



Innovation, Hybrid and Cyber Division
Science for Peace and Security Programme

Multi-Year Project (MYP) Handbook

Applicable to MYP applications submitted as from November 2023

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1. Introduction

The NATO Science for Peace and Security Programme (SPS) seeks to enhance cooperation and dialogue between NATO members and NATO partners through civil science and innovation. The SPS Programme funds security-related activities relevant to NATO's strategic objectives which address **SPS Key Priorities** (available on the SPS website). SPS offers grants for Multi-Year research and development Projects (MYP) and Events (Advanced Research Workshops, Advanced Study Institutes, and Advanced Training Courses).

This Handbook describes the financial and administrative procedures for the management of **SPS Multi-Year research and development Projects (MYP)** and sets out the general terms and conditions governing grants made under this Programme. Additional procedures, terms, exceptions and conditions may be set out separately, including in the Award Letter or in the approved Project Plan.

This Handbook and relevant documentation are available on the NATO SPS website: www.nato.int/science.

Grants under the SPS Programme are provided at the sole discretion of NATO. The MYP Handbook and completed relevant documentation, along with the signed Award Letter, and any documents annexed to it or incorporated in it by reference, constitute the entire terms and conditions of grants under the SPS Programme. In the event of inconsistencies among these documents, the Award Letter and its annexes take priority over the Handbook and its required documentation.

Before an application is submitted, general questions about SPS and Multi-Year Projects should be addressed to sps.info@hq.nato.int. Queries concerning approved projects should be directed to the responsible **SPS contact points** indicated in the Award Letter.

1.1. What Do SPS Multi-Year Project Grants Offer?

SPS MYP grants support collaborative applied research and development projects which must:

- ★ **address one or more of the SPS Key Priorities** (available on the SPS website);
- ★ demonstrate a **clear link to security and defence**;
- ★ establish a research collaboration **between a minimum of one NATO expert and one eligible NATO partner country expert**;

and show evidence of, inter alia:

- high quality research and development;
- clear and realistic objectives;
- solid milestones and deliverables;
- substantial cooperation among researchers from NATO nations and NATO partner countries;
- realistic budget;
- fair budget distribution that reflects the nature of the work and guarantees substantial involvement of researchers from NATO partner countries;
- collaboration between researchers and potential end-users¹ of the project results;
- participation of early stage researchers.

Multi-Year Projects last typically 24–36 months.

1.2. Budget Range

While there are no hard limits for the budget of Multi-Year Projects, typical three-year projects are in the €250,000–€400,000 range.

1.3. Who Can Apply?

SPS Multi-Year Projects are collaborations between institutions in NATO nations and institutions in NATO partner countries.

NATO Countries: Albania, Belgium, Bulgaria, Canada, Croatia, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Montenegro, Netherlands, the Republic of North Macedonia, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Türkiye, United Kingdom, United States.

NATO partner countries: Afghanistan², Algeria, Armenia, Australia, Austria, Azerbaijan, Bahrain, Belarus², Bosnia and Herzegovina, Colombia, Egypt, Georgia, Iraq, Ireland, Israel, Japan, Jordan, Kazakhstan, the Republic of Korea, Kuwait, Kyrgyz Republic, Malta, Mauritania, the Republic of Moldova, Mongolia, Morocco, New Zealand, Pakistan, Qatar,

¹ Depending on the nature of the project, end-users could be (but are not limited to) government ministries, state organisations or regional authorities within a participating country in the project submitted or private, commercial and/or industrial companies. The end-user(s) should be based in a NATO country and/or eligible NATO partner country.

² The partnerships with Afghanistan, Belarus and Russian Federation are currently suspended following North Atlantic Council decisions related to the security environment.

~~Russian Federation~~², Serbia, Switzerland, Tajikistan, Tunisia, Turkmenistan, Ukraine, United Arab Emirates, Uzbekistan.

