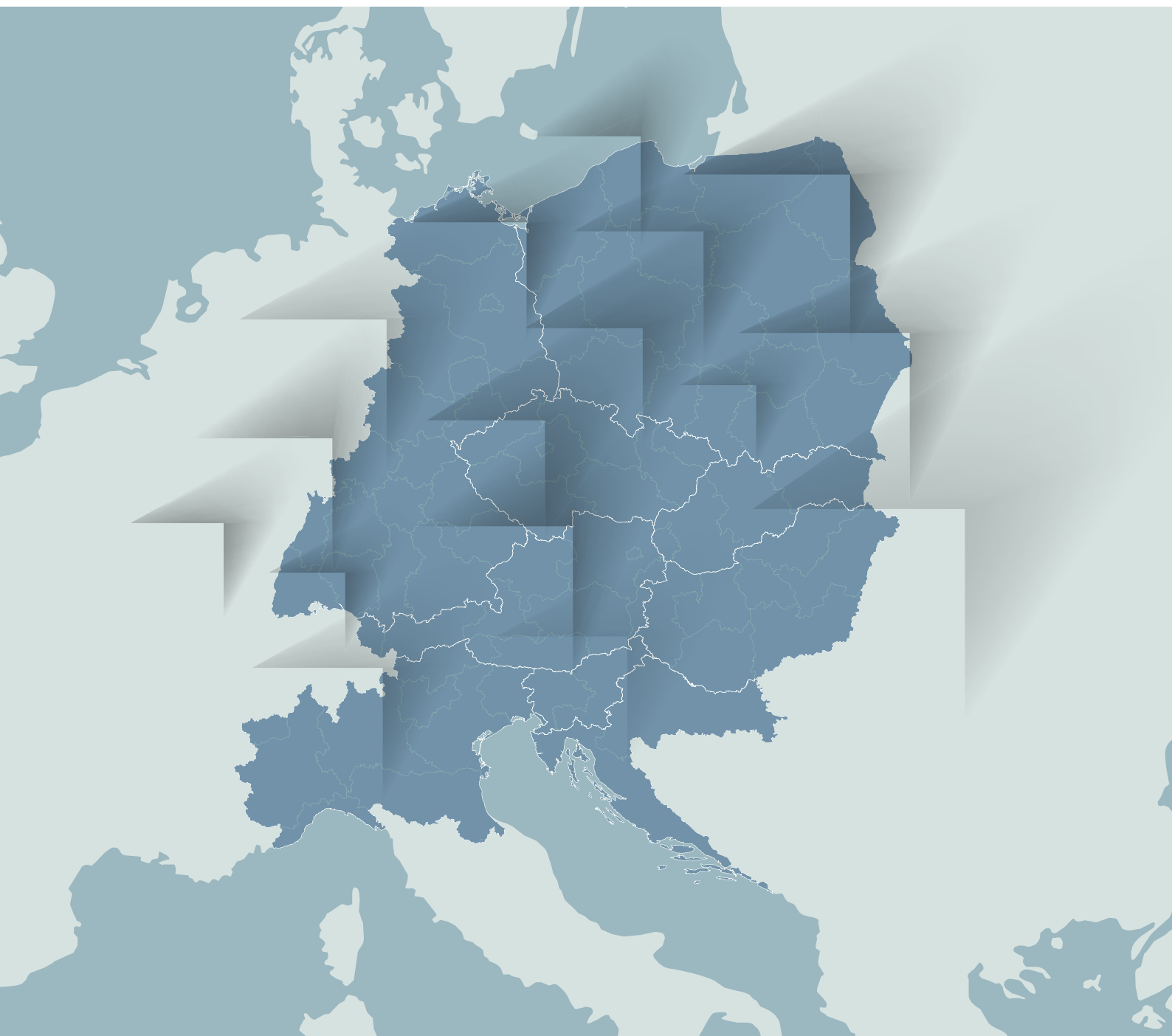


IMPLEMENTATION MANUAL

Version 2
July 2016



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ANNEXES

Annex 1: Glossary

Table of abbreviations

Abbreviation

| | |
|-----------------|--|
| AA | Audit authority |
| CA | Certifying authority; in the framework of the Interreg CENTRAL EUROPE Programme this function is carried out by the managing authority |
| CP | Cooperation Programme (document) for the Interreg CENTRAL EUROPE Programme, adopted by the European Commission on 16.12.2014 |
| CPR | Common Provisions Regulation; Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 |
| EC | European Commission |
| ECA | European court of auditors |
| ETC | European Territorial Cooperation |
| eMS | Programme electronic Monitoring System |
| ERDF | European Regional and Development Fund |
| ERDF regulation | Regulation (EU) No 1301/2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 |
| ESI | European Structural and Investment Funds |
| ETC regulation | Regulation (EU) No 1299/2013 of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal |
| GoA | Group of auditors |
| Interreg CE | Interreg CENTRAL EUROPE Programme |
| JS | Joint secretariat of the Interreg CENTRAL EUROPE Programme |
| LA | Lead Applicant |
| LP | Lead partner |
| MA | Managing authority (taking over also the functions of the certifying authority) of the Interreg CENTRAL EUROPE Programme |
| NCP | National contact point of the Interreg CENTRAL EUROPE Programme |
| OLAF | European anti-fraud office |
| PP | Project partner |

INTRODUCTION

Preamble

The implementation manual (IM) of the Interreg CENTRAL EUROPE Programme (Interreg CE) is intended to provide lead partners (LP) and project partners (PP) with information and guidance needed for a sound and timely implementation of their funded projects, in compliance with the applicable legal framework.

