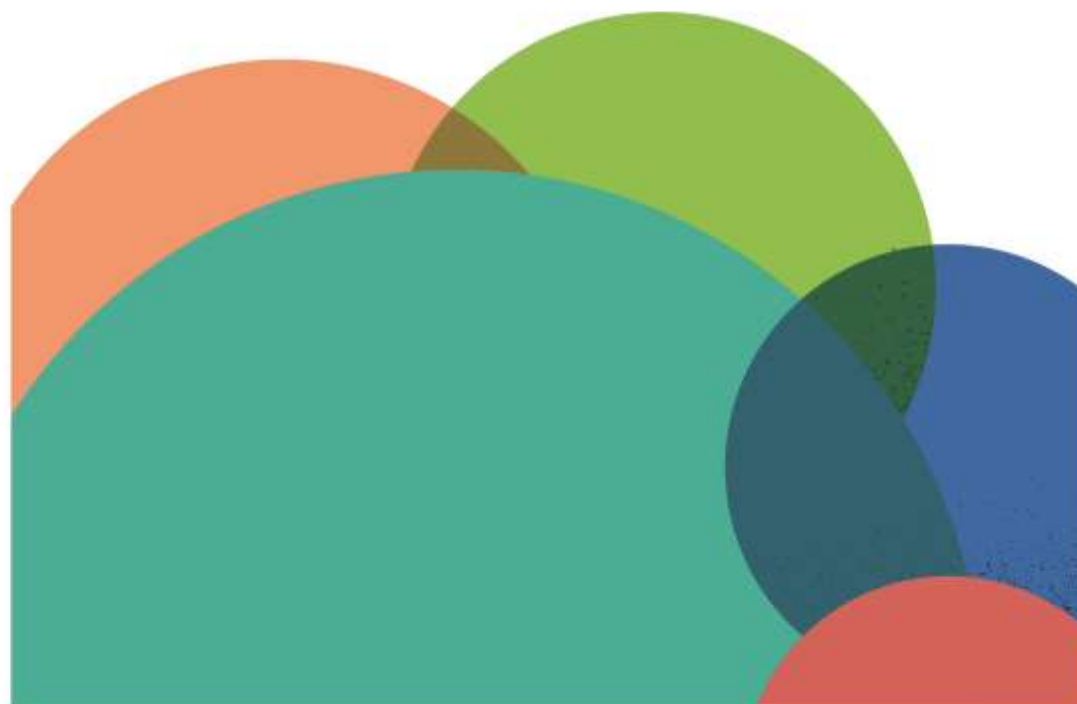


## Interreg IPA South Adriatic (Italy–Albania–Montenegro 2021-2027)



# PROGRAMME MANUAL

## 4.10 Eligibility rules

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## **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 South Adriatic Programme (the **Programme** below). Rules of the Participating Countries and partner organisations shall apply only in areas not regulated at 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 rules on eligibility as set out in the CPR Regulation (EU) 2021/1060 (**CPR** below), IPA III Regulation (EU) 2021/1529, ERDF Regulation (EU) 2021/1058 and Interreg ETC Regulation (EU) 2021/1059 (**ETC Reg** below). In particular, the Programme rules are widely based on chapter V, articles 37 – 44 of the ETC Reg;
2. Programme eligibility rules as set out in this document;
3. National (including institutional) eligibility rules. Such rules only apply for matters not covered by eligibility rules set in the abovementioned EU and programme rules.

This hierarchy of rules only applies to eligibility rules of expenditure. All applicable EU and national rules, apart from eligibility of expenditure, must therefore be followed (e.g. EU and National binding procurement law).

Unless otherwise indicated, these rules shall be applicable to all priority axes and all types of projects, taking into account the nature of activities under the priority axes. It shall apply to all beneficiaries of Programme funds.

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.

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.

