

## Interreg IPA CBC Italy–Albania–Montenegro Programme

### PROGRAMME MANUAL

#### *4.10 Rules on eligibility of expenditures*

*Current version*

03.1

*Updated*

15 September 2020

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## Index

<i>Introduction</i> .....	3
1. GENERAL RULES OF ELIGIBILITY .....	3
2. TYPE OF PARTNERS AND GEOGRAPHIC ELIGIBILITY .....	4
3. EXPENDITURE OUTSIDE THE ELIGIBLE AREA .....	5
4. EXCLUSION CRITERIA .....	5
5. BASIC PRINCIPLES .....	6
6. BASIC CONDITIONS OF THE ELIGIBILITY OF EXPENDITURE.....	7
7. IMPLEMENTATION PERIOD .....	9
8. VALUE ADDED TAX (VAT).....	10
9. REVENUES.....	10
10. CONVERSION INTO EUR.....	11
11. PRINCIPLE OF NON-CUMULATIVE AWARD (DOUBLE FUNDING).....	11
12. INELIGIBLE COSTS .....	11
13. ELIGIBLE EXPENDITURE CATEGORIES .....	12
13.1 Staff costs .....	13
13.2 Office and administrative expenditures .....	22
13.3 Travel and accommodation costs.....	24
13.4 External expertise and services costs .....	26
13.5 Equipment expenditure.....	28
13.6 Infrastructure and works expenditure .....	31

## **Introduction**

This factsheet provides all beneficiaries, as well as institutions acting as Programme bodies, with rules on eligibility of expenditures applicable within the Interreg IPA CBC Italy-Albania-Montenegro-Programme. Rules of the Participating Countries and partner organisations shall apply only in areas not regulated on the EU and Programme levels.

## **1. GENERAL RULES OF ELIGIBILITY**

### **Scope of the rules**

Rules on eligibility of expenditure are defined on the following levels of the legal hierarchy:

1. EU Regulations (Financial Regulation, IPA II, IPA Implementing Regulation (IR)<sup>1</sup>, CPR, ERDF Regulation, ETC Regulation, Commission Delegated Regulation (EU) No 481/2014, etc.);
2. Programme-level rules (established based on Article 44 of IR, recalling art. 18(2) of the ETC Regulation);
3. Rules of the respective Participating Country (PC) in which the partner is located (i.e. Italy, Albania or Montenegro);
4. Internal rules of the Partners or Programme bodies.

This document lays down the Programme-level eligibility rules applicable for the Interreg IPA CBC Italy-Albania-Montenegro-Programme. Rules of the Participating Countries and partner organisations shall apply only in areas not regulated on the EU and Programme levels.

Unless otherwise indicated, these rules shall be applicable to all priority axes including priority axis 5 Technical Assistance (PA5), taking into account the nature of activities under the priority axes.

It shall apply to all beneficiaries of Programme funds, as well as to institutions acting as Programme bodies and partners under PA5.

These rules cover the typology of partners, i.e. the type of legal entities, the geographic location of activities and partners, the time lap and the type of activities, which are considered eligible to be funded by the Programme.

These eligibility rules do not replace the general rules specified in the Cooperation Programme, the EU- structural funds regulations and other national mandatory rules. The Managing Authority/Joint Secretariat cannot take legal responsibility for changes in the interpretation to the mandatory rules, which may occur as a result of new legislation, new national and EC guidance or new court decisions and may affect these eligibility rules. In case of doubts, it is therefore advisable to seek for legal advice.

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<sup>1</sup> Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II)

## 2. TYPE OF PARTNERS AND GEOGRAPHIC ELIGIBILITY

As general eligibility rule, Lead Partners and Project Partners must be established in the eligible territories of the Countries participating to the Programme.

The following types of partners, according to their legal status, are eligible for funding, unless otherwise provided by a specific call:

- **Public bodies;**
- **Bodies governed by public law<sup>2</sup>** in the meaning of the legal entities that fulfils the following characteristics:
  - (a) They are established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
  - (b) They are financed, for the most part, by the State, regional or local authorities, or by other bodies governed by public law; or are subject to management supervision by those authorities or bodies; or have an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.
- **Non-profit organisations,** established according to the applicable legal framework/law in the respective country that fulfils the following characteristics:
  - (a) They are not established with the goal to obtain profit;
  - (b) Do not distribute profits to the shareholders;
  - (c) They do not have the organizational structure of an undertaking or a regular presence on the market;
  - (d) They have legal personality. (For the purposes of this point (d), for Italian partners grant applications may be eligible if submitted by entities, which do not have legal personality under the applicable national law, provided that their representatives have the capacity to undertake legal obligations on behalf of the entity and offer guarantees for the protection of the Union's financial interests equivalent to those offered by legal persons according to art. 131 of Regulation (EU, Euratom) 966/2012).

**Non-profit organisations must be operational for at least 12 months before the launching of the call for proposals.**

Private lead partners shall provide a financial guarantee covering the whole EU pre-financing amount for the duration specified in the subsidy contract, once the project proposal is approved and before contracting.

All bodies/institutions interested in being part of a project proposal must fulfil all the following criteria.

- **Established under the national law of one of the Partner States participating in the Programme.** Nationality will be determined on the basis of the organisation's statute/articles of incorporation, which should demonstrate that it has been established by an instrument governed by the internal law of a country participating to the Programme.

<sup>2</sup>Article 2(4) of the EC Directive (2014/24)

- **For the first call for standard projects, partners were required to have their registered office or operating headquarters, having full legal capacity, in the Programme area.** The full legal capacity of the branch office located in the Programme area was checked among others against the capacity of the branch office to be centre of rights and obligations, availability of full power of signature of the director of the branch office, stable staff organisation including administration, existence of a physical space used as working place, accounting system and audit trail kept at the branch office.

### **3. EXPENDITURE OUTSIDE THE ELIGIBLE AREA**

As a general rule, all project activities have to be located in the Programme eligible area.

In compliance with art. 44 of the IPA Implementing Regulation (Commission Implementing Regulation no. (EU) No 447/2014), a derogation to this rule may be exceptionally accepted, provided that activities carried out outside the Programme area shall:

- be for the benefit of the Programme area and essential for the implementation of the project;
- either be indicated and justified in the application form or, during project implementation, an authorization shall be requested to the JS before the activity takes place;
- be monitored by the JS that the total amount does not exceed the limits set (up to 10 of the total Programme budget)<sup>3</sup>.

In any case, eligible partners shall have an operating headquarter with full legal capacity in the Programme area, therefore it must be possible for the Programme authorities to manage, control and audit partners expenditures according to national rules of the participating countries.

### **4. EXCLUSION CRITERIA**

According to art. 106 of Regulation (EU) No 966/2012, potential project partners might be excluded if any of the following conditions apply:

- They are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- They or persons currently having powers of representation, decision making or control over them have been convicted of an offence concerning their professional conduct by a judgment of a competent authority of a Partner State which has the force of res judicata;

<sup>3</sup> "Because art. 44 (3) provides that expenditure incurred outside the programme area for operations concerning technical assistance, promotional activities and capacity-building do not fall within the specific threshold and thus monitoring obligation (provided that the operation is for the benefit of the programme, and the partner may be controlled/audited), the ex-ante approval is not an eligibility condition and the expenditures are not flagged in the eMS as "outside the area". Nevertheless, we advise beneficiaries to consult the JS in advance to clarify whether these expenditures are compliant. If there was no ex-ante consultation, the Controllers, Lead Partner or MA/JS reserve the right to cut these expenditures, if they are not compliant."

- They have been guilty of grave professional misconduct proven by any means which the contracting authority can justify, including by decisions of the European Investment Bank and international organisations;
- They are not in compliance with their obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the contract is to be performed;
- They - or persons currently having powers of representation, decision making or control over them - have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity, where such illegal activity is detrimental to the Union's financial interests;
- They are subject to an administrative penalty imposed by any contracting authority for behaviours mentioned above.

According to art 107 of Regulation (EU) No 966/2012 applicants will not be granted financial assistance if, in the course of the grant award procedure, they:

- Are subject to a conflict of interests;
- Are guilty of misrepresentation in supplying the information required by the Programme as a condition of participation in the grant award procedure or fail to supply this information;
- Find themselves in one of the situations of exclusion, referred to in Article 106(1), for the procurement procedure.