The IM contains provisions concerning all phases of the project lifecycle, from contracting through project implementation until closure. Some chapters present compulsory programme requirements (e.g. eligibility rules) while others intend to give information, guidance and support to ensure a sound project management at all levels.

Target audiences of this document are:

- Project managers, finance managers and communication managers appointed by the beneficiaries¹ participating in the approved projects;
- National controllers in charge of validating the expenditure incurred and paid by the beneficiaries.

Moreover, applicants are strongly advised to consult this document also when preparing their project proposals, since this document sets the conditions for receiving funding from the European Regional and Development Fund in the framework of the Interreg CE Programme.

The information provided in this document will be further developed and updated during programme implementation if necessary. The programme will also provide beneficiaries and national controllers with training and exchange opportunities from early-on in project implementation. Furthermore, desk officers of the joint secretariat (JS) will give personalised assistance to beneficiaries (mainly to LPs).

Legal framework and hierarchy of rules

Legal framework

The regulatory framework for the management of Interreg CENTRAL EUROPE as well as any other EU-funded projects is based on the following two regulations:

- Regulation (EU, Euratom) No 966/2012 (Financial Regulation) of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002;
- Commission Delegated² Regulation (EU) No 1268/2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

¹ For the purposes of this document, the term beneficiary is intended as a synonym of the LP and each PPs participating in an approved project. For the exact definition of beneficiary please see also the glossary.

² A delegated act (or regulation, decision) is a non-legislative act from the European Commission with specific provisions on the implementation of regulations of the European Parliament and the Council.

Furthermore, all general rules concerning the structural and investment funds are also applicable, being the Interreg CE Programme co-financed from the European Regional Development Fund (ERDF). As such, the following legal norms and documents apply (non-exhaustive list):

- Regulation (EU) No 1303/2013 on common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and on general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (Common Provisions Regulation);
- Regulation (EU) No 1301/2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 (ERDF Regulation);
- Regulation (EU) No 1299/2013 on specific provisions for the support from the European Regional Development Fund to the European Territorial Cooperation goal (ETC Regulation);
- Implementing acts and delegated acts adopted in accordance with the aforementioned regulations;
- Other regulations and directives applicable to the implementation of projects co-funded by the ERDF (some of them mentioned in the text);
- The Interreg CENTRAL EUROPE Cooperation Programme (CCI 2014TC16RFTN003) adopted by the European Commission on 16 December 2014 with Decision No C(2014) 10023 final.

Further guidance on matters of relevance for the project financial management and control of expenditure can be found in the following guidelines issued by the European Commission³:

- EGESIF 14_0012. Guidance for Member States on management verifications.⁴
- EGESIF 14_0017. Guidance on simplified cost options (SCOs). Flat rate financing, standard scales of unit costs, lump sums.
- EGESIF 14_0030. Public procurement. Guidance for practitioners on the avoidance of common errors in ESI funded projects.⁵

In case of amendment of the above mentioned legal norms and documents, the latest version shall apply.

³ Available at http://ec.europa.eu/regional_policy/en/information/legislation/guidance/.

⁴ This document is not yet published at the time of issuing this manual. Please check regularly the following link: http://ec.europa.eu/regional_policy/en/information/legislation/guidance/

⁵ Ditto.

Hierarchy of rules on eligibility of expenditure

The hierarchy of eligibility rules applicable to projects funded within the European Territorial Cooperation objective of the Cohesion Policy 2014-2020 is defined in article 18 of the ETC Regulation:

1. EU rules which include:

- Common Provisions Regulation, in which Article 6 and Articles 65 to 71 describe specific provisions on applicable law as well as on eligibility of expenditure;
- ERDF Regulation, in which Article 3 describes specific provisions on the eligibility of activities under the ERDF;
- ETC Regulation, in which Articles 18 to 20 describe specific provisions on eligibility of expenditure applicable to ETC programmes;
- Commission Delegated Regulation (EU) No 481/2014, which contains specific rules on eligibility of expenditure for ETC programmes.

2. Programme rules: i.e.

- Additional rules on eligibility of expenditure set by the MC for the Interreg CE as a whole. The rules are outlined in this IM.

3. National (including institutional) eligibility rules: i.e.

- Rules that apply only for matters not covered by eligibility rules set in the abovementioned EU and programme rules.

ATTENTION

Please note that, in line with Article 6 of the Common Provisions Regulation, all applicable EU and national rules, apart from eligibility rules, are on a higher hierarchical level than rules set by the Interreg CE Programme. They must therefore be obeyed (e.g. public procurement law).



A. HOW TO GET STARTED WITH THE PROJECT

A.1. General requirements

A.1.1. Signing the subsidy contract

The subsidy contract is the agreement that, in compliance with the “lead partner” principle⁶, is established between the City of Vienna, acting as programme Managing Authority (MA) and the LP. The subsidy contract constitutes the legal framework for the implementation of the project, confirming the final ERDF commitment to the project, setting out the conditions for support and providing implementing arrangements. The most recent version of the approved application form is an integral part of the subsidy contract. The subsidy contract template is available for download on the programme website www.interreg-central.eu.

Following the approval of the project by the Monitoring Committee (MC) and, where applicable, following the fulfilment of all conditions for approval set by the MC,⁷ a personalised subsidy contract offer is sent by the JS on behalf of the MA to the LP. The subsidy contract offer is sent to the LP immediately after the MC approval and the fulfilment of conditions. The LP has then **two months** for accepting the offer (date of sending) and sending back two original print outs of the subsidy contract that are dated, initialled on all pages, stamped and signed by the legal representative of the LP institution. The MA will send back to the LP a countersigned copy of the subsidy contract.