## **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>1</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 and must be operational for at least 12 months before the launching of the call for proposals.
- **International organisations acting under the national law of an EU Member State** only when the following two conditions are met:
  - (a) Participation in the project through an operative seat located in one of the Programme regions; and
  - (b) Explicit acceptance of all requirements deriving from the EU Treaty and the regulations applicable in the framework of the regions of the Programme; and
  - (c) In the funding decision, the Monitoring Committee delegation of the Country of the organisation does not decline the subsidiary liability set out in article 52 (3) of the ETC Reg. (EU) 2021/1059.

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 or the international law.** 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.

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<sup>1</sup>Article 2(4) of the EC Directive (2014/24)

- **As general rule, partners are 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 will be 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, project activities should be implemented in the Programme area, i.e. the Italian Regions Puglia and Molise, whole Albania and whole Montenegro, which are represented in the Monitoring Committee.

In compliance with art. 37 and art. 22 of the ETC Reg and of the Programme, all or part of the project (i.e. operation) may be implemented outside the Programme area, in or outside the EU, provided that

- a) it **contributes to the objectives** of the programme,
- b) it is subject of an **explicit approval** by the managing authority in the monitoring committee or, where applicable, the steering committee.

Consequently, only activities, included in the approved project work plan or in subsequent changes, approved during project implementation, are eligible.

Additionally, when the project involves one or several partners located outside the Programme area, the managing authority shall condition its explicit approval to

- c) the involvement of this partner is **functionally necessary** for achieving the project objectives;
- d) the submission of a written acceptance by the concerned country of the subsidiary liability, i.e. to **reimburse any amounts unduly paid** to these partners, in accordance with Article 52(2) of the ETC Reg or equivalent financial guarantees;
- e) the evidence that partners are covered **by a Management and Control System** in place, positively audited by a competent Interreg Audit Authority, as to enable the Managing Authority to fulfil its management and control functions.

Accordingly and as provided in chapters 1.1 and 2.1.1.4 of the approved programme, the Managing Authority is in the position to fulfil its management and control functions towards beneficiaries located inside the territory of Italy, i.e. in all regions other than Puglia and Molise, who may be admitted in specific call or rules for partner participation in projects, if beneficial for the programme area. Instead, for beneficiaries located in countries other than Italy, Albania and Montenegro, prior to any approval, specific legal arrangements need to be made in relation to the country's subsidiary liability, its control and audit arrangements, as well as its national co-financing.

Travel and accommodation expenditures are eligible regardless whether such costs are incurred and paid inside or outside the programme area, in compliance with the art. 41 of the ETC Reg.

#### 4. 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 lifetime 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 (30% for SSPs). Eligible private partners are required to provide an adequate bank guarantee (see below).

The budget of the project must be drafted following the real cost principle<sup>2</sup>, fully accomplishing the principles of adequacy of costs and sound financial management. As provided under chapter 7 of the Regulation (EU, Euratom) 2018/1046 the principle of sound financial management builds on 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*).

#### 5. 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 (incurred and paid) 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 (except for costs calculated as flat rates, standard unit and lump sums), 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, 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

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<sup>2</sup>Except for simplified cost options.

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 Programme. The used stamp must bear at least the following information:
  - The information that the expenditure has been co-funded by the Interreg IPA South Adriatic 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 SOUTH ADRIATIC 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 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 MC 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.

## **6. TIME-WISE ELIGIBILITY**

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 the IPA quote of 11.000,00 as total contribution for standard projects and of 5.500€ for SSPs,. 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..

Call Manuals 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 90 days after the Project implementation end date, but not later than December 31<sup>st</sup> 2029. Costs paid after this deadline shall be regarded as not eligible even if incurred during the Project implementation period.

### **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 the IPA quote of 5.500,00 as total contribution -Specific calls may establish different rules.

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.

## **7. 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, using the monthly accounting exchange rate of the EC in the month during which expenditure was submitted for verification to the First Level Controller, in compliance with art. 38 (5) of the ETC Reg. The conversion shall be verified by the controller in the participating State in which the project partner is located. Exchange risk is borne by the beneficiary. Additional costs related to fluctuation of foreign exchange rate may not be claimed and are not eligible<sup>3</sup>.

## **8. 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 Interreg IPA South Adriatic 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.