Furthermore, they will not be granted financial assistance if they have attempted to obtain confidential information or influence the assessment bodies during the assessment process of the calls for proposals.

## **5. BASIC PRINCIPLES**

The system of financing is a budget-based grant (eligible costs). The grants are financed through reimbursement of eligible costs and will be calculated on the basis of a detailed estimated budget, indicating clearly the costs that are eligible for IPA funding. Eligible partners shall ensure stable and sufficient sources of finance to ensure both project implementation and the continuity of the organisation activities throughout the lifespan of the project.

In the contracting phase, partners of the selected projects may request a pre-financing of up to 20% of the total EU project budget. Eligible private partners are required to provide an adequate bank guarantee (see below).

Net revenues generated from projects shall be included in the application form and subsequently reported according to article 61 and 65 of the CPR Regulation no. 1303/2013.

The budget of the project must be drafted following the real cost principle<sup>4</sup>, fully accomplishing the principles of adequacy of costs and sound financial management. As provided under chapter 7 of the Regulation (EU, Euratom) No 966/2012 the principle of sound financial management builds on

<sup>4</sup>Except for preparation and project closure costs, and when simplified cost options are used for calculating costs under staff and office and administration budget lines.

the following three principles:

- The **principle of economy**: it requires that the resources used by the project partner in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price;
- The **principle of efficiency**: it concerns the best relationship between resources employed and results achieved;
- The **principle of effectiveness**: it concerns the attainment of the specific objectives set and the achievement of the intended results.

The budget must be drawn up in Euro (*see below*).

## 6. BASIC CONDITIONS OF THE ELIGIBILITY OF EXPENDITURE

Eligible costs are costs actually occurred by the LP/PPs of a grant and/or paid by LP/PPs which meet all of the following criteria:

- they occurred during the implementation period of the Operation, with the exception of preparatory costs and closure costs;
- they are included in the estimated overall budget of the Operation;
- they are necessary for the implementation of the Operation which is the subject of the grant;
- they are identifiable, verifiable and documented (e.g. contract, invoice, order form, payment document), in particular being recorded in the accounting records of the project partner and determined according to the applicable accounting standards of the country where the project partner is established and according to the usual cost accounting practices of the project partner;
- all the documents (e.g. contract, invoice, order form, payment document), in compliance of applicable national laws supporting transparency and control of public investments, shall indicate the relevant codes (e.g. CUP and CIG as for Italian Partners) and any other information required accordingly to the national rules in terms of traceability of financial flows (e.g. National Law n. 136/2010 as for Italian Partners);
- they comply with the requirements of applicable tax and social security legislation;
- they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency;
- they incurred in accordance with the relevant EU legislation, Programme rules and national legislation, and other relevant documents (e.g. Financing Agreement);
- they are not double funded (i.e. they are not financed from other sources under the Union Funds or other Funds);
- the relevant document has been annulled by stamping in the framework of the Interreg IPA CBC Italy-Albania-Montenegro Programme. The used stamp must bear at least the following information:
  - The information that the expenditure has been co-funded by the Interreg IPA CBC Italy-Albania-Montenegro Programme;

- The number and the title (acronym) of the project;
- The amount ascribed to the project;
- The reporting date;

Example

Expenditure incurred under INTERREG IPA CBC  
ITALY - ALBANIA - MONTENEGRO PROGRAMME  
Project " ..... "  
CUP .....  
for a sum of .....  
equal to €.....date.....

- 
- If invoices (and/or other probative documents) are available only on electronic support (i.e. no original can be identified) the minimum information listed above has to be incorporated in the subject and/or in the body of the electronic document. one expenditure item cannot be covered under more than one expenditure category;
- in-kind contribution according to art. 69 of the CPR Regulation no. 1303/2013 are not foreseen;
- All documents composing the audit trail shall be kept either in the form of originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only. The certification of conformity of documents held on commonly accepted data carriers with original documents shall be performed in compliance with national rules on the matter. In case of beneficiaries using e-archiving systems, where documents exist in electronic form only, the systems used shall meet accepted security standards that ensure that the document comply with national legal requirements and can be relied on for audit purposes. As a good practice, e-archiving or image processing systems (original documents are scanned and stored in electronic form) should ensure that each e-document scanned is identical to the paper original and that the accounting and payment process for each e-document is unique (it should not be possible to account for or pay the same e-document twice).

**The approval of the operation by the JMC and the signature of the Subsidy Contract with the Managing Authority does not mean that all expenses declared for reimbursement by project partners will be considered eligible for co- financing.**

All amounts budgeted in the respected expenditure categories in the Application Form, are indicative. Final eligible costs will be calculated on the basis of reported eligible expenditures after adequate controls have been performed in accordance with EU, Programme and national rules.



## **7. IMPLEMENTATION PERIOD**

In line with Article 43 of IPA IR and Commission Implementing Decision C(2015) 9491, expenditures are eligible for funding:

- a. if the expenditures have been incurred by the partners from Italy and paid between 1 January 2014 and 31 December 2023, or
- b. if the expenditures have been incurred by the partners from Albania and Montenegro and paid after the submission of the Cooperation Programme (15 December 2015) and not later than 31 December 2023.

For the first call for standard projects, expenditure is eligible according to the following periods:

### **a) Project preparation period**

- Approved Projects are entitled to receive reimbursement of their preparatory costs in the form of a lump sum in the total amount of EUR 10.000,00, at the approval of the first Joint Progress report. Preparatory costs lump sum may cover costs of meetings between potential partners, related staff costs, travel costs, external experts' costs for preparation of the documentation, studies, translation of documents, consultations and any other cost related to the preparation of the operation activities carried out before signing the Subsidy Contract/Partnership Agreement, or before the start date if antecedent. The lump sum will be included in the Application Form within the budget of the Lead Partner, in order to be reimbursed to the Lead Partner. No further documentation is necessary; i.e. project beneficiaries do not need to document that the expenditure has been incurred and paid, or that the lump sum corresponds to the reality.

The following eligibility rules apply to these costs:

- the lump sum will amount to EURO 10.000,00 per Project.
- in order to justify requested lump sum, a short justification should be inserted within the Application Form.
- the LP is responsible to use the granted lump sum only to cover the preparatory activities of the Project.

For further guidance on lump sum please check the European Commission Guidance on Simplified Cost Options (SCOs): Flat rate financing, Standard scales of unit costs, Lump sums at [http://ec.europa.eu/regional\\_policy/en/information/legislation/](http://ec.europa.eu/regional_policy/en/information/legislation/)

Other and future calls may establish different rules.

### **b) Project implementation period**

Costs for the implementation of an approved operation are eligible from its start date until its end date as set in the Subsidy Contract. The only costs that are considered eligible and may occur before start date are preparatory costs and the only costs that are considered eligible and may occur after implementation period are costs related to the closure of the Project.

Payment of costs related to project implementation activities included in the last reporting period, must take place within 60 days after the Project implementation end date. Costs paid after this deadline shall be regarded as not eligible even if incurred during the Project implementation period.

Other and future calls may establish different rules.

### c) Project closure period

Approved Project are entitled to receive reimbursement of their closure costs in the form of a lump sum in the total amount of EUR 5.000,00, after the approval of the final Joint progress report.

The closure costs refer to activities as the preparation and submission of the final progress report of the Project. This amount aims to compensate the work related to the operation closure after the end date of the operation implementation period. No further documentation is necessary; i.e. project beneficiaries do not need to document that the expenditure has been incurred and paid, or that the lump sum corresponds to the reality.

The following eligibility rules apply to these costs:

- the lump sum will amount to EUR 5.000,00 per Project.
- for closure costs in order to be reimbursed to the Lead Partner, this amount needs to be inserted in the Application Form within the budget of the Lead Partner.

Other and future calls may establish different rules.

For PA5 Technical Assistance, in compliance with article 32 of the IR, costs incurred in the preparation of the **current and subsequent** Programme are eligible, provided that they are incurred starting from 1 January 2014, until 31 December 2023.