ATTENTION

Two months after sending the subsidy contract, the offer loses validity unless the MA agrees to a prolongation of this period of time.

⁶ As provided for in Article 13 of the ETC Regulation.

⁷ For more information on the contracting phase, please refer to Part D, chapter V.5 of the application manual.

TIP

Experience shows that in several cases project partners cannot start implementing activities before the subsidy contract and the partnership agreement are signed. It is therefore recommended to sign these documents as early as possible to avoid delays in project implementation.

A.1.2. Setting up the partnership agreement

According to Article 13(2) of the ETC Regulation, the LP shall define arrangements for relations with the PPs in an agreement comprising, inter alia, provisions which guarantee the sound financial management of the funds allocated to the project, including the recovery of unduly paid amounts. While the subsidy contract establishes a legal base between MA and LP, the partnership agreement establishes a legal base between LP and all PPs.

The Interreg CE Programme provides a downloadable template of the partnership agreement on www.interreg-central.eu. This template provides all minimum compulsory requirements needed, meaning that additional elements may be included in order to tailor the agreement to the needs of the partnership. Additional provisions included in the document must in any case be in line with the programme objectives and the legal framework mentioned in the subsidy contract and the partnership agreement.

The partnership agreement must be signed by the LP and all PPs, either in one single document or as bilateral documents between the LP and each PP. In case the bilateral option is chosen, all bilateral agreements must include a clause that interlinks them.

The partnership agreement shall be signed the latest within three months after the subsidy contract enters into force. The LP has to provide evidence to the MA/JS on the signing of the partnership agreement⁸. The MA reserves the right to check the partnership agreement in order to verify that it has been signed and that it meets the minimum requirements set by the programme.

A.1.3. Filling in of supplementary information in the electronic Monitoring System

Within three months after the entry into force of the subsidy contract, the LP has to complete the section "Supplementary information" in the programme electronic Monitoring System (eMS) by providing following information:

- Name and contact details of the project management team, i.e. project, finance , and communication manager;
- Location of official project documents at the LP and each PP premises;
- Bank information of the LP;
- Identification of the national controllers proposed by the LP and each PP.⁹

The MA (in its function of CA) will only disburse funds if the LP provides at least the following information: identification of authorised national controllers of partners claiming costs, bank account of the LP, location of storage of project documents at the premises of the LP and each partner, evidence of the signing of the partnership agreement (as mentioned in chapter A.1.2).

⁸ The MA (in its function of CA) will not refund the project if evidence on the signing of the partnership agreement is not provided, as further explained in chapter A.1.3.

⁹ The final assignment of national controllers to the beneficiaries will be subject to confirmation of the relevant national bodies as further specified in chapter A.4.1.

In case of changes during project implementation, the LP has to update this section and notify the JS by sending an email and attaching relevant supporting documents, if applicable.

In this section of the eMS, the LP can also assign user rights to the PPs (i.e. persons at the project partner institutions dealing with the project and already registered in eMS). It is to be noted, however, that project progress reports and potential requests for modifications can only be submitted by the LP.

A.1.4. Reimbursement of preparation and contracting costs

Approved projects which signed the subsidy contract with the MA are entitled to reimbursement of their preparation and contracting costs in form of a lump sum.

The reimbursement of a lump sum for preparation costs follows the principles detailed below:

- The lump sum amounts to **EUR 15.000** of total eligible expenditure per project and must be included by the partnership in the full application form;
- The lump sum covers all costs linked to the preparation and/or contracting of the project¹⁰ until the day in which the final application form fulfilling all conditions for approval set by the MC has been finally accepted by the MA/JS;
- The ERDF contribution effectively granted to the project is linked to the actual co-financing rate applicable to the partner(s) to whom the lump sum is allocated in accordance to the approved application form.

After signing the subsidy contract and completing the section "Supplementary information" in eMS (as provided for in chapter A.1.3), the lump-sum will be transferred to the bank account of the LP¹¹. It is then the LP's responsibility to transfer the share of the lump-sum to respective PPs in compliance with the budget allocation to preparation costs as it is in the approved application form.

Differences between the granted lump sum and real costs which occurred for preparation are neither checked nor further monitored by the programme and beneficiaries do not need to document that the expenditure has incurred and has been paid or that the expenditure corresponds to reality.

In case the project is not implemented following the signing of the subsidy contract, the MA may recover the ERDF granted for preparation costs.

Further information on the eligibility of costs for preparation and contracting activities can be found in chapter C.1.4.

¹⁰ In the project contracting phase the partnership is often requested to revise its application forms following conditions for approval set by the monitoring committee. This might also include a meeting with the MA/JS in Vienna.

¹¹ It is to be noted that the reimbursement of the lump sum for preparation costs is not subject to verifications by national controllers (for more information on national control systems please see chapter A.4.1).

A.2. Project management

A.2.1. How to set up the project management system

Responsibilities

The LP plays a key role in the partnership and is overall responsible for the entire project while PPs are responsible for implementing their activities and fulfilling their tasks as defined in the latest version of the approved application form.

