting period. For each invoice, EA will describe the methodology for the determination and calculation of the total expenditure and the share allocated to the project.
- Each invoice will include project's share of the estimated amount of the EA office costs (rent, maintenances, utilities etc.) and communication expenses (telephone, internet etc.). For each invoice, EA will describe the methodology for the determination and calculation of these costs and for any adjustments from estimates to actual costs.
- The supporting documents will include the total amount for salaries and wages and the total number of weeks worked by staff members and / or consultants during the period. The supporting documents may include contracts and timesheets.
- For each invoice, EA will confirm that any VAT charged on the invoice is not recoverable by the EA.

- For each invoice, EA will confirm that all procurements made by the EA during the reporting period were made according to the Latvian procurement rules.
- EA shall maintain accounting documents and records about the expenditure incurred on the project in accordance with the Latvian rules.