Applications must thus be developed and submitted jointly by one or more applicants from NATO nations, and one or more from NATO partner countries. The principal applicants, referred to as project *Co-Directors*, shall have their own budget allocated in the MYP application. An application shall have no more than one Co-Director per institution. The Co-Directors are responsible for the planning and progress of work performed at their institution, and all work together to ensure the success of the project. Other *project participants* are not assigned their own budget and are not considered Co-Directors, for example students or post-doctoral researchers, further researchers at a given institute, etc.

The primary Co-Director from an institution in a NATO country and the primary Co-Director from an institution in a NATO partner country are referred to respectively as the **NATO country Project Director (NPD)** and **Partner country Project Director (PPD)**; each project will have one NPD and one PPD. The Co-Directors manage work at their institutions and have joint responsibility for the technical management of the project. The NPD oversees the overall project implementation and is the primary point of contact for project reporting and communication with the SPS office.

The following eligibility criteria must be respected:

- NPD shall be employed by an institution in a NATO country;
- NPD shall be resident in the NATO country where their institution is located;
- PPD shall be employed by an institution in a NATO partner country;
- PPD shall be resident in the NATO partner country where their institution is located;
- Other Co-Directors shall be employed by an institution in either a NATO member state or NATO partner country;
- Other Co-Directors shall be resident in the country where their institution is located;
- NPD, PPD, Co-Directors and all other project participants must be nationals of NATO member states or NATO partner countries.

All Co-Directors must be affiliated with a government, academic, or other non-profit institution. For-profit private companies are not eligible for SPS funding although their participation as end-users is encouraged.

Individual applicants should note that they may not hold more than one SPS grant at a time. Prospective Co-Directors should ensure that any other SPS activity directed by either of them is formally closed before applying.

2. The Life of a Project

2.1. Application and Evaluation

2.1.1. Project Plan

Multi-Year Projects begin with a project plan developed collaboratively by the prospective Co-Directors. The plan describes the purpose and objectives of the project in detail. It describes the management and organization of the project and the responsibilities of key personnel, includes a detailed work plan and budget, criteria for success, an intellectual property rights (IPR) agreement among the participants, their institutions, and end-users (if applicable)³, CVs of all Co-Directors, and written commitments from the identified *end-users*, including a statement of their interest and any involvement in the project. It is essential that the Co-Directors ensure that the NPD institution can receive and manage NATO SPS Funds. In addition, the project plan establishes milestones to be used as the basis for progress reporting and payments.

SPS only accepts proposals in response to calls for proposals, which are advertised on the Programme's website. Please check our website regularly for submission deadlines and application materials, including all templates required to submit a complete application. Required documentation must be completed and submitted together in order for an application to be eligible for evaluation.

Starting in May 2025, the application process for Multi-Year Projects follows the two-phase approach outlined below.

In phase 1:

- Applicants respond to a call for proposals and submit a short-form proposal including limited information about their project goals and setup via the SPS grant platform.
- All submitted proposals undergo evaluation by the SPS Office and the Independent Scientific Evaluation Group (ISEG).
- Only applicants whose proposals have been recommended by the ISEG are invited to participate in phase 2 of the application process.
- The following documents must be included in the submission of a phase 1 proposal:
 1. A 4-page concept note addressing each of the following five questions:
 - What security challenge(s) would your project address?
 - What technical challenge(s) would your project address?
 - What will be the project end-state? What will it deliver or develop?
 - How will the project reach the planned end state?
 - What will be the impact of the project after its conclusion?

³ or a waiver, agreed by all participants and their institutions, stating that an IPR agreement is not necessary; NATO makes no claim to intellectual property developed under MYP grants.