## **9. INELIGIBLE COSTS**

The following expenditures shall not be eligible for funding under the Interreg IPA South Adriatic Programme:

- interest on debt;
- In compliance with article 64 (c) of the CPR, value added tax (VAT) if the total cost of the operation exceeds EUR 5.000.000 (including VAT), in case this is recoverable under national VAT legislation (i.e. only non-recoverable VAT under national VAT legislation is

<sup>3</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.

- eligible for these operations, while for operations the total cost of which is below EUR 5.000.000 including VAT, the VAT is eligible and may be claimed);
- 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 III 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 III 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;
  - 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 the Common Provisions Regulation CPR.

## **10. SIMPLIFIED COST OPTIONS**

So as to substantially reduce any unnecessary administrative burden, the Interreg IPA South Adriatic Programme applies a number of simplified cost options (SCOs). A brief summary of the applicable SCOs is available below, with more information provided in the Fact [Sheet 4.10.1](#).

### **Lump Sums for Preparation and Closure Costs**

Approved projects, which finalise and sign the subsidy contract with the MA are entitled to the reimbursement of their preparation and contracting costs, incurred for activities carried out before the project start date, in the form of a lump sum. The same for the costs of closing the project, incurred for activities after the project end date. More information on the terms and conditions of the lump sums can be found in Fact Sheet 4.10.1.

### **20% Flat Rate for Staff Costs (off-the-shelf from the Regulations)**

In case the beneficiaries opt for the application of article 55 of the CPR, they are going to receive the SCO, on the basis of the amounts reported within the budget lines external experts, equipment and works and infrastructure. In combination with this flat rate, both the 15% flat rate for office and administrative costs and the 15% flat rate for travel and accommodation is going to be calculated.

### **15% Flat Rate for Office and Administrative Costs (off-the-shelf from the Regulations)**

The Interreg IPA South Adriatic Programme reimburses office and administrative expenditure according to a flat rate of 15% of eligible direct staff costs, in compliance with article 40 (2) of the ETC Reg. This form of reimbursement is obligatory for all beneficiaries with the exception of those beneficiaries opting for the 40% flat rate for eligible direct costs other than direct staff costs. In such cases, office and administrative costs are already incorporated in the 40% flat rate. For more detailed information about office and administrative expenditure refer to Fact Sheet 4.10.1.

### **15% Flat Rate for Travel and Accommodation Costs (off-the-shelf from the Regulations)**

The Interreg IPA South Adriatic Programme reimburses travel and accommodation costs solely through a flat rate percentage of eligible direct staff costs, in compliance with article 41 (5) of the ETC Reg. This form of reimbursement is obligatory for all beneficiaries with the exception of those beneficiaries opting for the 40% flat rate for eligible direct costs other than direct staff costs. In such cases, travel and accommodation costs are already incorporated in the 40% flat rate. For more detailed information about travel and accommodation costs refer to Fact Sheet 4.10.1.

### **40% Flat Rate for Eligible Direct Costs other than Direct Staff Costs (off-the-shelf from the Regulations)**

In compliance with article 56 (1) of the CPR, all eligible direct costs of a beneficiary other than staff costs can be reimbursed on the basis of a flat rate of 40 % of direct staff costs. If this option is selected, the beneficiary does not need to document that the expenditure has been incurred and paid out. Each beneficiary must choose whether to opt for this flat rate already when drafting the application form. Since staff costs are the basis of this calculation, this option cannot be selected in combination with the 20% flat rate for staff costs, if applicable.

## **11. ELIGIBLE EXPENDITURE CATEGORIES**

The ETC Reg establishes specific rules on eligibility of expenditure. It defines the list of costs that are eligible under the 6 categories of expenditure:

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

## Staff costs

As general rule of the programme, **staff costs shall be reimbursed only on the basis of simplified cost options**, while staff costs calculated on real costs basis may be **only admitted in exceptional and duly motivated situations**, whereby the specific call may specify applicable methodologies.

### 11.1.1 Staff costs on real cost basis

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.