## 8. VALUE ADDED TAX (VAT)

In line with Article 43(2) of IPA IR, value added tax shall not be funded by cross-border cooperation Programme, except where it is non-recoverable according to the national VAT legislation.

In that respect, Value Added Tax (VAT) is eligible, if the following conditions are fulfilled:

- a) it is not and cannot be recoverable under national VAT legislation;
- b) it is established that it is borne by the project partner;
- c) it is clearly identified in the invoice.

## 9. REVENUES

Revenue means cash in-flows directly paid by external users for the goods or services provided by the operation. The most common sources of operation revenue are entrance fees for events, charges for films, DVDs, books and publications etc. Revenue can also be generated from payments for the use of infrastructure, sale or rent of land or buildings, or payments for services minus any operating costs and replacement costs of short-life equipment incurred during the corresponding period. In line with article 61, 7 (b) of the CPR Regulation no. 1303/2013, these shall not be deducted for operations whose total eligible budget does not exceed EUR 1.000.000,00.

Interest on pre-financing payments (on the funds transferred by the CA/MA to the LP) shall also be considered as revenue.

The LP is responsible for planning the respective revenues within the Application Form, as well as

consequently to report them during the project life and after project closure.

Revenue resulting from the operation activities can occur both during implementation and after the closure of an operation. In these cases, Articles 61 and 65 of the CPR Regulation no. 1303/2013 shall be applied.

## **10. CONVERSION INTO EUR**

The budget must be drawn up in EUR. Consequently, the Project partners not based in the Euro zone are advised to keep in mind that reimbursement – based on actually incurred expenditure - will have to be converted into Euro in accordance with Article 28 of Regulation (EU) No 1299/2013, and by way of derogation from Article 133 of Regulation (EU) No 1303/2013, using the monthly accounting exchange rate of the EC in the month during which expenditure was submitted for verification to the First Level Controller. The conversion shall be verified by the controller in the participating State in which the project partner is located. Costs related to fluctuation of foreign exchange rate are not eligible<sup>5</sup>.

## **11. PRINCIPLE OF NON-CUMULATIVE AWARD (DOUBLE FUNDING)**

Lead and project partners must inform the MA/JS on any EU or other public funding source, whether international, national, regional or local, received on the same activities of the project submitted.

If during project implementation evidence emerges that an activity/item of expenditure, which is being co-financed by funds of the IT-AL-ME Programme, is at the same time being co-financed by any other public fund, the MA may:

- Impose the modification of the concerned activities and/or exclude from the eligible expenditure the item which would be double-financed;
- Withdraw from the subsidy contract and demand the repayment of amounts already disbursed.

The project partner shall have a system to identify that the specific expenditure item is funded by the Programme, i.e. the audit trail for the item shall have a clear and non-equivocal reference to the Programme.

## **12. INELIGIBLE COSTS**

The following expenditures shall not be eligible for funding under the Interreg IPA CBC Italy-Albania-Montenegro Programme:

- interest on debt;
- value added tax (VAT) except where it is non-recoverable under national VAT legislation;
- recoverable taxes (e.g. IRAP for Italian Regional Authorities acting as beneficiaries);

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<sup>5</sup> Please note that this applies to expenditures incurred and paid by the beneficiary, as responsible legal body. I.e. in case of costs incurred and paid by third legal persons and reimbursed to these by the beneficiary, the currency of the reimbursement made by the beneficiary applies and not the payment made by third legal persons.

- the decommissioning and the construction of nuclear power stations;
- investment to achieve the reduction of greenhouse gas emissions from activities falling under Annex I to Directive 2003/87/EC of the European Parliament and of the Council;
- the manufacturing, processing and marketing of tobacco and tobacco products;
- undertakings in difficulties as defined under Union State aid rules;
- investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact;
- the purchase of land not built on and land built on exceeding 10% of the total eligible expenditure for the operation concerned shall be eligible for funding under IPA II cross-border cooperation assistance. For derelict sites, for sites formerly in industrial use which comprise buildings, and for operations concerning environmental conservation, this limit shall be increased to 15%;
- operations shall not be selected for IPA II assistance where they have been physically completed or fully implemented before the application for funding under the Programme is submitted by the project partner to the MA, irrespective of whether all related payments have been made by the project partner;
- the expenditure item included in the Statement of expenditure which receive support from another Fund or Union instrument, or support from the same Fund under another Programme;
- fines, financial penalties and expenditure on legal disputes and litigation;
- costs of gifts, except those not exceeding EUR 50,00 per gift where related to promotion, communication, publicity or information;
- costs related to fluctuation of foreign exchange rate;
- tips;
- splitting cost items among project partners (i.e. sharing of common costs);
- discounts not considered when claiming the costs (only the discounted amount is to be regarded as eligible);
- fees between beneficiaries of a same project for services, equipment, infrastructure and works carried out within the project;
- in kind contributions as defined in Article 69(1) of the Common Provisions Regulation.

### **13. ELIGIBLE EXPENDITURE CATEGORIES**

In compliance with art. 43(5) of the IPA IR referring to Article 18 of the ETC Regulation (EU) No 1299/2013, the Commission Delegated Regulation (EU) No 481/2014 establishes specific rules on eligibility of expenditure. It defines the list of costs that are eligible under the 5 categories of expenditure:

- 1) staff costs
- 2) office and administrative expenditures
- 3) travel and accommodation
- 4) external expertise and services
- 5) equipment

The following additional expenditure category is considered as eligible under this Programme:

6) infrastructure and works

### 13.1 Staff costs

Staff costs are defined as gross employment costs of staff employed by the project partner, who are formally engaged to work on the project. Staff can either be already employed by the project partner or employed specifically for the project in line with project partner internal rules.

Staff may be employed in the operation in one of the following ways:

- **full time:** an employee dedicated 100% of his/her working time to the project. The full-time assignment to the project must be included in the employment/work contract or in a specific statement/order issued by the partner organisation. No registration of the working time (e.g. time sheets) is required. In such cases the **total of the gross employment cost is eligible**.
- **part-time staff with:**
  - 1) a fixed percentage of time worked per month:** an employee dedicated to the project by a fixed percentage of his/her working time. This percentage is specified in a document issued by the project partner at the beginning of the project, and/or in the same employment/work contract. No registration of the working time (e.g. time sheets) is required. In such cases the **fixed percentage of the gross employment cost is eligible**.
  - 2) a flexible number of hours worked per month:** an employee dedicated to the project by a flexible percentage of his/her working time. The registration of the working time (e.g. time sheets providing information on the number of hours spent per month on the project) is required.
- **contracted on an hourly basis:** an employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project. The staff costs are calculated on the basis of the hourly rate fixed in the employment/work contract. Data from the working time registration system (e.g. time sheets) providing information on the number of hours spent per month on the project are required. Eligible staff cost shall result by multiplying the hourly rate by the number of hours actually worked on the project by each concerned individual.

#### Example

An employee is working full-time in the beneficiary institution but he is working only part of her/his time on a project. This employee is to be included in the category “part-time” and not “full-time”.

On the contrary, an employee working in the beneficiary institution with a reduced-time contract (e.g. 20 hours per week) but working all its time on a project is to be included in the category “full-time”.

### General eligibility requirements

The partners should take into consideration the following general principles during operation development phase:

- Employment document is an employment/work contract, signed both by the legal representative of the employer and the employee, or an appointment decision (e.g. service order) issued by the legal representative of the employer's institution and signed by the employee too;
- Staff costs is eligible only if related to the project activities and not to their usual day-to-day management tasks and statutory responsibilities;
- Staff costs include **any other costs directly linked to salary payments incurred and paid by the employer**, such as employment taxes and social security provided that they are:
  - fixed in an employment document/contract or by law;
  - in accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where the individual staff member is actually working;
  - not recoverable by the employer.
- Staff costs includes staff **costs of employees in line with the employment/work contract**, and costs of natural persons working for the partner organisation under a contract other than an employment/work contract and receiving salary payments.
- Overtime hours are eligible only in case directly related to the operation and they are in line with national legislation and it is transparently and proportionally allocated to the project and clearly declared in the monthly timesheet. Overtime of an employee working part-time in the project can only be eligible if transparently and proportionally allocated to the project.
- The following cost components are **ineligible** under this budget line:
  - Unpaid voluntary work (i.e. contribution in kind) is not eligible;
  - Voluntary payments (e.g. payments not in line with the employment contract or the employment policy of the beneficiary or payments without any legal commitment), bonuses and rewards are not eligible;
  - Staff costs for employees not officially assigned to the project;
  - Costs arising from a contract stipulated with a natural person generating invoices or equivalent documents according to national/institutional rules (which belong to the external expertise and services expenditure category and have to comply with all provisions applicable to that expenditure category);
  - Overheads and any other office and administration costs;
  - Daily allowances and any other travel and accommodation costs.