2. *SPS MYP Acceptance of Funds.*
3. *SPS MYP Preliminary Agreement for Joint Research*

In phase 2:

- Applicants are invited to submit a full proposal via the SPS grant platform.
- Phase 2 proposals must be coherent with the phase 1 submission, and increase the level of detail on the execution of the project, should it be approved.
- The deadline to submit the full proposal is announced only to those invited to participate in phase 2 of the application process.
- Once submitted, phase 2 proposals will be evaluated again by the SPS Office and the ISEG.
- Proposals recommended for award by the ISEG are shared with the NATO Partnerships and Cooperative Security Committee (PCSC) for final approval.
- Required documents to be submitted with the phase 2 proposals are:
 1. *SPS MYP Detailed Budget Excel workbook.*
 2. *SPS MYP Acceptance of Funds.*
 3. *SPS MYP Agreement for Joint Research.*
 4. SPS MYP *Sample* Intellectual Property Rights (IPR) Agreement (may also be submitted following approval of the application).
 5. Problem and Proposed Solution.
 6. Project Schedule (Gantt or other suitable chart).
 7. End-user(s) commitment.
 8. Brief overview of participating institutions.

Templates for the documents marked above *in italics* are available for download on the SPS website under the heading “Managing SPS Grants” and must be submitted in this format. All other documents may be submitted in applicants’ own format, including the IPR Agreement (for which an example is provided) or a waiver.

2.1.2. Peer-Review

Phase 1 and phase 2 proposals are reviewed and evaluated by the **Independent Scientific Evaluation Group (ISEG)**, a group of scientists and experts from NATO countries nominated by, but not representing, their respective governments.

2.2. Approval and Award

Projects recommended by the ISEG are considered by NATO Allies, who are responsible for the final decision.

The SPS Advisors may propose and negotiate with the Co-Directors an agreed *project budget*, based on the budget proposed in the Project Plan. This budget consists of both the fixed *budget ceiling* and a *Schedule of Payments* linked to project reporting. The agreed project budget will be set out in the Award Letter and will form part of the terms and conditions of the grant.

Once a proposal is approved an Award Letter, informing the Co-Directors of the decision and detailing the conditions of the award, both financial and technical, is issued by the SPS Office. Upon receipt, the Award Letter must be signed by all project Co-Directors together with an authorized representative of their institutions and the fully executed original retained by the NPD. An electronic version of the fully executed Award Letter should be returned to the SPS Office within the timeframe indicated in the Award Letter. The signed Award Letter, its appendices and documents included in it by reference, along with the MYP Handbook and the required application documentation, form the contract between NATO on the one side and the Co-Directors and their institutions on the other.

2.3. Acceptance, Initial Payment and Kick-Off

An SPS Project is formally established upon confirmation of receipt by the SPS Office of the electronic version of the fully executed Award Letter and associated requested documents.

Subject to the receipt and acceptance of all required documentation, an initial payment for the first six months of project activities will be made to the institutional account of the NPD. For auditing purposes it is highly recommended that NATO funds not be mingled with funds from any other source.

The NPD and his/her institution are accountable for SPS funds and responsible for the execution of the overall budget. Please refer to Section 3.

The SPS Office must be informed of the effective start date for the project, from which the milestone reporting dates are calculated (Info tab of the Budget workbook refers).

- The effective start date should be no later than 60 days after all required documentation is received by the SPS Office.
- The Co-Directors should plan a kick-off meeting to be held either in person or via teleconference and inform the SPS Office accordingly.

2.4. Reporting

A reporting schedule linked to technical progress will be established in the Project Plan. Progress Reports as detailed below shall be provided to the SPS Office in order to evaluate the implementation of the project.

The Progress Report comprises a Financial and a Technical Report, which will be due for each milestone after the effective start date of the project. A signed statement must be provided by the NPD, together with the Progress Report, that certifies that the technical and financial reports are accurate and in line with the provisions of the MYP Handbook.

The Financial Report is composed of:

- MYP Detailed Budget excel workbook, including updated spending projections for the remainder of the project, any proposed modifications to the budget within the approved ceiling, and an updated Property tab;
- Signed Financial Record (FR) sheet of the MYP Detailed Budget (or a .pdf thereof);
- Justification for each actual expense reported in the Financial Record (FR) tab numbered sequentially in accordance to the entry in the FR tab to which they correspond;
- Signed Grantee Account Form (NPD Institution) with current date corresponding to the report date.

