



## NOTE FOR THE ATTENTION OF CEF TELECOM - DSI BENEFICIARIES

**Subject: CEF Telecom/DSI: completeness of checks for payment requests and eligibility of costs**

Dear CEF Telecom-DSI beneficiary,

Based on INEA's experience in assessing the requests for payments, we would like to highlight certain elements we have observed to be recurrent issues. We trust this will allow you to better prepare your payment request and will therefore facilitate and ultimately accelerate its processing.

As stipulated in Article II.23.2 of the Grant Agreement, the request for the payment of the balance for your action should be submitted **within 60 days following the end date of the action**; in order to be considered admissible, it should be accompanied by the documents listed in the aforementioned Article. Failure to meet the submission deadline could ultimately lead to the termination of the Grant Agreement<sup>1</sup>.

Once a request for payment is considered admissible by INEA, it will be processed within the time limit set in article 4.2. of the Grant Agreement of 90 days. The **completeness and the coherence of the information provided** are crucial factors for optimizing and accelerating the payment process, be it at the initial stage of the payment request or, at a second stage, if INEA calls for a more in-depth analysis of some invoices (sampling exercise).

In this context, please pay attention to the following points:

### 1. In the request for payment:

- ✓ For multi-beneficiary actions the amount of the [consolidated financial statement](#) must be equal to the sum of the individual financial statements;
- ✓ The financial statements must be properly filled-in (e.g. invoice dates, unique accounting numbers, supplier etc.). In particular, the "*Short description of the costs declared*" must be adequately detailed to allow INEA ascertain they are within the scope of the relevant activity;

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<sup>1</sup> Cfr Article II.23.3 of the Grant Agreement.

- ✓ An excel version of the [Individual Financial Statement\(s\)](#) must be provided.

## 2. Sample of invoices for a more in-depth analysis (sampling exercise):

In order to render this sampling exercise as well as the assessment of your payment request more efficient:

- ✓ The sampling table sent by INEA must be duly filled-in. Please use the "Comments" field to provide additional information, which cannot be provided in the specific fields.
- ✓ The files of the sampled invoices (sent electronically) should be named: "*Invoice sampling n° x*" and should match the CEF sampling and procurement table;
- ✓ In the event of a sampling of grouped invoices, a breakdown of the items must be submitted in a separate excel table;
- ✓ The requested documentation must be provided in a **consolidated manner** (e.g. single zip file not in separate e-mails), particularly in case of multiple-beneficiaries actions.

We would like to stress that failure to provide the requested information in the format requested and within the deadlines set will entail a suspension in the processing of your payment request and may lead to a rejection of costs.

## 3. With regard to the eligibility of costs:

**Article II.19.1 of the Grant Agreement lists the criteria** that a cost item must meet in order to be considered eligible. All this criteria must be met at the same time in order for a cost to be considered eligible. Among these **cumulative criteria**, we would like to highlight the following mentioned below.

- a) *The costs must be **incurred** by the beneficiary, and if any its affiliated entity (designated in **Article 7** of the Grant Agreement) and/or its implementing body (designated in **Article 8** of the Grant Agreement).*

Consequently the Grant Agreement should list **all** the entities which will claim costs for the Action. In this regard, we will like to draw your attention to the case of **parent/subsidiary companies**: invoices addressed to a **parent/subsidiary company cannot be considered eligible**, unless this company is also included in one of the above mentioned three categories in the Grant Agreement, namely "*beneficiary*", "*affiliated entity*", or "*implementing body*".

- b) *The costs must be **identifiable** and **verifiable**, in particular:*
  - i. ***recorded** in the accounting records of the beneficiary, affiliated entity or implementing body;*
  - ii. *determined according to the applicable accounting standards of **the country where the beneficiary is established**; and*
  - iii. *in accordance with the **usual cost accounting practices** of the beneficiary.*

Any beneficiary, affiliated entity or implementing body must enter costs in its accounts in accordance with the national applicable rules. Supporting documents

must be available for all costs (e.g. invoices). Costs which cannot be justified by such documents **will not be considered eligible**. This approach will not only be applied by INEA's ex-ante control (prior to payment) but also ex-post control (in case an audit is carried out) when reconciling cost claims with the beneficiary's accounts. Therefore, please make sure that any invoice declared can be traced back in the accounts of a beneficiary, affiliated entity or implementing body.

If the purchase was made by a related party (affiliated entity or implementing body), but there is an accounting recharge into the accounts of the beneficiary, it may be considered eligible cost. However, in addition to the cumulative criteria of Article II.19.1 which always need to be respected, INEA would also draw your attention to the requirements of Article II.20.1: “[..] *the beneficiary's usual accounting and internal control procedures must permit direct reconciliation of the amounts declared with the amounts recorded in its accounting statements as well as with the amounts indicated in the supporting documents*”.