### Forms of reimbursement

Staff costs may be reimbursed in two ways:

- on a **REAL COST** method:

- Costs must be directly linked to the **salary payments** and properly documented (e.g. payslip, etc).
  - They include **costs directly linked to salary payments, incurred and paid by the employer**, such as employment taxes and social security or other remuneration-related costs. They are eligible only if foreseen in the signed contract/Addenda/minor modification, national or internal regulations and they are in line with the employment policy of the project partner (ad hoc regulations applicable only to the operation are not allowed).
  - Gross salaries, employment taxes and social contributions must be calculated individually for each employee.
- as a **FLAT RATE** of up to 20% of direct costs other than staff costs of that project, i.e. of all budget lines, except “staff costs” and “office and administrative expenditure” (Article 19 of ETC Regulation (EU) 1299/2013). Please note that according to Article 67(4) of the Common Provision Regulation 1303/2013 a project implemented exclusively through public procurement of works, goods or services can use only the real cost calculation of staff costs. When the 20% flat rate option is applied, it has to be proved that the project partner has at least one permanent employee to be appointed for the project. According to EC Reg. 1046/2018 art 272 (30) Member States shall not be required to perform a calculation to determine the applicable rate provided that the direct costs of the operation do not include public works contracts which exceed in value the threshold set out in point (a) of Article 4 of Directive 2014/24/EU.

**The chosen reimbursement option will apply to all staff members of the project partner institution working on the operation and it will be set for the entire implementation period of the project.** However, different partners in the same project may choose different options for reimbursing staff costs.

## REAL COST METHOD

### *1.a Calculation of real costs for staff working full-time in the operation*

The employment document/contract (and, when applicable, including related annexes) must provide at least the following information:

- Statement that the employee is working 100 % of its working time on the operation;
- Job description or other relevant document containing description of the main tasks to be performed by the employee and the duration of one’s assignments related to the operation.

No working time registration system (time-sheet) is required for staff working full-time in the operation.

The following cost components are eligible:

- The total gross employment costs incurred and paid by the employer are to be considered as eligible as far as they are in line with the general provisions on eligibility, and in particular:
  - Gross salary;



- Any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council, provided that they are:
  - fixed in an employment document or by law;
  - in accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where the individual staff member is actually working;
  - not recoverable by the employer.

### Audit trail

- employment contract;
- official, written assignment of the employee to the project activities (Annex 1)<sup>6</sup>, signed both by the Legal Representative of the Partner Organization and the Employee, with information on:
  - The working time percentage (100%) and the duration of assignment to the project activities;
  - If the employee is working part-time on the project and is involved in other EU and/or national co-funded projects, name and funding reference of the concerned project (s) as well as a statement on the expected percentage of the employee's working time on each co-funded project;
  - Specification of the work package(s) to which the employee is assigned and of the duration of the assignment to the project;
  - Description of the main tasks to be performed and main deliverables and outputs to be produced by the employee within the duration of the assignment to the project, making reference to the outputs and deliverables as foreseen in the application form;
  - The employment document and/or the official assignment to the project must be reviewed by the employer on a regular basis (e.g. every six months). In case of changes in the assignment (e.g. shift of tasks resulting in a change in the percentage of time worked in the project) also the employment document and/or official assignment must be revised. In turn, the calculation of costs which can be claimed in the project must be adapted to the changed assignment;
- gross salary sheet;
- evidence of adequate publicity for the recruitment of new staff involved in project activities;
- pay-slips or documents of equivalent probative value;
- a task report, covering maximum six months, informing on the activities and outputs on WP level (see Annex 2)<sup>7</sup>;

<sup>6</sup> Please note that the use of the Annex 1 is not compulsory; however, the content of it is a minimum standard, to be considered in own templates in use, according to the national rules and the rules of the organisation.

<sup>7</sup> Please note that the use of the Annex 2 is not compulsory; the content of it is a minimum standard, to be considered in own templates in use, according to the national rules and the rules of the organisation.



- salary payment documents;
- payment documents concerning any other costs directly linked to salary as above specified, incurred and paid by the employer.

***1.b Calculation of real costs for staff working part-time with a fixed percentage of time worked per month on the operation***

For individuals employed by the beneficiary to work part of their time on the project according to a fixed percentage of time per month, the reimbursement of staff costs shall be calculated by applying the percentage stipulated in the working document (and/or the official assignment of the employee to the project) to the monthly gross employment cost.

The employment document/official assignment (and, when applicable, including related annexes) must provide at least the following information:

- statement that the employee is working a certain fixed % of its working time on the operation;
- job description or other relevant document containing description of the main tasks to be performed by the employee and the duration of one's assignments related to the operation.

For staff working part-time in the operation with a fixed percentage of time per month, no working time registration system (time-sheet) is required for operation purposes.

The following cost components are eligible:

- gross salary;
- any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council, provided that they are:
  - fixed in an employment document or by law;
  - in accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where the individual staff member is actually working;
  - not recoverable by the employer.

**Audit trail**

- employment contract;
- official, written assignment of the employee to the project activities (Annex 1)<sup>8</sup>, signed both from the Legal Representative of the Partner Organization and the Employee, with information on:
  - the fixed percentage of the employee's working time and the duration of assignment to the project activities;

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<sup>8</sup> Please note that the use of the Annex 1 is not compulsory; the content of it is a minimum standard, to be considered in own templates in use, according to the national rules and the rules of the organisation.

- if the employee is working part-time on the project and is involved in other EU and/or national co-funded projects, name and funding reference of the concerned project (s) as well as a statement on the expected percentage of the employee's working time on each co-funded project;
  - specification of the work package(s) to which the employee is assigned and of the duration of the assignment to the project;
  - description of the main tasks to be performed and main deliverables and outputs to be produced by the employee within the duration of the assignment to the project, making reference to the outputs and deliverables as foreseen in the application form;
  - the employment document and/or the official assignment to the project must be reviewed by the employer on a regular basis (e.g. every six months). In case of changes in the assignment (e.g. shift of tasks resulting in a change in the percentage of time worked in the project) also the employment document and/or official assignment must be revised. In turn, the calculation of costs which can be claimed in the project must be adapted to the changed assignment;
- gross salary sheet;
  - evidence of adequate publicity for the recruitment of new staff involved in project activities;
  - pay-slips or documents of equivalent probative value;
  - a task report, covering maximum six months, informing on the activities and outputs on WP level and mentioning any other public funded project worked on within this period as well as confirming that not more than 100% of the staff costs are allocated to public funded projects (Annex 2)<sup>9</sup>;
  - salary payment documents;
  - payment documents concerning any other costs directly linked to salary as above specified, incurred and paid by the employer.

### ***1.c Calculation of real costs for staff working part-time with a flexible number of hours worked per month***

For personnel employed by the project partner to work part of their time on the project with a flexible number of hours per month, the reimbursement of staff costs shall be calculated on the basis of real worked hours in the operation in the concerned month, as resulting from the time-record of the total time worked by the employee (Annex 3)<sup>10</sup>.

Costs to be claimed in the project are calculated **multiplying the hourly rate by the number of hours actually worked on the project**. In line with Article 3(6) of the Regulation 481/2014, the **hourly rate** to be applied for the calculation can be determined either by:

**a) dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hours:**

<sup>9</sup> Please note that the use of the Annex 2 is not compulsory, the content of it is a minimum standard, to be considered in own templates in use, according to the national rules and the rules of the organisation.

<sup>10</sup> Please note that the use of the Annex 3 is not compulsory, the content of it is a minimum standard, to be considered in own templates in use, according to the national rules and the rules of the organisation.