The Progress Report is linked to technical milestones, as defined in the Project Plan, with at least one milestone after the first six months of the project implementation and at least one milestone (and thus one Progress Report) per 12 months.

In addition to Progress Reports, Co-Directors shall keep the SPS Office informed regularly, including:

- timely informal updates on project events and milestones and related communication efforts;
- project meetings;
- purchase and installation of significant equipment;
- project-related conferences;
- publication of project-related articles or patents, etc.;
- change of contact details/affiliation, etc.

2.5. Milestone Assessment and Payment

The Progress Reports will be reviewed by the SPS Advisor who will be the Co-Directors' primary contact in the SPS Office. In addition, the SPS Office may, at its discretion, appoint an external evaluator with expertise in the project's technical area. Both the SPS Advisor and the external evaluator will review progress reports and work with Co-Directors to ensure that the project remains on target. A mid-term assessment including, whenever feasible, a site visit by the SPS Advisor and/or external evaluator may be conducted following the most suitable milestone as agreed by the Co-Directors and the SPS Office.

Following the Initial Payment, NATO will make subsequent payments in accordance with the Schedule of Payments provided that project progress and reporting are satisfactory to SPS, and subject to available budgetary credits. If satisfactory progress is not made or if other terms and conditions of the grant have not been fully complied with, the SPS Office reserves the right to withhold payments, impose modifications to the budget or the project, or to terminate the project.

2.6. Project Close-out

After the technical activities of a project have been completed, the Co-Directors shall prepare a Final Report detailing project activities, technical or scientific progress, and the future implementation of the results. A final project evaluation will be conducted, including a site visit by

the SPS Advisor and/or external evaluator whenever feasible. Upon confirmation by NATO of successful completion of the project, the equipment as detailed in the Property tab of the Budget workbook may be used by the Co Directors' respective institutions free from the restrictions in Section 3.2.1 Equipment, Property Inventory and Ownership.

2.7. Changes to the Project

Should unforeseen circumstances require changes to a project already underway, the SPS Advisor will work with the Co-Directors to ensure the best way forward.

Changes of a Co-Director will require the agreement of the remaining Co-Directors and approval of the SPS Office.

Changes to the institution of a Co-Director require the official agreement of both the old and new institutions as well as approval of the SPS Office.

Changes to the project budget, within overall budget ceiling, are possible in the course of the project.

- Changes to a Co-Director's budget item lines which, alone or together, are **less than 5%** of their own overall budget, must be approved by the NPD who must also promptly notify the SPS Office.
- Changes of **5% or more of the overall budget, or a re-allocation of funds** between Co-Directors, require the agreement of all Co-Directors and approval **in advance** by the SPS Office.
- All approved changes will be incorporated into the Budget workbook and reflected in the next Progress Report.

2.8. Visual Identity Guidelines

Both informal updates and Progress Reports should include high quality multimedia content in order to allow NATO to promote the project to the public. All publications, presentations, and other externally distributed materials stemming from the grant shall comply with SPS Visual Identity Guidelines (provided to project Co-Directors and available on the SPS website under the heading "Managing SPS Grants") and shall credit NATO support with the following or a substantially comparable sentence: "This research was [in part] sponsored by the NATO Science for Peace and Security Programme under grant id. [GXXXX]."

3. Finance

3.1. Use of NATO SPS funds

Co-directors will manage funds in accordance with the budget and other conditions of the SPS Award Letter and with the financial regulations in place at the NATO country Project Director's

(NPD) institution and/or in accordance with any sub-agreement that the Co-Directors and their institutions might set up amongst themselves for the financial management of the project.

The NPD and his or her institution will receive and manage all project funds, as described below. The NPD retains ultimate responsibility for financial aspects of the project including, but not limited to, accepting the funds by their institution, distributing the funds accordingly and monitoring the expenditure by the other Co-Directors, as well as preparing the Financial Report due to the SPS Office as part of the Progress Report.

The grant will be awarded in EUR, but payments may be made in any currency requested by the Co-Directors. NATO can not be responsible for exchange rate fluctuations.