Expenditure included under this cost category is limited to:

- Salary payments fixed in an employment document (employment contract or any other equivalent legal agreement that permits the identification of the employment relationship with the partner's organisation) or by law relating to responsibilities specified in the job description of the staff member concerned. Salary payments have to relate to activities which the beneficiary would not carry out if the project concerned was not undertaken.
- Any other costs directly linked to salary payments incurred and paid by the employer (such as employment taxes and social security including pensions), 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 institution where the individual staff member is working;
  - Not recoverable by the employer.

Payments to natural persons working for the beneficiary under a contract other than an employment contract may be assimilated to salary payments and such a contract is considered as an employment document. Such costs are eligible if all the following conditions are respected:

- The person works under the beneficiary's instructions and, unless otherwise agreed with the beneficiary, on the beneficiary's premises; and
- The result of the work carried out belongs to the beneficiary; and
- The costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

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;
- 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, where the beneficiary must document that expenditure has been incurred and paid out; or
  -
- As a **FLAT RATE** of up to 20% of direct costs other than staff costs of that project, provided that the direct costs of the operation do not include public works contracts or supply or service contracts which exceed in value the thresholds set out in Article 4 of Directive 2014/24/EU of the European Parliament and of the Council ( 49) or in Article 15 of Directive 2014/25/EU of the European Parliament and of the Council, in compliance to Article 55(1) of the CPR. When the 20% flat rate option is applied, it has to be proved that the project partner has at least one permanent employee/legal representative to be appointed for the project.
- As a hourly rate Standard Unit Cost (please see FACTSHEET 4.10.1).

**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 **Audit trail:**

- employment contract;
- official, written assignment of the employee to the project activities (Annex 1)<sup>4</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>5</sup>;
- 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

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<sup>4</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>5</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.



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.

### Audit trail

- employment contract;
- official, written assignment of the employee to the project activities (Annex 1)<sup>6</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;
  - 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;

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<sup>6</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.

- 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>7</sup>;
- salary payment documents;
- payment documents concerning any other costs directly linked to salary as above specified, incurred and paid by the employer;
- duly motivated written communication related to the staff concerned, to the respective National Authority (in Albania and Montenegro) and to the Managing Authority (for Italian beneficiaries).

### ***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>8</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 55(2) of the CPR, the **hourly rate** to be applied for the calculation can be determined either by:

**(a) by dividing the latest documented annual gross employment costs by 1 720 hours for persons working full time, or by a corresponding pro-rata of 1 720 hours, for persons working part-time;**

**(b) by dividing the latest documented monthly gross employment costs by the average monthly working time of the person concerned in accordance with applicable national rules referred to in the employment or work contract or an appointment decision (both referred to as the employment document)** 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.

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.

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<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.

<sup>8</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.

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 number of hours declared per person for a given year or month shall not exceed the number of hours used for the calculation of that hourly rate.

### Audit trail

- employment contract;
- official, written assignment (Annex 1)<sup>9</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;
  - 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>10</sup>;
- salary payment documents;

<sup>9</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.

<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.

- payment documents concerning any other costs directly linked to salary as above specified, incurred and paid by the employer
- duly motivated written communication related to the staff concerned, to the respective National Authority (in Albania and Montenegro) and to the Managing Authority (for Italian beneficiaries).

#### ***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>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 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;

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<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.

- a monthly timesheet informing on the activities and outputs on WP level (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
- duly motivated written communication related to the staff concerned, to the respective National Authority (in Albania and Montenegro) and to the Managing Authority (for Italian beneficiaries).

## FLAT RATE METHOD

If admitted by the call, 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/Legal Representative 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/Legal Representative 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 which exceed in value the thresholds set out in Article 4 of Directive 2014/24/EU of the European Parliament and of the Council ( 49) or in Article 15 of Directive 2014/25/EU of the European Parliament and of the Council.

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 expenditure categories.

## HOURLY RATE STANDARD UNIT COST

Please see Fact Sheet 4.10.1..

### 11.1 Office and administrative expenditures

According to article 40 of the ETC Reg 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;

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<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.