The split of responsibilities between LP and PPs is summarised below.

| | LEAD PARTNER | PROJECT PARTNERS |
|---------------------------------|--|---|
| CONTRACTS | <ul style="list-style-type: none"> > Signs subsidy contract with the MA > Draws up the partnership agreement according to the programme template | <ul style="list-style-type: none"> > Sign partnership agreement and commit themselves to implement their activities and fulfil other obligations as laid down in the agreement |
| IMPLEMENTATION | <ul style="list-style-type: none"> > Carries responsibility for the implementation of the entire project > Implements activities assigned to it as in the latest version of the approved application form > Manages and coordinates the partnership | <ul style="list-style-type: none"> > Implement the activities assigned to them as in the latest version of the approved application form > PPs in the role of work package leaders are responsible for the appropriate implementation of the work package |
| MONITORING AND REPORTING | <ul style="list-style-type: none"> > Monitors the progress of project activities > Performs quality checks on partner inputs (activity and financial report) whether deliverables and outputs comply with content and quality requirements as set in the latest version of the approved application form > Consolidates partner information at project level > Submits expenditure and supporting documents (including activity and financial reports) to its national controllers for validation > Delivers joint progress reports (including relevant annexes) and a final report to the programme in compliance with deadlines for reporting as provided for in the subsidy contract > Requests potential project modifications to the programme | <ul style="list-style-type: none"> > Exchange with the LP and inform about the progress > Inform the LP on risks and problems, deviations or the potential need for project modifications > Submit expenditure and supporting documents (including activity and financial reports) to their national controllers for validation > Provide a partner report to the LP including information on implemented activities, deliverables and outputs as well as costs validated by national controllers, according to the reporting timeline as provided for in the partnership agreement > Provide the LP with relevant annexes including outputs, deliverables as well as control documents issued by the controllers |
| PAYMENTS | <ul style="list-style-type: none"> > Receives payments from the programme > Transfers funds to the project partners without delay keeping evidence of the occurred transfers | <ul style="list-style-type: none"> > Receive payments from the LP |
| IRREGULARITIES | <ul style="list-style-type: none"> > Ensures to reduce and/pay back unduly paid out funds if an ineligible amount is detected in the project expenditure | <ul style="list-style-type: none"> > Are responsible for any ineligible amount in the expenditure claimed in their report |

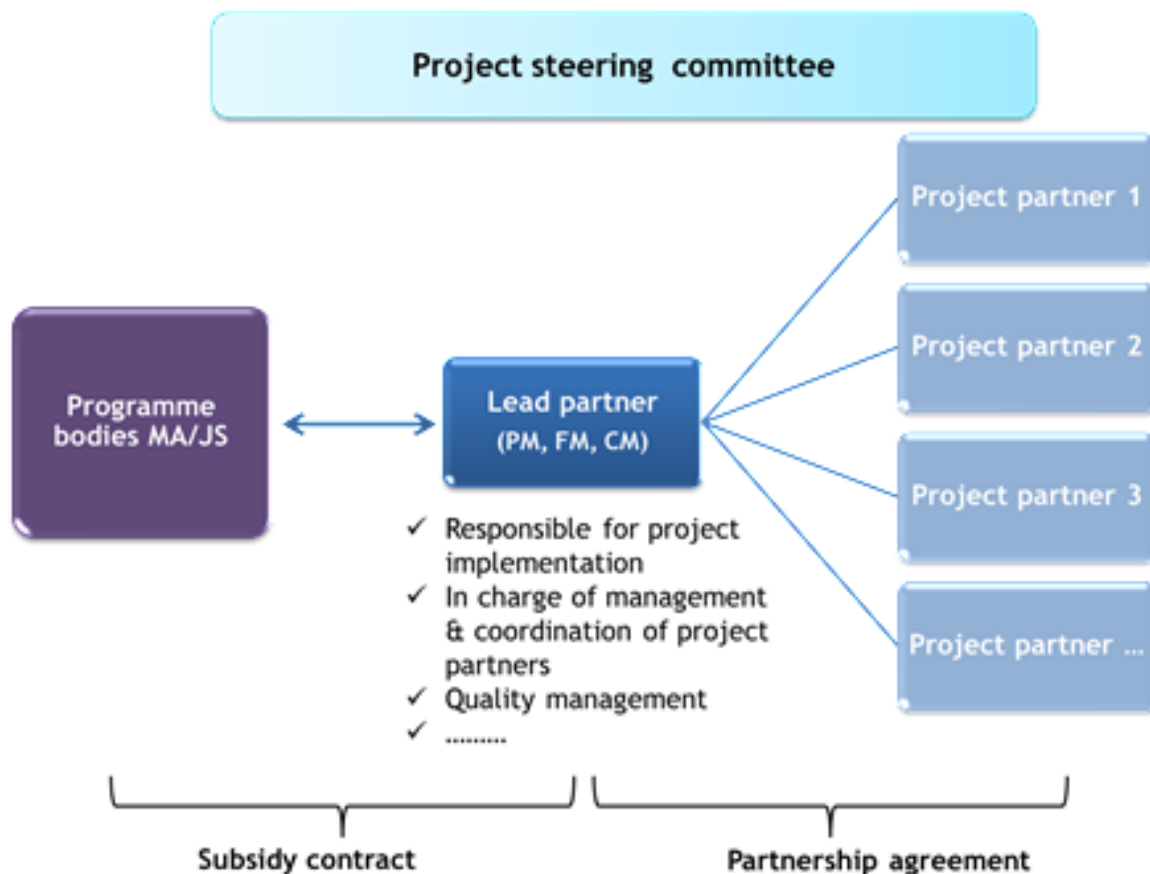
Project management and coordination¹²

Project management is crucial for successfully implementing a project. It is a complex task and needs to be carefully planned taking into account several aspects. The most dynamic and complex aspect is the human factor ('people'), which is often underestimated. It is so important because the performance of the project team (i.e. involved staff at PP institutions) widely determines the results of the project.