For any procurement equal to and/or higher than 20,000 EUR, a competitive bidding process should be launched in order to acquire the equipment/service needed to implement the project objectives. A Competitive Bidding Form is available for download on the SPS website under the heading “Managing SPS Grants”.

The NPD also has responsibility for maintaining proper documentation and justification for all expenses, including those of other Co-Directors, in accordance with his or her institution’s financial rules. The NPD’s institution shall withhold or withdraw approval of any expenditure that contravenes a term of NATO’s requirements as set out in the Award Letter, the MYP Handbook, or any other written communication, or the institution’s own financial policies or controls. The NPD’s institution shall consult with the SPS Office whenever the Institution is uncertain as to NATO’s financial requirements.

In general terms, the financial regulations must comply with fundamental procurement principles such as competition, transparency, fairness, integrity, etc., as specified in the World Trade Organisation Government Procurement Agreement. Furthermore, they must contain standards of conduct governing staff engaged in the award and management of contracts under the award. These standards must include provisions to avoid real or apparent conflicts of interest and to prohibit the acceptance and solicitation of favours or gratuities from potential or actual recipients of grant funds (i.e. vendors and service providers). Co-directors must also inform NATO promptly of any changes to the applicable financial rules as they are made.

Should NATO, in its sole discretion, require any additional conditions, they will be included in the Award Letter or communicated to Co-Directors in writing.

In the event of any discrepancy between the rules imposed by NATO (whether by way of the MYP Handbook, the Award Letter, or otherwise) and the financial rules of the institution, the former take precedence.

NATO funds must be used only for **project-specific costs** reflected in the Budget workbook, with procurement from NATO and eligible NATO partner countries only. Any misuse of funds or material

non-compliance with the award conditions may lead to the immediate termination of the grant and to further action as set out in Section 5.

3.2. Eligible Expenditures for Funding

In order to be eligible for funding, costs must be:

- incurred during the duration of the project by the Co-Directors' institutions;
- in line with the approved Budget workbook;
- incurred in connection with the project and necessary for its implementation;
- identifiable and verifiable, in particular recorded in the Co-Directors' institutions accounts in accordance with the accounting standards applicable in the country where the institution is established;
- reasonable, justified and must comply with the propriety and sound financial management principles and best practices;
- project-specific with procurement from NATO and eligible NATO partner countries only.

In particular, costs include the following items:

3.2.1. Equipment, Property Inventory and Ownership

- Purchase of project-specific equipment (including dedicated IT equipment, consumables, and spare parts) necessary to implement the project;
- Costs necessary for shipment and installation of project-specific equipment;
- Costs necessary for repair and maintenance of the newly acquired project-specific equipment;
- Project funds may be used to cover VAT and customs duties;
- SPS Office may not issue VAT exemption certificates.

Each Co-Director is accountable for instruments, tools, and other non-expendable items purchased in whole or in part with NATO funds. For equipment with an initial value equal to or over €2,500, Co-Directors must, on delivery, affix a NATO SPS label to the instrument itself if feasible (and if not to an associated item, for example the user's manual), and inform the NPD who will enter the details in the Property tab in the Budget workbook.

Labels will be provided by the SPS Office on request. Such equipment may only be used in connection with the project during the project's lifetime.

The property inventory may be audited at any time by NATO, their representative, or local authorities. If any item of property has been damaged, destroyed, or cannot be located, the circumstances must be immediately reported to the NPD and the SPS Office and details given in the Property tab of the Budget workbook.

Following confirmation by NATO of successful completion as per Section 2.6, the equipment as detailed in the Property tab may be used by the Co Directors' respective institutions free from the restrictions set out above.

3.2.2. Training

Training may include, but is not limited to:

- instruction on new equipment or techniques with the manufacturer or in the laboratory of another project participant;
- a seminar/course organized within the framework of the project to train multiple project participants simultaneously;
- workshop for early stage researchers to disseminate/consolidate knowledge acquired during the project.