**Hourly rate = Employee monthly gross cost / workable monthly hours**

As for the denominator, it should be the **monthly working time** (including annual leave days and/or statutory bank holidays etc.) **as fixed in the employment document**, regardless if this is 'actual/real working time' or comprising paid holidays or annual leave, in order to have **only one specific hourly rate**.

**b) dividing the latest documented annual gross employment cost by 1720 hours in accordance with Article 68(2) of Regulation (EU) No 1303/2013:**

**Hourly rate = The latest employee annual gross cost / no. 1720 hours**

The latest documented annual gross employment costs do not have to refer to the previous calendar year (e.g. from 1 January to 31 December of the year) but they have to refer to the latest available data relating to last 12 consecutive months prior to start date of the implementation period.

The latest documented annual gross employment costs used for the calculation must comply with the general provisions on eligibility requirements provided for staff costs determined on a real-cost basis.

Accordingly to EC Regulation 1046/2018 art. 272 (30), where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the contract for employment, duly adjusted for a 12-month period.

For individuals employed by the beneficiary to work on a part-time basis or on reduced hours and working part of their time on the project, the corresponding pro-rata of 1.720 hours can be applied.

The hourly rate calculated on the basis of the formula set out above has to remain the same until the end of the project implementation period, it cannot be changed after it has been firstly calculated.

The total amount of hours worked in one year by an employee in Interreg IPA CBC Italy-Albania-Montenegro project(s) cannot be higher than the number of hours used for the calculations of the hourly rate.

The total amount of hours worked in one year by an employee cannot be higher or lower than 1720 hours and cannot be changed irrespective to the contractual conditions applicable to the employee to be accounted in the operation.

## **Audit trail**

- employment contract;
- official, written assignment (Annex 1)<sup>11</sup> of the employee to the project activities, signed both from the Legal Representative of the Partner Organization and the Employee, with information on:
  - the expected working time (number of hours) and the duration of assignment to the project activities;

<sup>11</sup> Please note that the use of the Annex 1 is not compulsory, the content of it is a minimum standard, to be considered in own templates in use, according to the national rules and the rules of the organisation.

- if the employee is working part-time on the project and is involved in other EU and/or national co-funded projects, name and funding reference of the concerned project (s) as well as a statement on the expected percentage of the employee's working time on each co-funded project;
  - specification of the work package(s) to which the employee is assigned and of the duration of the assignment to the project;
  - description of the main tasks to be performed and main deliverables and outputs to be produced by the employee within the duration of the assignment to the project, making reference to the outputs and deliverables as foreseen in the application form;
  - the employment document and/or the official assignment to the project must be reviewed by the employer on a regular basis (e.g. every six months). In case of changes in the assignment (e.g. shift of tasks resulting in a change in the percentage of time worked in the project) also the employment document and/or official assignment must be revised. In turn, the calculation of costs which can be claimed in the project must be adapted to the changed assignment;
- document issued by the beneficiary showing the calculation of the hourly rate;
  - proof of the latest annual gross employment cost (if relevant) documented through accounts, pay roll reports, pay-slips, etc., which allow proof of payment of gross employment costs;
  - evidence of adequate publicity for the recruitment of new staff involved in project activities;
  - pay-slips or documents of equivalent probative value;
  - a monthly timesheet informing on the activities and outputs on WP level (see Annex 3)<sup>12</sup>;
  - salary payment documents;
  - payment documents concerning any other costs directly linked to salary as above specified, incurred and paid by the employer.

#### ***1.d Calculation of real costs for staff contracted for operation purposes on an hourly basis***

For individuals employed by the project partner on an hourly basis, staff costs shall be calculated multiplying the number of hours actually worked on the operation by the hourly rate agreed in the employment document. The hourly rate has to be in line with budgeted payments for similar job positions and should take in account of the other costs deriving from legal obligations, even if these are not stated in the employment document.

#### **Audit trail**

- employment contract;
- official, written assignment (Annex 1)<sup>13</sup> of the employee to the project activities, signed both from the Legal Representative of the Partner Organization and the Employee, with information on:

<sup>12</sup> Please note that the use of the Annex 3 is not compulsory, the content of it is a minimum standard, to be considered in own templates in use, according to the national rules and the rules of the organisation.

<sup>13</sup> Please note that the use of the Annex 1 is not compulsory; the content of it is a minimum standard, to be considered in own templates in use, according to the national rules and the rules of the organisation.

- the working time (number of hours) of assignment to the project activities;
  - if the employee is working part-time on the project and is involved in other EU and/or national co-funded projects, name and funding reference of the concerned project (s) as well as a statement on the expected percentage of the employee's working time on each co-funded project;
  - specification of the work package(s) to which the employee is assigned and of the duration of the assignment to the project;
  - description of the main tasks to be performed and main deliverables and outputs to be produced by the employee within the duration of the assignment to the project, making reference to the outputs and deliverables as foreseen in the application form;
  - the employment document and/or the official assignment to the project must be reviewed by the employer on a regular basis (e.g. every six months). In case of changes in the assignment (e.g. shift of tasks resulting in a change in the percentage of time worked in the project) also the employment document and/or official assignment must be revised. In turn, the calculation of costs which can be claimed in the project must be adapted to the changed assignment;
- gross salary sheet;
  - evidence of adequate publicity for the recruitment of new staff involved in project activities;
  - pay-slips or documents of equivalent probative value;
  - a monthly timesheet informing on the activities and outputs on WP level (Annex 3)<sup>14</sup>;
  - salary payment documents;
  - payment documents concerning any other costs directly linked to salary as above specified, incurred and paid by the employer.

## **FLAT RATE METHOD**

Staff costs of any project partner choosing this option will be reimbursed for an amount of 20% of the sum of costs under all other budget lines, except "staff costs" and "office and administrative expenditure", without the need of submitting any employment/work contract, any invoice or document having equivalent value nor any proof of payment.

However, the beneficiary has to demonstrate that it has at least one employee involved in the project. This is done through a self-declaration issued by the beneficiary's legal representative (or delegated person) certifying that at least one employee of the beneficiary institution has worked in the project in the concerned reporting period and that flat rate method has not been applied to those parts of the project, which are subject to public procurement contracts that have a significant effect on the project.

The veracity of self-declarations above mentioned may be checked by any of the bodies entitled to perform controls and audits.

In case the flat rate method is applied for the reimbursement of staff costs, no further staff costs incurred on real costs basis can be reported under this expenditure category or under other

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<sup>14</sup> Please note that the use of the Annex 3 is not compulsory, the content of it is a minimum standard, to be considered in own templates in use, according to the national rules and the rules of the organisation.

expenditure categories.

## **13.2 Office and administrative expenditures**

According to article 4 of Commission Delegated Regulation (EU) No 481/2014 office and administrative expenditures cover operating and administrative expenses of the project partner organization necessary for the implementation of project.

Office and administrative expenditure shall be limited to the following elements:

- office rent;
- insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- utilities (e.g. electricity, heating, water);
- office supplies;
- general accounting provided inside the project partner organization;
- archives;
- maintenance, cleaning and repairs;
- security;
- IT systems (IT system support of an administrative nature, linked to the implementation of the operation);
- communication (e.g. telephone, fax, internet, postal services, business cards);
- bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened;
- charges for transnational financial transactions.

This list is exhaustive.

### **General eligibility requirements**

Please note that any operating/administrative IT services of general nature, linked to the implementation of the project and having administrative nature, is eligible under budget line “Office and administration costs”.

In situations where an external expert is contracted to carry out specific content related tasks concerning the development, modifications or updates of a specific project IT system or a website, such costs will be accepted under the budget line “External expertise and services”.

The cost of IT software/hardware is eligible under the budget line “Equipment”.

Please note that activities related to “general accounting provided inside the project partner organization” differ from activities of “financial management of a project”, because general accounting relates to accounting activities, which are required by law and they occur for the organization, even if project activities would not take place.

On the contrary, project financial management costs relate only to specific financial management activities required to report and claim project expenditures.