At the very beginning of the project implementation, the partnership needs to establish a project management structure which should consist of the following:

- Decision-making body (project steering committee);
- Project management team:
 - Overall day-to-day project management and coordination (project manager/coordinator);
 - Financial management (finance manager);
 - Communication management (communication manager).
- Thematic coordinators, if applicable (e.g. a group of work package leaders).

The chart below illustrates the basic management structure which is required from Interreg CE projects.



¹² Please refer also to the application manual Part C, chapter V.



Project steering committee

The project steering committee is the decision making body of the project. Each partner has to nominate its representative(s) who should actively take part in the decision making. If the JS participates, it only takes over an observer role in the steering committee. NCPs might also participate to steering committee meetings.

It is important that rules of procedure and decision making are established from the beginning (i.e. approved at the first meeting of the steering committee).

The tasks of the project steering committee are linked to strategic coordination, evaluation and decision making and include the following:

- Monitoring and validation of project implementation and achievements: This includes verifying that project implementation is in line with activities and outputs defined in the approved application form. Furthermore it means validating the quality of main project outputs and of progress towards achieving set objectives.
- Monitoring of project finances: This includes monitoring the project budget, budget flexibility and project spending.
- Monitoring of project communication: This includes monitoring of the branding of the project and review of progress made towards reaching communication objectives.
- Review of the management performance and of the quality of progress reporting towards the programme bodies.
- Monitoring and management of deviations.
- If applicable, decisions on required project modifications (e.g. partnership, budget, activities, and duration).
- If applicable, discussion on project evaluation (e.g. evaluation results, follow-up measures etc.).

In case of problems in the implementation of the project, the steering committee has to take action.

The steering committee is usually supported by the project management team to facilitate the decision making process.

Additionally, the steering committee can involve external key stakeholders to widen its mission (not necessarily involved in all discussions and meetings) but without allowing them participation in decisions. Notably, it could involve political representatives, representatives from administration, sector specific experts, social partners and other, regional actors (e.g. NGOs) to support the mainstreaming of results. However, such decision is up to the partnership considering the respective project environment and the need to ensure, in any case, the well-functioning of the steering committee as monitoring and decision making body.

The steering committee is recommended to hold meetings at least once per reporting period, i.e. every six months, to which the appointed JS desk officers have to be invited. Also national contact points will be informed by the JS about the steering committee meetings.

Each steering committee meeting needs to be documented in minutes including a signed list of participants. The minutes have to be shared with the partnership and the JS possibly within two weeks after the meeting.

Project management team

The project management team consists of few core positions which should be ideally assigned to different persons working in close coordination and cooperation. In case the respective capacity or expertise for a position is not available at the LP institution, it is also possible that another PP takes over a role. Another possibility could be to sub-contract some of the tasks linked to such positions. It is however to be noted that the responsibility of these tasks and, above all, of the sound implementation of the project remains with the LP.

The project management team is responsible for sharing relevant information and knowledge with the partnership, thus contributing to building or ensuring the necessary capacity of all PPs.

Coordination, especially in the case of large partnerships, can be challenging and it is advisable to mirror the project management positions (project, finance and communication) in PP institutions in order to allow a good information flow.

| MANAGEMENT POSITION | RESPONSIBILITIES / TASKS |
|-----------------------------------|---|
| PROJECT MANAGER (PM) | <ul style="list-style-type: none"> > Coordinates and manages the project implementation > Drives the partnership > Monitors project progresses towards the set objectives and work plan as in the latest version of the approved application form > Ensures internal information flow and knowledge management > Performs quality control of deliverables and outputs > Prepares the activity parts of the six-monthly progress reports and timely submits these > Regularly communicates with the JS > Coordinates closely with the finance and communication managers |
| FINANCE MANAGER (FM) | <ul style="list-style-type: none"> > Ensures a sound financial management of the project > Passes on relevant financial programme information (e.g. on rules and requirements regarding eligibility of costs, financial reporting, audits etc.) to all PPs > Monitors financial project progress (including expenditure of partners and payments) > Prepares the financial part of the six-monthly progress reports > Communicates with the JS upon needs > Works in close contact with the project manager |
| COMMUNICATION MANAGER (CM) | <ul style="list-style-type: none"> > Develops and implements the project communication strategy > Coordinates all communication activities in the project among all PPs in close coordination with the project manager > Builds the capacity of PPs to effectively communicate project achievements > Communicates with the JS upon needs |

TIP

**A GOOD PROJECT
MANAGER SHOULD:**

- > Be goal oriented
- > Be able to lead teams (including the ability to moderate, mediate, motivate and solve conflicts)
- > Have a good understanding of the project content
- > Demonstrate good organisation skills and communication skills as well as cultural empathy
- > Have good English language skills
- > Be active and participate in all partner meetings and follow-up closely what partners do
- > Have flexibility in order to overcome unforeseen difficulties
- > Have experience in project management, preferably in international cooperation and European territorial cooperation
- > Stay in close cooperation with the responsible JS desk officer