- c) *The costs must be incurred in **connection** with the action as described in Annex I of the grant agreement and be **necessary** for its implementation;*
- i. *in particular, for the costs of contracts for goods, the goods should be **supplied** in a Member State or in any other country where the action is implemented;*
  - ii. *for the costs of contracts for works, the works should be **delivered** in a Member State or in any other country where the action is implemented;*
  - iii. *for the costs of contracts for services, the services **provided** must **concern** a Member State or any other country where the action is implemented.*

To be considered eligible, all costs must be connected with the subject matter of the Grant Agreement and necessary for the implementation of the supported activities and the achievement of their objectives. In other words, upon request of INEA or an auditor, the beneficiary should be able to demonstrate the link between a given cost item and the corresponding activity/task in Annex I.

With regard to **personnel costs** as defined in Article II.19.2(a), the most recurrent issues encountered are illustrated in the ANNEX to this letter.

Finally, we invite you to read the comprehensive guidance available via [INEA CEF Telecom Beneficiaries' Info Point](#) (in particular the most recent webinars) and the [Guidelines on the Eligibility of Costs under the Connecting Europe Facility](#). We trust this information will help you prepare your request for payment of the balance.

Please do not hesitate to share this letter and the above-mentioned links with all partners involved in your action, so that they are aware of the applicable Grant Agreement conditions.

Should you have any questions, please do not hesitate to contact your project manager at [INEA-CEF-ICT@ec.europa.eu](mailto:INEA-CEF-ICT@ec.europa.eu) before submitting a payment request.

Yours sincerely,

[e-signed]

Encl: Specific Issues related to Personnel Costs as defined in Article II.19.2 (a)  
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## Specific Issues related to Personnel Costs

Personnel working for a parent company/subsidiary of the beneficiary **cannot** be declared as personnel costs of the beneficiary in accordance with Article II.19.2 (a).

In order to consider personnel costs of a parent company/subsidiary as eligible, a parent company/subsidiary needs to be either listed as an “*affiliated entity*” or as an “*implementing body*” in the grant agreement, and the working relation must meet the criteria listed in Article II.19.2(a) of the Grant Agreement.

Should the Action require the use of personnel resources from an *external entity* (i.e. not listed in the Grant Agreement neither as beneficiary, affiliated entity nor implementing body), please inform INEA and clearly identify these costs in the Financial statement. The costs may be declared eligible as ‘*other costs*’ or ‘*subcontracting costs*’ categories.

In order to determine under which category they fall, it is important to consider the working conditions and contractual relationship of the persons in question:

- **Personnel contracted via a temporary work agency or other third party supplier** are not considered as personnel costs as defined by Article II.19.2 (a), as they originate from a separate legal entity (this would also include individual consultants engaged via a limited company rather than as a natural person). Provided these persons work **under the direct supervision** (e.g. in their premises) of the beneficiary, the affiliated entity or the implementing body, their cost can be presented as **purchased services under ‘other costs’**. Indeed, even though they are not strictly personnel costs as defined in Article II.19.2.(a), they require office accommodation, resources and equipment that are considered as indirect costs, and therefore the overhead flat rate can be considered applicable.
- If the personnel resources of an external entity are used, but are **not under direct supervision** by one of the beneficiaries, affiliated entity or implementing body listed in the grant agreement, the costs could be considered as eligible **subcontracting costs** if the requirements of Article II.9 and II.10 have been respected – in particular that value for money has been achieved. In addition, it is important that subcontracting costs are described in Annex I of the Grant Agreement or have been accepted by INEA.

Please make sure that personnel costs are also registered in the accounts of the beneficiary, affiliated entity or implementing body. However, if pay slips are issued by a beneficiary but the salary is **paid by another entity** which is not included in the Grant Agreement (such as a national public administration), in the absence of a specific secondment agreement or of a clearly reconcilable recharge into the accounts of the beneficiary, **the related costs cannot be considered eligible because the conditions of Article II.19.1 are not complied with.**

Additional guidance is available via [INEA CEF Telecom Beneficiaries’ Info Point](#) (in particular the available webinars) and the [Guidelines on the Eligibility of Costs under the Connecting Europe Facility](#). Should you have any questions, please do not hesitate to contact your project manager at [INEA-CEF-ICT@ec.europa.eu](mailto:INEA-CEF-ICT@ec.europa.eu) before submitting a payment request.