### **Forms of reimbursement**

Office and administrative expenditure may be reimbursed in two ways:

- on a **REAL COST** method:
  - a. **Direct costs:** are those costs which are directly related to an individual project activity, where the link with this individual activity can be demonstrated (for instance through direct time registration). For the purpose of this document, such costs refer to the following:
    - direct office and administrative expenditure (e.g. office rent for an office used exclusively for the project staff and its activities and related direct costs for utilities);
    - any other cost that can be directly related to an individual project activity (e.g. staff costs, even project financial management costs, travel, equipment, or costs for external experts and services e.g. linked to staff payslip preparations).
  - b. **Indirect costs:** are costs which are not or cannot be connected directly to an individual project activity. Such costs would include administrative expenses, for which it is difficult or for which a pro-quota allocation is necessary to determine precisely the amount attributable to a specific project activity. For the purpose of this document, such costs refer to the exhaustive list in accordance with Article 4 of Delegated Regulation (EU) No 481/2014, such as also e.g. staff of the beneficiary performing activities which cannot be directly linked to any project (e.g. staff performing general accounting activities, other than project financial management costs). These costs can be allocated to the project accordingly to a pro rata method, provided that the pro rata is calculated on the basis of a fair and verifiable calculation method **(to be demonstrated)**.

#### Audit trail

- Evidence of the selection procedure, in line with EU, national and Programme procurement rules, depending on the amount contracted and the type of beneficiary;
- Contract or written agreement laying down the services or the furniture, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows;
- Invoices or other documents having probative value, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows;
- Pro Rata calculation statement duly signed by the Legal Representative of the Partner Organization;
- Payment document, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows;
- as a **FLAT RATE** equal to 15% of staff costs. If the project partner opts for this form of reimbursement, office and administrative expenditure are calculated as flat rate regardless of the form of reimbursement applied under the staff cost category.

**In case that staff costs used as calculation basis for determining office and administrative expenditure, are found to be ineligible, the calculated amount office and administrative expenditure must be re-calculated and reduced accordingly.**

The costs incurred under this expenditure category cannot be claimed under other expenditure categories i.e. no double funding is permitted.

Partners do not need to document that the expenditure has been incurred and paid out or that



the flat rate corresponds to the reality. Accordingly, no documentation on office and administrative expenditure is required to be provided to the FLC. However, the partners are responsible to ensure that under this expenditure category only above listed costs are incurred.

### 13.3 Travel and accommodation costs

According to article 5 of Commission Delegated Regulation (EU) No 481/2014 travel and accommodation costs refer to the expenditures on **travel and accommodation of the staff of the project partner organization** for missions necessary for the implementation of the operation.

Expenditure on travel and accommodation costs shall be limited to the following elements:

- travel costs (e.g. tickets, travel and car insurance, car mileage, toll, and parking fees);
- meal costs;
- accommodation costs;
- visa costs;
- daily allowances.

#### General eligibility requirements

- Travel and accommodation costs must be clearly linked to the operation and be essential for effective delivery, promotion and/or sustainability of the operation activities;
- Visa costs, travel and health insurance costs or other supplementary travel costs are eligible if they are incurred for the purpose and within the scope of the project travel;
- Direct payment of the expenditures by an employee of the project partner shall be supported by a proof of reimbursement by the project partner to that employee. Nonetheless, for the Programme accounting system, a single expenditure item is entered in relation to the entire amount reimbursed by the project partner to the employee, within a single request by the latter;
- Daily allowances must be in line with relevant national and internal rules of the project partner institution;
- Any expenditure item defined as travel costs, accommodation costs, costs of meals or visa costs that is already covered by a daily allowance, cannot be accounted for and reimbursed in addition to the daily allowance, i.e. no double funding is allowed (ref: Article 65.11 of Regulation (EU) No 1303/2013). Beneficiaries shall choose the accounting method (daily allowance or direct costs) which is closer to their ordinary practice and internal rules;
- Travel and accommodation costs of external experts and service providers (including speakers, chairpersons, teachers, stakeholders, etc. contributing to the operation) **cannot be included** under this expenditure category; they must be reported as external expertise and services costs;
- Travel and accommodation costs of **associated partners** can only be claimed under the external expertise and services budget line;
- The principle of sound financial management should apply to the choice of transport and accommodation. In addition, the cost-efficiency approach should be taken into account;
- Costs of taxi are eligible in duly justified cases, especially, where the use of other means of transport is not possible or effective for the purpose of the specific travel (e.g. timetable or



other duly justified circumstances), and in accordance with the internal rules of the institution/organization and/or EU rules;

- Costs of private car are eligible in justified cases (e.g. when institutional rules allow for it);
- Business or first-class tickets for air transport are to be avoided and may be eligible only in exceptional and duly justified cases, or if it can be proved that they are the most economic travel option, and only if they are allowed by internal rules of the beneficiary institution. Business-or first-class train tickets are allowed if it can be proved that they are the most economic travel option when booking the ticket (e.g. through screenshots of booking webpages);
- Accommodation in hotels with a high rating (e.g. more than 4\*) is eligible only in exceptional cases, if it can be proved that it is in line with principle of sound financial management (e.g. it is the most economic advantageous accommodation) or it can be duly justified (e.g. in cases travel costs are saved because the accommodation is the venue of the meeting, etc.);
- The duration of the mission and related costs must be clearly in line with its purpose. Costs for any longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights, extra daily allowances, additional staff costs) do not exceed the savings eventually made in the costs for transportation;
- Unused travel and accommodation costs are eligible only in exceptional and duly justified cases, if these are borne by the beneficiary, who can prove that these could not be avoided applying the “prudent person” principle if they are allowed by the national rules and the rules of the organisation.

### **Forms of reimbursement**

Travel and accommodation costs of the staff of the project partner organization shall be reimbursed by the Programme on a real cost basis and/or daily allowances, accordingly to the internal organization.

The Managing Authority may accept the costs of travel, accommodation and meals taken outside of the Programme eligible area or incurred by partners located outside of the Programme eligible area if in accordance with Article 44(2) of the IPA IR, see above, only if they have been approved by the MA/JS beforehand.

### **Audit trail**

- Authorisation of mission of the employee(s) travelling, bearing information on the destination and the start and end date of the mission;
- Proof of expenditure and of mission (e.g. invoice of travel agent, flight or train ticket, boarding pass);
- Reimbursement request from the employee, either based on daily allowance or on real costs. When claiming on a real cost basis all necessary documents proving the costs occurred must be provided (e.g., bus or metro tickets, meal receipts);
- Mileage calculation sheet or invoices, if an employee or company car is used. It has to include a statement of the distance covered, the cost per unit (1/5 of the fuel cost per liter) according to Programme rules or according to national or institutional rules (if lower), and total cost;
- Other supporting documents (e.g. invitation, agenda, participant lists etc.);

- Proof of payment of costs directly paid by the beneficiary and/or proof of reimbursement to the employee (e.g. bank transfer).

### **13.4 External expertise and services costs**

External expertise and services are provided by a public or private body or a natural person other than the project partner of the project. External expertise and services cover costs paid out on the basis of contracts or written agreements and against invoices or requests for reimbursement to external experts and service providers contracted to carry out certain tasks /activities linked to the implementation of the project, which the Project partner cannot perform with already engaged resources and necessary to reach the project objectives.

According to article 6 of Commission Delegated Regulation (EU) No 481/2014 the following expenditure on external expertise and services shall be eligible under this expenditure category:

- studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- training;
- translations;
- IT systems and website development, modifications and updates (e.g. setting-up and/or update of a project IT system or website);
- promotion, communication, publicity or information;
- financial management;
- services related to the organization and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (e.g. registration fees);
- legal consultancy (if not related to legal disputes and litigation) and notarial services, technical and financial expertise, other consultancy and accountancy services;
- intellectual property rights;
- verification and validation of expenditure carried out by authorized external controllers;
- the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the Joint Monitoring Committee;
- travel and accommodation for external experts, speakers, chairpersons of meetings, service providers and stakeholders, associated partners;
- other specific expertise and services needed for operations.

#### **General eligibility requirements**

- The work carried out by external experts and service providers must be relevant for the implementation of the project.
- The services and expertise costs reported under this expenditure category are related to services or expertise which cannot be performed by the project partner staff and are therefore outsourced to external service providers or external expertise.
- All applicable EU, Programme, national and internal public procurement rules must be respected. Even below EU thresholds, contracts with external providers must comply with

the principles of transparency, non-discrimination, equal treatment and effective competition (see also Factsheet 4.3 on public procurement).