- 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**

The Interreg IPA South Adriatic Programme reimburses office and administrative costs according to a flat rate of 15% of eligible direct staff costs.

Office and administrative costs are calculated as a flat rate regardless of the form of reimbursement applied under the staff costs category. In case 20 % of direct costs (excluding staff) is applicable, this amount is the basis for the calculation of office and administrative expenditure.

In case the beneficiary selected the 40% flat rate for the calculation of eligible direct costs other than direct staff costs, then the said 40% also cover office and administrative costs.

**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.

## 11.2 Travel and accommodation costs

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.

The Interreg IPA South Adriatic Programme **reimburses travel and accommodation costs solely through a 15% flat rate percentage of eligible direct staff costs**. This form of reimbursement is obligatory for all beneficiaries with the exception of those beneficiaries opting for the 40% flat rate for eligible direct costs other than direct staff costs. In such cases, travel and accommodation costs are already incorporated in the 40% flat rate.

Travel and accommodation costs are calculated as a flat rate regardless of the form of reimbursement applied under the staff costs category. If, in the framework of controls and audits, direct staff costs used as the calculation basis for determining travel and accommodation costs are found to be ineligible, the amount of travel and accommodation costs must be re-calculated and reduced accordingly.

Beneficiaries do not need to document that the expenditure for travel and accommodation costs has been incurred and paid or that the flat rate corresponds to reality. Accordingly, no documentation related to travel and accommodation costs needs to be provided to the controller or kept for further controls.

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.

This list is exhaustive and costs of all listed items are included in the flat rate. Accordingly, cost items accounted under the travel and accommodation cost category cannot be reimbursed under any other cost category.



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;

### 11.3 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 42 of the ETC Reg the following expenditure on external expertise and services shall be eligible under this expenditure category:

- studies or surveys (such as evaluations, strategies, concept notes, design plans, handbooks);
- training;
- translations;
- development, modifications and updates to IT systems and website;
- promotion, communication, publicity, promotional items and activities or information linked to an operation or to a programme as such;
- financial management;
- services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (such as registration fees);
- legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- intellectual property rights;
- verifications pursuant to point (a) of Article 74(1) of Regulation (EU) 2021/1060 and Article 46(1) of this Regulation;
- costs for the accounting function on programme level pursuant to Article 76 of Regulation (EU) 2021/1060 and Article 47 of this Regulation;
- audit costs on programme level pursuant to Articles 78 and 81 of Regulation (EU) 2021/1060 and pursuant to Articles 48 and 49 of this Regulation;
- 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 monitoring committee;

- travel and accommodation for external experts, speakers, chairpersons of meetings and service providers; and
- 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, i.e. project partners cannot be at the same time service providers for one of their project partners.
- 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;
- 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, unless the 40% Flat rate is applied.

## 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 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.
- In case of an in house procurement, the same beneficiary audit trail shall be applied, and uploaded in JEMS together with the expenditure document issued by the in house company to the beneficiary.
- 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.

## 11.4 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 43 of ETC Reg 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>13</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 Programme Bodies 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.
- 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.

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<sup>13</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.

- 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.
- 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.

#### 1. 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.

## 2. 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 43 (2) of the ETC Reg purchase costs of second-hand equipment shall be eligible subject to the following conditions:

(a) no other assistance has been received for it from the Interreg funds or from the funds listed in point (a) of Article 1(1) of the CPR;

(b) its price does not exceed the generally accepted price on the market in question; and

(c) 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, unless the 40% Flat rate is applied.

### 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;
- Photo documentation or any other means required to prove the existence and installation of the equipment;
- 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.

### 11.5 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 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. Costs for infrastructure and works shall be limited to the following elements:

- (a) purchase of land in accordance with point (b) of Article 64(1) of the CPR;
- (b) building permits;
- (c) building material;
- (d) labour; and
- (e) specialised interventions (such as soil remediation, mine-clearing).