**A GOOD FINANCE
MANAGER SHOULD:**

- > Have a sound knowledge of the EU and programme rules, as well as national rules in her/his country, applicable to the project
- > Have sufficient analytical capacities
- > Demonstrate good organisation skills (completion of tasks within deadlines, follow - up etc.)
- > Have good understanding of the links between project content and budget
- > Have good English language skills
- > Participate in partner meetings according to needs and follow-up closely what partners do
- > Be flexible and prepared to deal with new factors, unforeseen events or problems having influence on the project budget
- > Have experience in financial project management, preferably in international cooperation and European territorial cooperation
- > Stay in close cooperation with the responsible JS desk officer

**A GOOD
COMMUNICATION
MANAGER SHOULD:**

- > Be goal-oriented
- > Have very good English language skills
- > Be able to lead teams as primus inter pares
- > Have a good understanding of the project content
- > Demonstrate good organisation skills and communication skills as well as cultural empathy
- > Be active and participate in all partner meetings and follow-up closely what partners do
- > Have flexibility in order to overcome unforeseen difficulties
- > Have experience in communication management
- > Stay in close contact with all partners, especially the lead partner and project manager

TIP Lead partners should consider including quality management and project evaluation on the agenda of the kick-off meeting as well as each steering committee meeting.

A.2.2. How to plan internal project communication

Internal communication is a project management task that ensures effective exchange and coordination among project partners. The LP should take responsibility for establishing tools and procedures that keep the whole partnership aware, knowledgeable and involved.

An internal project kick-off meeting with all partners is recommended to be organised alongside the first project steering committee. The aim of this meeting should be to stress the importance of keeping partners informed and involved at all times. It will also help ensuring a coherent understanding of responsibilities and administrative procedures as well as overall objectives, the work plan and the timing.

As such the kick-off meeting often becomes an initial team-building event. It will ensure that all partners are ready to start their work on the project implementation and know what steps to take next. Depending on the size of the project partnership, a kick-off meeting usually takes one or two days and is organised by the LP.

Beyond the kick-off meeting, specific tools and measures will be needed for ensuring good internal communication. Channels for internal communication typically fall into one of the following categories:

- **Electronic:** examples beyond e-mail include intranet/clouds, and social intranet tools (as for example Yammer or Trello);
- **Print/PDF:** examples include handbooks, internal manuals, etc.
- **Personal:** examples beyond partner meetings include briefings and conference calls, etc.

A.2.3. How to set up a project quality control system

Internal quality management

Proper quality management is essential for ensuring successful project implementation. To ensure a high quality of project implementation, the project management team should:

- Stay in **regular contact with all PPs** in order to have a clear overview of activities that are implemented. Through this exchange it will be possible for the project manager to provide guidance and to ensure a good quality of deliverables and outputs (in terms of contents, extent, timing, layout, etc.).
- Closely monitor **project progress and performance**, e.g. in terms of:
 - ☐ Progress of implementation (activities, deliverables, outputs of all work packages, indicators)
 - ☐ Finances
 - ☐ Identification of potential risks and problems, deviations and modifications
- Carefully **plan the reporting process** so that PPs provide necessary information in time. Set up clear internal responsibilities and deadlines for getting partner information needed for reports.
- Perform a **systematic quality control** by checking the quality of information and supporting documents (deliverables, outputs, financial figures, etc.) provided by PPs in their partner reports. This should be done when consolidating the provided information into the joint progress report before submitting it to the programme bodies.

ATTENTION

It is the responsibility of the LP to verify that the expenditure of partners corresponds with the activities as foreseen in the latest version of the approved application form (see chapter B.3.3 on LP verifications). In general, a systematic quality control has proven to be a very effective tool for a quick approval of progress reports and the reimbursement of related payment claims.

- Conduct **internal reviews** in order to analyse the current status and progress as well as to plan ahead for the next activities. This can be accomplished in the frame of regular project (steering committee) meetings. Such internal reviews could tackle following issues:
 - ☐ Identification of information needs within the partnership
 - ☐ Regular exchange of information on project progresses
 - ☐ Review of lessons learnt and outputs/results achieved so far
 - ☐ Present/discuss and agree on plans for next actions
 - ☐ Review of partnership performance
 - ☐ Identification of risks and problems as well as the necessary solutions
 - ☐ Determine the information needs in the partnership
 - ☐ Decide/discuss on how information should be communicated best (internal/external)

ATTENTION

In addition to internal reviews, please note that projects have to undergo a compulsory mid-term review meeting carried out by the programme (see chapter B.5).

TIP

Although project evaluation is not compulsory, it is highly recommended as a key management tool and learning exercise. It allows to measure project performance and to assess whether project objectives have been met, as well as to document successes and lessons learned.

Project evaluation

Evaluation principles and purpose

An evaluation is the systematic and objective assessment of the design, implementation and results of the project. The aim is to determine the relevance and fulfilment of objectives, efficiency, effectiveness, impact and sustainability.

Important principles of an evaluation are:

- **Objectivity:** it should aim at a maximum level of objectivity and impartiality;
- **Independence of evaluators:** it should build on expert knowledge and be independent from operational staff;
- **Participation of partners in the evaluation process:** it should be as inclusive as possible, involving the whole partnership and if applicable, external stakeholders;
- **Transparency and focus:** the evaluation assignment must be clearly defined and focussed;
- **Reliability:** it should be based on reliable data and evidence.

TIP

The purpose of an evaluation should be to improve the project and not to undertake it for its own sake. Always ask when planning an evaluation how the results will improve the project implementation or contribute to the needs or interests of target groups of your project.