SPS does not support fellowships. Training should thus be of limited duration; strong justification would be required beyond three months per year for any trainee.

3.2.3. Communication and Publication

- Purchase of journals and books necessary for the project;
- Expenses for publication of scientific results;
- Expenses for Intellectual Property Right protection (i.e. filing of patents generated in the course of the project);
- Communication and publicity activities for dissemination of the results to a broader public in both NATO nations and NATO partner countries involved in the project, for example for:
 - hiring professional photographers to take high-resolution pictures;
 - production of promotional and/or informational video clips to present the aims, ongoing work, equipment and exercises of the project to a larger audience;
 - creating a public project website containing all relevant information as well as regular updates about the project;
 - organizing and participating in public exhibitions (local/national media should be invited to these events where possible), etc.;
- Visual Identity Guidelines, Section 2.8, refer.

3.2.4. Travel

- Travel and accommodation for project participants for project meetings;
- Travel and accommodation for project participants for project-relevant conferences, workshops, and seminars, including conference fees, provided that these events take place in a NATO or eligible NATO partner countries;
- Please note that NATO does not assume responsibility for insurance cover.

Travel must be necessary for the project and approved by the NPD. All travel costs must be limited to the needs of the project. Costs related to travel extensions (for other professional or private reasons) are not eligible. All travel must be accomplished by the most economic means. Air fare shall be restricted to Economy and hotels in accordance with institution regulations. Incidental costs such as pressing, laundry and room services, minibar, etc., are not eligible.

3.2.5. Consumables

Costs for consumables and supplies (e.g. raw materials etc.) specifically used for the purpose of the project.

3.2.6. Stipends

Stipends are intended to supplement the income of early stage researchers involved in SPS projects. The following eligibility conditions apply:

- Bachelor/Master students, PhD students, or those who have had their doctorate for less than 8 years at the date of award;
- They must be nationals of NATO and/or eligible NATO partner countries.

A Curriculum Vitae must be submitted to the SPS Office for each potential recipient, including a description of their role in the project, specific tasks attributed, as well as an indicative timeframe for their engagement in the project. Before being paid from NATO funds, the SPS Advisor must have confirmed approval of the potential stipendiary.

Maximum stipends for early stage researchers are:

- €400/month for researchers without a Ph.D., including Ph.D. students;
- €500/month for researchers with a Ph.D.

An SPS project will support a maximum of two stipend recipients for each Co-Director. Co-directors may not themselves receive SPS stipends.

Following approval of a proposed stipend recipient by the SPS Advisor, stipends should be paid following each work period, but at least monthly. Stipends may be paid by the NPD either into the institutional account of the supervising Co-Director or, preferably, directly into the personal account of the stipend recipient. Stipends must never be paid to a Co-Director's personal account.

A receipt signed by the stipend recipient, or equivalent documentation confirming payment of SPS funds to the recipient, is required for each payment and should be retained and submitted electronically with the Progress Report as with other justifying documents.

It remains a responsibility of stipend recipients to comply with any national tax laws/regulations and *inter alia* to report and pay to the national tax administration/authority any sort of taxation or income levy that may be applicable. Such costs may not be included or claimed from NATO funds.

3.2.7. Co-financing of personnel costs

SPS can offer co-financing for staff involved in the project, up to a ceiling of 25% of the personnel cost, calculated according to the person's commitment in the project and in proportion to the person's total workload at their Institution. The remaining costs shall be covered through self-funding, national or other sources. The following applies:

- Personnel costs are monthly salaries with social security charges and all the other statutory costs of the project participants.
- SPS stipend recipients are not eligible to receive co-financing in addition to their stipend.
- Recipients must be nationals of NATO and/or eligible NATO partner countries.
- A Curriculum Vitae must be submitted to the SPS Office for each potential recipient, including a description of their role in the project, specific tasks attributed, current salary slip and requested co-financing expense/percentage, as well as an indicative timeframe and foreseen budget for their engagement in the project.
- Before being paid from NATO funds, **the SPS Office must have confirmed approval** and the requested budget and percentage.