- No sub-contracting among project partners is allowed, infringing public procurement rules according to article 45 of the IPA II Commission Implementing Regulation No. 447/2014, i.e. Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012 and of Chapter 3 of Title II of Part Two of Delegated Regulation (EU) No 1268/2012. In order to comply with these rules, partners shall apply the EU, and National legislation and guidance, which comply with these rules.
- For in-house procurements the related EU legislation and case law shall be applied.
- Cost items claimed under the external expertise and services expenditure category cannot be reimbursed under any other expenditure category.
- External expertise and services expenditure cannot be split among the project partners, i.e. common costs are not allowed.
- For the distinction between project financial management and general accounting provided inside the project partner organization, to be claimed in the office and administration budget line, see above.
- The price of the external service or expertise has to be calculated in line with the principle of sound financial management (e.g. according to the standard rates of the country where the project partner concluding the contract is located).
- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the expert/service provider, supported by receipted invoices are eligible only after confirmation that part of the service, has been properly and timely delivered;
- Gifts are eligible up to a maximum value of EURO 50 per item and they must be linked to promotion, communication, publicity or information activities included in the application form or approved by the MA/JS beforehand.
- Costs for promotional materials (e.g.: gadgets) must be allocated under this budget line and will be considered as eligible only if it is demonstrated its efficacy in reaching one or more target groups. Please check the chapter on project communication for more details on the eligibility of costs related to logos, website etc.

## **Forms of reimbursement**

External expertise and service costs shall be reimbursed on a real costs basis.

## **Audit trail**

- Evidence of the selection procedure, in line with EU, national and Programme procurement rules (see related Factsheet 4.3 on public procurement), depending on the amount contracted and the type of beneficiary.
- Contract or written agreement laying down the services to be provided with a clear reference to the project (at least acronym and eMS code) and the Programme, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows. For experts paid on the basis of a daily/hourly fee, the daily/hourly rate together with the number of days/hours contracted

and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented.

- Invoice or request for reimbursement providing all relevant information in line with the applicable accountancy rules as well as references to the project (at least acronym and eMS code) and the Programme, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows. For experts paid on the basis of a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price.
- A detailed description of the services provided in line with the contents of the contract.
- Deliverables produced (e.g. studies, promotional materials) or, where applicable, documentation of the delivery (e.g. in case of events: agenda, list of participants, photo-documentation, etc.).
- Proof of payment (e.g. bank transfer), indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows.

### 13.5 Equipment expenditure

This expenditure category refers to expenditure for the financing of equipment **purchased, rented or leased** by the project partner other than those covered by the expenditure category “office and administrative expenditure”, which is necessary for the implementation of the operation.

This includes costs of equipment already in possession by the beneficiary and used to carry out project activities.

According to article 7 of Commission Delegated Regulation (EU) No 481/2014 the following expenditure of equipment is eligible under this expenditure category:

- office equipment;
- IT hardware (computers, monitors, printers, scanners, digital projectors, digital/video cameras, etc.) and software;
- furniture and fittings;
- laboratory equipment (including consumables necessary for the operation of laboratory equipment);
- machines and instruments;
- tools or devices;
- vehicles;
- other specific equipment needed for operations.

Cost of equipment shall be distinguished in:

- 1) Equipment for general (office) use, such as computers, office furniture, etc., which is used for the daily work of the operation staff and which is not already included under the expenditure category “office and administrative expenditure”.
- 2) Thematic equipment directly linked to (or forming part of) the operation outputs, which will be used by partners and target groups in line with the operation objectives. Thematic equipment may either form part of – or be independent from – the “infrastructure and works” expenditure

category<sup>15</sup> and, in any case, it must accomplish Programme requirements for investments in order to be considered as eligible.

### General eligibility requirements

- Costs of equipment are eligible if no other EU or national funds have contributed towards financing of the same expenditure item, i.e. no double funding is permissible.
- Cost items claimed under equipment category cannot be reimbursed under any other expenditure category.
- Costs are eligible if the equipment comply with publicity rules set out in the Programme.
- Depreciation period of equipment shall be regulated according to the national rules.
- Equipment expenditure cannot refer to items already depreciated.
- Equipment for general (office) use necessary for smooth implementation of the operation should be purchased at the initial stage of the implementation period, unless in duly justified cases (approved by relevant Programme body in advance).
- Equipment should be clearly and strictly linked to the project (features and functions are in line with the project needs) and exclusively used for the project implementation.
- Only equipment listed in the approved application form are eligible for financing. In case of any change necessary to the equipment, it shall be preliminary approved by the JS according to the rules on project changes.
- The selection of the suppliers shall comply with the relevant EU and national public procurement law in force, and Article 45 of the IPA II Commission Implementing Regulation No. 447/2014, i.e. Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012 and of Chapter 3 of Title II of Part Two of Delegated Regulation (EU) No 1268/2012. In order to comply with these rules, partners shall apply the EU and national legislation and guidance, which comply with these rules.
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment.
- Equipment expenditure cannot be split among the project partners, i.e. common costs are not allowed.
- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the supplier, supported by receipted invoices (e.g. advance payment for the purchase of a machinery being part of an investment) are eligible from the confirmation that the equipment has been properly and timely delivered;

### Eligible costs of project equipment

- As a general principle, for all project equipment (purchased before or during the project lifetime) only **depreciation costs** should be allocated to the project.
- The calculation of depreciation should be done according to a justified and equitable method and be in line with the national or institutional regulations.

<sup>15</sup>Equipment forming part of an infrastructure/work realized within the operation shall be reported under the “equipment” expenditure category when it cannot be categorized under the “infrastructure and works” expenditure category, i.e. it does not belong to the items listed in Annex II of the Directive 2014/24/EU of the European Parliament and of the Council of 26.2.2014.

- Depreciation costs of equipment should be allocated to the time period when the equipment was used for the project purposes.

### Example

An equipment item was used from beginning of - January to end of - June. This would mean that the equipment was used throughout 6 months period. The price was EUR 4.000,00, with annual depreciation of EUR 1.200,00. By dividing this annual depreciation further by 12 months, the monthly depreciation would equal EUR 100,00. In our example the project could report EUR 600,00 (=6 months x EUR 100,00).

- For equipment rented or leased for certain period during the project lifetime rental or leasing costs for the respective period are eligible.
- If according to the national legislation the equipment is not depreciable (e.g. low-value asset), the full costs of purchase, lease or rent could be allocated to the project.
- Renting or leasing costs of equipment shall be eligible if the following rules are respected:
  - Full cost of renting or leasing of equipment can be reported where the equipment is used 100% for the implementation of an operation.
  - For the equipment which is rented or leased by project partners for a certain period during the implementation of an operation, only the rental or leasing costs for the respective time period are eligible.
  - Insurance, overheads and interest costs linked to the contract are not eligible.

### Equipment of general (office) use

Equipment of general (office) use shall be reimbursed as a depreciable asset in compliance with national accountancy rules and internal accountancy policies of the beneficiary.

The full cost of such equipment is eligible solely in the case that the depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project;

Equipment for general (office) use for which the exclusive use in the project cannot be demonstrated (e.g. an office computer which could be used also by other staff of the beneficiary institution in addition to those working in the project) is not eligible;

The existence of office equipment and its clear identification should be verified in the framework of on-the-spot verifications on projects performed by controllers.

### Thematic equipment which is part of an investment

In case **equipment is part of or fully represents an investment item** - which was listed in the section of the Application Form dedicated to the WP implementation (which includes investments), and in the budget line equipment accordingly - **the full cost of the equipment is eligible**.

Equipment forming part of an infrastructure/work realized within the operation shall be reported under the "equipment" expenditure category when it cannot be categorized under the "infrastructure and works" expenditure category, i.e. it does not belong to the items listed in Annex II of the Directive 2014/24/EU of the European Parliament and of the Council of 26.2.2014.