Evaluations should be carried out having a clear picture of why and for whom the evaluation is done. The most commonly purposes of evaluations are:

- **Accountability:** Demonstrating in how far a project has achieved its objectives, outputs and results as planned in the approved application form, how well it has used its resources and what has been (or is likely to be) its impact;
- **Implementation:** Improving the performance, management and effectiveness of the project and of the use of funds (including management arrangements, partner involvement, etc.);
- **Knowledge generation and management:** Understanding what works (for whom) and why (and in what contexts) often in view of transfer to stakeholders and target groups as well as sustainability of project outputs and results;
- **Planning/efficiency:** Ensuring that there is a justification for the project and that resources are efficiently deployed (considering the principle of sound financial management);
- **Institutional strengthening** - Improving and developing capacity among PPs and their networks.

Evaluation criteria and questions

Through defining the evaluation questions, the project can focus on different implementation aspects. The most relevant and common project evaluation criteria are:

- **Relevance:** To what extent are project actual results still relevant to the needs of the programme area? Is the project doing the right things?
- **Effectiveness:** To what extent have the project objectives as defined in the approved application form been achieved? Has the project produced the expected effects? Could more effects be obtained by using different instruments? To what extent have target groups been reached?
- **Efficiency:** Have the planned outputs been achieved ensuring value for money?
- **Utility:** Has the project had an impact on the target groups in relation to their needs? What real difference has the project made to the target groups?
- **Sustainability:** To what extent can achievements (or benefits) be expected to last after the project has been completed?

Examples of evaluation types are:

- Evaluation of **project implementation and achievements** by external, independent experts (e.g. achievement of project specific objectives, focus on specific elements of project implementation such as outputs or pilot actions, project communication etc.);
- Evaluation of **effects of project results on different target groups** and stakeholders (e.g. satisfaction analysis);
- Internal/external evaluation of **project management** (e.g. internal feedback loops from project partners on project coordination, internal communication and information flows, etc.) and/or formalised **quality review** of outputs (e.g. peer reviews);
- Scientific appraisal by expert or advisory boards (e.g. involving also associated partners and/or key stakeholder for thematic assessment of outputs and results).

TIP

It is very important to formulate good evaluation questions: Ask questions that target groups of your project will find useful and that can be answered with the data available.

Although there is no single best way to conduct an evaluation, there are some guiding principles. In order to be useful, project evaluation should:

- Be planned at the start of a project;
- Be in place during the lifetime of a project;
- Be flexible, capable of adapting to changing requirements;
- Meet the needs of the partnership;
- Match the objectives and interest of target groups of the project.

Therefore evaluation needs to be tailored to the actual needs of the project, notably in terms of project scope and timing.

Evaluation methods

A multitude of different evaluation approaches exists and within a single project different evaluation methods can be combined. Detailed information on evaluation methods and techniques can be found at http://ec.europa.eu/regional_policy/sources/docgener/evaluation/guide/evaluation_sourcebook.pdf.

Implementing and managing evaluations

Evaluation is generally conducted by independent, external experts but it (or parts of it) could also be done internally (for example a peer review).

To coordinate evaluation activities in the project usually falls under the responsibility of the LP. However, if appropriate, project evaluation tasks can be attributed to PPs, also depending on their specific competences. This concerns in particular the evaluation of specific tasks or results at PP level (e.g. the implementation of a local/regional pilot action), which could be carried out by the respective partner. In general, managing an evaluation comprises tasks such as the preparation of the Terms of Reference (ToR), selection and support of the evaluation team, quality control of the delivered evaluation reports and coordination of the implementation of the evaluation recommendations and follow-up measures.

An evaluation can be carried out either during project implementation (i.e. as an ongoing or mid-term evaluation) to find out if the project is performing as planned or at the end of the project to assess achievements of the project.

Communication of evaluation results and follow-up measures

In order to ensure that evaluation brings benefits to the project performance, a smooth information and feedback flow within the partnership is essential. Project partners should be actively involved not only in the process of carrying out evaluation but should also have easy access to any feedback or evaluation results obtained.

Information should raise the level of knowledge in the partnership about the main factors in project success (or failure). The evaluation might result in recommendations for improvements which might have to be jointly discussed by the partnership, notably within the project steering committee as the relevant decision making body.

As a result, appropriate follow-up measures should be integrated into on-going project implementation. Evaluation results have to be provided to the JS and, if applicable, be communicated to relevant stakeholders in order to showcase project achievements, to identify transferable good practices and to ensure sustainability (e.g. target groups, decision makers etc.).



A.3. Communication management

Transnational projects are catalysts for innovative and result-oriented change in the programme area. They explore and test new solutions that answer to shared territorial challenges - before they finally transfer their results to a wider circle of stakeholders.

This is when communication comes in as a key strategic function in transnational projects. Communication can help raise awareness and knowledge on project activities and results - and ultimately improve attitudes towards working with the project and taking up the results if a project dedicates sufficient time and resources to this management function.

The following chapters will provide project partners with concrete guidance on how to properly implement their planned project communication.

A.3.1. How to strategically plan external project communication

Already in the application phase, projects had to roughly lay down what they aim for with communication activities and how the partnership wants to achieve these targets.

Based on information provided in the application forms, all approved projects will have to present a communication strategy when submitting their first progress report. The task will be to further describe how communication will help to transfer concrete project outputs - to ultimately help reaching project specific objectives. In this strategy, project will have to provide more information on target audiences, results expected (in line with additional communication indicators set on programme level), approaches, activities and budget. The sharing of tasks and responsibilities among the partnership as well as the implementation timeline will also have to be described.