Costs of feasibility studies, environmental impact assessments, architectural or engineering activities and any other expertise needed for the realisation of the infrastructure, shall be allocated under the cost categories “Staff costs” or “External expertise and services costs” (depending whether carried out internally by the beneficiary or with the support of external suppliers).

#### 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).
- 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
- 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>14</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;
- Requirements concerning durability, including ownership and maintenance, as provided for in Article 65 of the CPR, 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;

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<sup>14</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.

- 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, unless the 40% Flat rate is applied.

### **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;
- Photo documentation or any other means required to prove the existence of the infrastructure
- Certificate of regular execution/final test issued accordingly to the national legislation.

## **11.6 Sub-grants to SMEs on the basis of art. 20a of Regulation (EU) No 651/2014 (GBER)**

In the EU legal framework of State Aid, the Programme may support undertakings by means of grants for project specific actions carried out by beneficiaries of the Programme. As specified in the Fact Sheet on State Aid of the Programme Manual, while implementing project activities, project partners (beneficiaries of programme funding) shall provide a benefit to their target groups (e.g. undertakings, citizens, organizations). This benefit may potentially have an economic value and may provide an economic advantage to involved economic operators (undertakings), which would have not

received it under normal market conditions, and therefore it may be a potential State Aid according to the EU rules on State Aid. Therefore, third party organisation that are not listed in the project partnership, but still receive an economic advantage from the project may still fall under the state aid rules as so-called final recipients of aid. This is also called indirect state aid. However, in Interreg projects this advantage is usually so limited that it may not distort the internal market, therefore the GBER Regulation<sup>15</sup> introduced a further simplification for Interreg.

In order to take advantage of the new opportunities of the GBER Regulation, project partners may also foresee that specific target groups, being SMEs third parties other than project partners, may receive from these a grant up to a maximum of € 22.000 to implement specific project activities (e.g.: training activities, consultancy services; access to research facilities, innovation vouchers, creative productions, etc.), which shall contribute to reaching the project objectives. The activities object of the sub-grant, which must be coherent and in line with project objectives, shall be precisely described and justified in the project application form, to be approved by the programme bodies according to the programme rules. The related amount to be granted to the third parties shall be precisely estimated by project partners on the basis of a market research, it shall relate exclusively to costs for external experts and services and / or equipment, which shall comply with the rules specified above for these budget lines, as well as it shall be included in these budget lines of the project budget in the project application form.

### **Audit trail**

During project implementation, project partners are allowed to report expenditures of these third parties (e.g. undertakings / organizations) in their partner reports **only if related to external expert and services and equipment**, according to the programme rules and the above-mentioned audit trail for these budget lines.

However, in addition to the audit trail for these budget lines, following documentation shall be provided by the project partner, at least in the first report related to these expenditures, for management verifications by the national controllers:

- 1) Evidence of an appropriate selection procedure carried out by the project partners, according to the fundamental principles of competition, equal treatment and non-discrimination, transparency and publicity, in compliance with EU, national or Programme rules.
- 2) Contract or agreement between project partners and third parties laying down the activities to be carried out 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 and any necessary requirement provided by the EU or National Laws.
- 3) Evidence of the payment of the grant by the project partner to the third party.

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<sup>15</sup> Commission Regulation( EU) 2021/1237 of 23 July 2021 (EU) amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, in the framework of a simplification effort, introduced the new art. 20a with an exemption for aid granted to SMEs within the European Territorial Cooperation programmes (Interreg) up to 20.000 (amended to 22.000 with EC Reg. (EU) 2023/1315).

**WARNING.** In order to ensure the traceability of the activities object of the sub-grant in the JeMS, the project partner shall report every single grant paid to the third party (e.g. undertaking) as one single item and attach a specification of all costs covered by the grant (example: if the grant is composed by 1 innovation voucher of € 20.000, the relevant activity must be reported in external expertise budget line, with an attached file listing all single items paid by the third party, e.g. 2 services/equipment items, documented through 2 procurements, 2 contracts, 2 invoices, 2 payments etc.).

The activities object of grant **shall comply with the communication requirements** in compliance with the Programme rules and procedure on communication.