In case equipment belongs to this category, the following rules have to be observed:

- The equipment must be a part of an investment output as specified in the application
- The equipment should be solely used for the project purposes during the project life the purpose and ownership of the equipment cannot be changed for at least 5 years from the last payment to the lead partner.

According to Article 7 (2) of the Regulation EU no. 481/2014 purchase costs of second-hand equipment shall be eligible subject to the following conditions:

- no other assistance has been received for it from the ESI/IPA or other public Funds;
- its price does not exceed the generally accepted price on the market in question;
- it has the technical characteristics necessary for the operation and complies with applicable norms and standards

### **Forms of reimbursement**

Equipment expenditure shall be reimbursed on a real cost basis.

### **Audit trail**

The following documents must be provided to the controller:

- Evidence of the selection procedure, in line with EU, national and Programme procurement rules, depending on the amount contracted and the type of beneficiary;
- Contract or written agreement laying down the services and/or supplies to be provided with a clear reference to the project and the Programme, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows. Any changes to the contract must comply with the applicable procurement rules and must be documented.
- Invoice (or a supporting document having equivalent probative value to invoices, in case of depreciation) providing all relevant information carried out in line with the contents of the contract, the applicable national accountancy rules and internal accountancy policies of the beneficiary, bearing references to the project and the Programme, and indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flow;
- In case of assets subject to depreciation, a calculation scheme of depreciation;
- Proof of payment (e.g. bank transfer), indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows.

## **13.6 Infrastructure and works expenditure**

Infrastructures and works cannot be the main scope of the project but they are functional to reach the project objectives, i.e. in all priority axes of the Programme the project objectives must contribute to the achievement of the Programme objectives and therefore they must have a broader scope than the building of the specific infrastructure and work as such. The financial resources allocated in this budget category must be reasonable, realistic and balanced.



Infrastructure and works<sup>16</sup> cover costs related to investments in infrastructure that do not fall into the scope of other expenditure categories. These investments may either refer to an object that will be set up *ex-novo* or to the adaptation of an already existing infrastructure. The following expenditure on infrastructure and works is eligible under this expenditure category<sup>17</sup>:

- organisation and preparation of the site designed to the operation (e.g. land levelling, building of access roads, purchase of special traffic signs, etc.);
- land preparation – any works aiming the preparation of the operation site (e.g. demolition, cleaning of the location, disposal of resulted waste, deviation of utility system routes, vertical arrangements, draining, etc.);
- main investments, including building material and labour (e.g. construction, installation and completion of buildings and civil engineering works, construction of roads, airfields and sport facilities, etc.);
- natural landscape and environment protection related activities (e.g. land planning, rehabilitation to protect the environment, planting trees, makeover of green areas, etc.);
- specialised interventions (e.g. soil remediation, mine-clearing, etc.);
- purchase of land under the following conditions: according to the Article 43(2) of IPA IR, the purchase of land not built on and land built on in the amount up to 10 % of the total eligible expenditure for the operation concerned shall be eligible for funding under IPA II assistance. For derelict sites and for sites formerly in industrial use which comprise buildings, and for operations concerning environmental conservation, this limit shall be increased to 15%;
- other infrastructure and works expenditure;
- costs of feasibility studies, environmental impact assessments, architectural/engineering activities and any other expertise needed for the realisation of the infrastructure which are not comprised in Annex II the aforementioned Directive, shall be allocated under “Staff” or “External expertise and services” budget lines (depending whether carried out internally by the beneficiary or with the support of external suppliers, respectively).

### General eligibility requirements

- Costs of infrastructure and works are only eligible if they have been approved by the Programme (indicated in the approved operation budget or specifically approved during the project implementation by the relevant Programme body).
- Contingency may be envisaged in case of unpredictable costs for planned infrastructure and works. Use of contingency must be approved in advance by the MA.
- Costs of infrastructure and works are eligible if no other Union or national funds have contributed towards financing of the same expenditure (no double funding is permissible).

<sup>16</sup>Article 2(1) of the Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 defines a “work” as *“the outcome of building or civil engineering works taken as a whole which is sufficient in itself to fulfill an economic or technical function”*.

<sup>17</sup>Annex II of the Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 provides a detailed list of all elements that are eligible under this expenditure category.



- Partners must ensure compliance with publicity/information requirements for all investments in infrastructure within the project, in line with the provisions set out in the Programme Information and Publicity Manual.
- Partners must ensure compliance with public procurement rules (article 45 of the IPA II Commission Implementing Regulation No. 447/2014, i.e. Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012 and of Chapter 3 of Title II of Part Two of Delegated Regulation (EU) No 1268/2012) when selecting the contractors for infrastructure and works investments, especially public procurement principles (transparency, non-discrimination, equal treatment, fair competition, mutual recognition and proportionality).
- The contractor cannot be a partner in the operation.
- Costs of infrastructure and works outside the Programme area are not eligible.
- For operation activities that include infrastructure and works, the following documents will be required prior to signing the Subsidy Contract<sup>18</sup>:
  - legal documents specifying any legal right under the real-estate law concerning the land and/or buildings (publicly owned) where the works will be carried out;
  - where applicable, necessary permissions or other preliminary relevant legal documents for the execution of the works, issued by the national/regional/local relevant authorities.
- Furthermore, and depending on the nature of the intervention linked to the works to be carried out, all compulsory requirements set by Community and national legislation on environmental policies, must be fulfilled. Community law incorporates over 200 legal acts in the environmental field. Whilst all the environmental acquis applies to all project expenditure, in the context of the Programme the following directives are of particular relevance:
  - Environmental Impact Assessment or EIA Directive;
  - Strategic Environmental Assessment Directive;
  - Freedom of Access to Information on the Environment Directive;
  - Birds and Habitats Directive;
  - Water Framework Directive;
  - Waste Framework Directive;
  - Landfill Directive;
  - Incineration Directive.
- Where applicable, works must have been previously authorised by national/regional/local authorities (building permission);
- The land and/or buildings where the works will be carried out must be in the ownership of the beneficiary or the beneficiary must have set in place long-term legally binding arrangements in order to fulfil durability (including maintenance);
- Infrastructure and works expenditure cannot refer to items financed by other EU or third party subsidies and must not be already depreciated;
- In the case of works being part of a larger infrastructural investment, the part realized by the IPA project must be clearly and univocally identifiable;

<sup>18</sup> Anyway, in case the requested documentation to be produced before the signature of the subsidy contract has not been presented in time, the same documentation must be presented peremptorily with the progress report related to the expenses incurred for the infrastructure and works.

- Where applicable, infrastructures and works realised by the project must respect the relevant publicity requirements as provided for in the project communication chapter;
- Requirements concerning durability, including ownership and maintenance, as provided for in Article 71 of the Common Provisions Regulation, apply to infrastructures realised within the project;
- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the provider, supported by receipted invoices (e.g. advance payment for the company selected for construction works) are eligible but depend on later confirmation that infrastructure and works have been properly and timely executed;
- The existence of infrastructures and works realised by the project and their clear identification to the project must be verified on-the-spot by controllers for each realised item.

### **Forms of reimbursement**

Infrastructure and works expenditure shall be reimbursed on a real cost basis.

### **Audit trail**

- Legal documents specifying the ownership or long-term arrangement for the land and/or buildings where the works will be carried out;
- Where applicable, necessary permissions for the execution of the works, issued by the national/regional/local relevant authorities;
- Evidence of the appropriate selection procedure, in line with EU, national or Programme procurement rules, depending on the nature of the concerned works, the amount contracted and the type of beneficiary;
- Contract or written agreement laying down the supplies and/or services to be provided with a clear reference to the project and the Programme, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows. Any changes to the contract must comply with the applicable procurement rules and must be documented;
- Invoice providing all relevant information in line with the applicable accountancy rules as well as references to the project and the Programme and a detailed description of the infrastructures/works carried out in line with the contents of the contract, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows.
- Proof of payment (e.g. bank transfer), indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows.
- Certificate of regular execution/final test issued accordingly to the national legislation.

**As a useful reference tool for project partners, it is recommended to consult the MATRIX OF COSTS by the Interact Programme, in its latest version, which can be found at**

**<http://www.interact-eu.net/download/file/fid/12798>**

**In any case, this tool does not substitute the eligibility rules specified in the present factsheet.**