

ANNEX II

Fund Payable

Eligible expenditure

1. The Applicant must comply with the ESF Regulation (1784/1999) and EC Regulation on eligible expenditure (448/2004). The EC/ Managing Authority may issue further regulations on this matter. In addition the applicant should comply with the following definition of eligible expenditure.
2. Eligible expenditure must:
 - (i) not exceed the amounts stated in Annex I (a) Application Form Documentation and Annex I (b) Standard Project Document);
 - (ii) not be expenditure on the costs described as ineligible in Annex 8 (List of Ineligible Expenditure); and
 - (iii) be project costs which have been paid by the Applicant and those organisations making payments for the project listed in the letter of offer and as stipulated in the relevant procurement contract based on real costs (not lump sum).
3. In case where applicants have allocated funds for equipment in the Application Form and the MA has approved it, the applicant is to ensure that the principle of sound and effective financial management (i.e. best value for money) is observed. In principle, the Applicant has to determine whether the equipment should be leased, rented or procured in terms of best value for money.
4. Before compiling the statement of expenditure and declaration, the project costs must have been paid by the Treasury. "Paid" is defined as when the project has given money for goods/services/works and the money due has passed out of the control of the project to the Contractor/ Final Recipient. The point at which this occurs is when the Central Bank transfers the funds via electronic instruction to the Contractor's/Final Recipient's account which will be recorded in the Structural Fund Database (SFD).
5. Officials within the Managing Authority responsible for monitoring will need to be satisfied that the systems used by the Final Beneficiary are sound and that grant claims are correct. A range of documentary evidence will be made available to allow this to be done, copy of documents will be available both physically and electronically via the Structural Funds Database.
6. The Applicant, where applicable, must ensure that the tender dossiers, offers received and contracts are detailed enough (in terms of components) so that eligibility of the different components is clear and easy to determine.
7. Specific instructions regarding payment of VAT are in the Manual of Procedures.
8. The Applicant must keep the original contract and a record (copy) of all payments and their respective dates as these are part of the project's records that will also be subject to audit checks and controls. The Applicant should contact the Managing Authority in case of queries as to whether particular items of expenditure are eligible for funding. Original invoices are to be sent to the Treasury where they will be retained. Final Beneficiaries should retain certified copies of invoices as per Manual of Procedures.
9. Claims are calculated according to the co-financing rate of the project as stipulated under Section 4 of the letter of offer.
10. In the case where approval for salaries or payments to public officers/employees has been granted, the applicant is to ensure that any remuneration is in line with national law and administrative procedures and that relevant documentation is provided.

Payment Procedure

11. Upon receipt and validation of the invoice by the Final Beneficiary, the Final Beneficiary must ensure that the invoice claim corresponds to the works/supplies/services carried out according to the project. The Final Beneficiary should make sure that invoices are legitimate with respect to the National and EU laws and comply with the Letter of Offer and relevant procurement/contract/ letter of acceptance. In this regard the Applicant may wish to note that VAT is generally not an eligible expense (see relevant extract of

manual) however, must be identified distinctively on every contract, invoice and receipt. Receipts must be inclusive of VAT, identified as a distinct component of the total.

12. Each invoice must be accompanied by an Invoice Status Certificate issued through the Structural Funds database system. The Invoice Status Certificate includes all details and checklists relevant to payment process. The Invoice Status Certificate also highlights the progress made against the quantified targets set out in the Application Form Documentation and Standard Project Document (annex I (a) and I (b) to this letter of offer)
13. The Line Ministry is responsible for raising the commitment document through the Departmental Accounting System (DAS) based on the Invoice Status Certificate. The Line Ministry will confirm the checks made by the Final Beneficiary ensuring eligibility (see relevant extract of manual).
14. Payment is effected by the Treasury Department through the Central Bank. All original documentation is retained by the Treasury Department. Certified copies must be retained by Project Leader and Line Ministry where applicable.