The justification for co-financing and the estimated cost must be set out in the MYP Detailed Budget submitted at the time of the application.

At the time of reporting, the project shall demonstrate the total actual personnel costs incurred and the co-funding expenses.

Examples:

- If one person indicated an involvement of 15% in the project, with a monthly gross salary of 1,000 EUR, 150 EUR may be paid from project funds (15% of the gross salary).
- At the same time, if the person indicated an involvement of 50% in the project, with a monthly gross salary of 1,000 EUR, maximum 250 EUR may be paid from project funds (based on 25% ceiling of the gross salary).

3.2.8. Other

- Sub-contracting covering part of projects as further specified in Section 3.2.9;
- Third party services (i.e. analysis of samples done by a laboratory, research institute, etc.);
- Costs incurred by an External Advisory Board (high-profile academics and researchers that provide scientific advice);
- Man-days necessary to assemble specific pieces of equipment or develop specific software tools;
- Man-hours solely dedicated to the management of the project (NPD only);
- Other eligible project-specific requirements which do not fall directly under a specified budget category.

Note that 1 man day corresponds to 8 working hours. The man-days reimbursement **shall not** be considered as a reimbursement of salaries for project participants and may be used **only** to cover **limited time** spent by project participants on specific tasks that go beyond their normal duties (i.e. development of a specific software developed in house instead of being procured from an external source).

The cumulated costs in category 3.2.8 shall be **clearly justified at the time of the application** and shall **not exceed** 15%⁴ of the overall budget.

Note that, at the time of the payment request, an official statement from the institution of affiliation of the participant in the project showing the number of actual hours spent on the administrative management of the project (with reliable time records either on paper or in a computer based time recording system), would be required as justification of payment for the man hours spent within the project. Only the NATO country Project Director (NPD) institution shall be entitled to receive man-hours for the management of the project and that should be reflected in the budget table accordingly.

Note that justifications of payment documents shall have to be provided with the Progress Report for all expenses under this category.

3.2.9. Subcontracting (see also 3.2.8)

If necessary (lack of expertise, capacity etc.) to implement the project, the Co-Directors' institutions may award subcontracts to cover the implementation of certain tasks of the project.

Sub-contracting may cover only a limited part of the project, while the Co-Directors' institutions shall keep the implementation of the bulk of the project. Sub-contracting shall not put into question the decision of awarding the grant by transforming the Co-Directors' institutions as mere intermediaries in the implementation of the project.

⁴ In case the percentage is higher than 15% these budget categories will be negotiated with the SPS Advisor.

The justification for the sub-contracting must be provided and the tasks to be implemented and the estimated cost for the subcontract must be set out in the MYP Detailed Budget submitted at the time of the application.

3.3. Expenditures Not Eligible for Funding

Expenses not falling in one of the categories described in the preceding sub-sections shall be considered ineligible.

In particular, for the sake of clarity, the following expenses are ineligible under the SPS Programme:

- Entirety of salaries or any related benefits;
- Overheads;
- Office rent and other operating costs which are not directly linked to the project;
- Construction, rental or use of buildings;
- Depreciation of equipment already available;
- Maintenance of premises and vehicles;
- Purchase of general office equipment and supplies such as copy machines, fax machines, printers, etc.;
- Language courses;
- Personal electronics (smartwatch, mobile phones, e-readers, etc.).

It is expected that these expenses be covered through self-funding or national sources.

It remains a responsibility of payment recipients to comply with any national tax laws/regulations and *inter alia* to report and pay to the national tax administration/authority any sort of taxation or income levy that may be applicable. Such costs may not be included or claimed from NATO funds.

3.4. Documentation and justifications of use of funds

For at least five years after official closure of the project the original certified or justifying documentation must be retained by each Co-Director, and approved copies by the NPD, for all the expenses from the budget of the NATO SPS grant.

The same Budget workbook as submitted at time of application is used throughout the course of the approved project.

All payments from the project account must be recorded on the Financial Record (FR) tab of the MYP Detailed Budget excel workbook which must be kept up to date and ready for inspection by NATO at any time.

Following grant acceptance and each milestone reporting period the Budget workbook will be updated and returned to the NPD for use in the preparation of the next report.

3.4.1. Grant Acceptance

- Award Letter duly completed with all signatories (original of which to be retained by NPD).
- Intellectual Property Rights (IPR) Agreement / or waiver, if not already provided in the Project Plan.
- Other documentation as specified in the Award Letter.
- Kick-off/effective start date.
- Grantee Account form with current date signed by NPD and, if required, authorized signatory of the NPD Institute, together with an official bank statement.

The SPS Office will request transfer of the first payment tranche and return the updated MYP Detailed Budget workbook to the NPD for preparation of the Milestone 1 report.

3.4.2. Milestone XX

- Technical Report.
- MYP Detailed Budget excel workbook with FR, applicable Milestone and Property tabs completed.
- Signed FR sheet of the MYP Detailed Budget (may be provided as a separate .pdf).
- Justifications for expenses for the reporting period as entered in the FR tab of the Budget Workbook, in sequential numerical order marked corresponding to the item number (column A) e.g. Milestone XX, No. 001.
- Grantee Account form with current date signed by NPD and, if required, additional signatory authority of the NPD Institute.

When approved by the SPS Advisor, the SPS Office will request transfer of the next tranche of funds if applicable and return the updated MYP Detailed Budget workbook to the NPD for preparation of the next Milestone report.

3.4.3. Final Milestone

- Final Report.
- MYP Detailed Budget excel workbook with FR, applicable Milestone and Property tabs completed.
- Signed FR sheet of the MYP Detailed Budget (may be provided as a separate .pdf).
- Justifications for expenses reported in the FR tab of the Budget Workbook, in, sequential numerical order marked corresponding to the item number (column A) e.g. Final Milestone, No. XXX
- SPS Programme Questionnaire completed either by each Co-Director or by the NPD as a joint submission.
- Only if a payment is required, Grantee Account form with current date signed by NPD and, if required, additional signatory authority of the NPD Institute.

4. Inspection and Audit

Co-directors shall allow NATO representatives or its authorized agents access to their premises and facilities to carry out monitoring reviews and compliance audits, provide them with access to all accounts, records and other information relating to a project, and respond fully and accurately to any inquiries NATO may make for the purpose of verifying adherence to the terms and conditions of the grant or NATO requirements.

The financial records of the project, including the updated MYP Detailed Budget workbook and justifying documents must be made available to the SPS Office upon request. A summary consisting of an account statement from the NPD's institution shall be made available within one week of the Office's request, while a reasonable delay, not to exceed four weeks, will be accorded for justifying documents.

Furthermore, Co-Directors shall:

- (a) provide in a timely manner any information about the grant that NATO reasonably requests;
- (b) contribute to the monitoring, review and evaluation of NATO's granting programmes by participating in mid-term reviews, evaluation studies, surveys, workshops, audits and other activities organized for the purpose of collecting information to assess progress and results;
- (c) make their students, researchers, and staff available to participate in the monitoring, review and evaluation of NATO's programmes, policies and processes.

5. Legal Conditions

Grants under the SPS Programme are unilateral grants, made at the sole discretion of NATO. NATO may decline to make any grant or to withhold any grant payment at its sole discretion, in whole or in part.

Without limiting the generality of the foregoing, in the event of any default by a Co-Director, or if a Co-Director fails to comply with any of the terms and conditions set out in the MYP Handbook, its required documentation, or the Award Letter and its annexes, other written communications from NATO, or the financial regulations in place at the NPD's institution, NATO may at its sole discretion suspend (whether in whole or in part) the grant and the payment of any funds, or may terminate the grant. In such circumstance, NATO may at its sole discretion require repayment of some or all unexpended funds, or expended funds, and Co-Directors are jointly and severally liable for repayment of such monies.