ATTENTION

All co-funded projects will have to submit to the JS a short but concise communication strategy together with the first progress report. The first progress report will not be approved by the MA/JS if the project communication strategy is not provided or its quality is not satisfactory.

Planning and implementing the communication strategy should be treated as a horizontal project management task. The whole partnership should be involved and the leader of the communication work package should be responsible for building the partners' communication capacity and for coordinating the implementation and quality management of communication measures.

Based on the timeline provided in the strategy, annual communication work plans should be developed and agreed on within the partnership. Progress on communication will have to be checked and reported by the work package leader every six months prior to submitting progress reports to the programme.

To facilitate and harmonise the strategy drafting, a template is available for download on the programme website at www.interreg-central.eu/implement.

In addition, trainings will be offered by the JS for lead partners and their project management teams, including the project communication managers.

A.3.2. Implementation of project branding

According to European legislation, co-funded projects have to acknowledge and promote the ERDF support received in all their communication.¹³ In this regard, the approach to harmonise branding across the programme, including all project branding, is a cornerstone of communication in Interreg CE. This will facilitate branding, reduce costs and help to raise awareness on activities and results reached with ERDF support.¹⁴

The projects which Interreg CE supports are obliged to follow the programme's corporate design when developing their project communication. The (binding) project logos will be provided to the projects and already respect all logo requirements set out in the regulation. All co-funded projects will in addition receive a project brand manual with (non-binding) design templates for publications, plaques, promotional materials etc. However, despite the provided templates projects will need design expertise for laying out their products such as plaques, leaflets and studies.

Logos and design templates will be provided in common digital file formats. The projects are not encouraged to develop their own project logo, because they have a limited shelf life. Developing a logo is costly compared to the benefit such special branding can bring to the project during its limited lifetime. A specific logo might however be considered for an output/result with a lifetime going beyond the project. Prior approval of the MA/JS would then be required before the project start.

ATTENTION

For detailed information on how to brand activities and deliverables to make them eligible, please refer to chapter C.1.5.3 in this manual. Non-compliance with the rules on branding could lead to negative effects including financial corrections performed by national controllers and other programme bodies.

Detailed information on requirements as well as guidance concerning the implementation of all kind of activities and deliverables is included in the project design manual, available for download at www.interreg-central.eu/implement.

¹³ Cf. Annex XII, Section 2.2 of EC Regulation 1303/2013; available for download at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0320:0469:EN:PDF>

¹⁴ For more details, please refer to the Interreg CENTRAL EUROPE application manual; in particular Part C, Chapter VI "Setting up relevant project communication"

A.4. Financial management

Project expenditure incurred and paid out by each beneficiary undergoes a number of verifications by different actors, in compliance with the management and control requirements set by the European Structural and Investment (ESI) Funds regulations, as well as delegated and implementing acts for the 2014-2020 programming period.

This chapter summarises the features and requirements of the different levels of control applicable to approved projects, with the aim of helping project finance managers in setting up proper arrangements for the financial management of their projects.

A.4.1. National control systems

TIP

National controllers are the equivalent of first level controllers (FLC) in the 2007-2013 programming period.

What is the national control system?

Member States participating in the Interreg CE Programme have set in place national control systems. In compliance with Article 23(4) of the ETC Regulation designated bodies or authorised individuals are responsible for verifying for beneficiaries on their territories. They have to verify at least that:

- Expenditure relates to the eligible period and has been paid;
- Expenditure relates to an approved project;
- Expenditure complies with programme conditions;
- Expenditure complies with applicable eligibility rules;
- Supporting documents are adequate and an adequate audit trail exists;
- In case of simplified cost options (flat rates and lump-sums): that conditions for payments have been fulfilled;
- Expenditure complies with State aid rules, sustainable development, equal opportunity and non-discrimination requirements;
- Where applicable expenditure complies with Union, national and programme public procurement rules;
- Applicable rules on branding are respected;
- The project physically progresses;
- The delivery of products/services is in full compliance with the content of the subsidy contract, including the latest version of the approved application form (which is an integral part of the contract itself);
- An effectively functioning accounting system exists on the level of each beneficiary allowing a clear identification of all project-related expenditure.

Expenditure incurred and paid by beneficiaries can be claimed within the project only after it was verified by their respective national controllers.

Types of national control systems

There are two types of national control systems in the Member States participating in the Interreg CE Programme:

- **Centralised systems**, in which the Member State appoints one body to perform the verification of expenditure of all beneficiaries located in its territory. In these Member States, beneficiaries must submit their expenditure for verification to this body.
- **Decentralised systems**, in which each beneficiary is free to appoint its own controller,¹⁵ according to instructions/procedures set in place at national level. Controllers appointed by the beneficiaries can be either internal (functionally independent department inside the beneficiary organisation) or external (auditors belonging to independent institutions or selected on the market). Controllers chosen by the beneficiaries are subject to approbation by a body designated at national level for this purpose. Please check carefully national provisions and procedures applicable in the concerned Member States.

Controls performed on the expenditure submitted by beneficiaries can either be free of charge or charged to the beneficiary. In the latter case, costs of control are also eligible as project expenditure and can therefore be reimbursed if they have been both calculated and included in the project budget as well as claimed in the progress report.

The overview of the different control systems in the Member States participating in the Interreg CE programme is displayed in the following table, while more information on national control systems, including information on the cost of the control, can be found on www.interreg-central.eu and the websites of the national contact points.

| MEMBER STATE | TYPE | COSTS OF CONTROL | ADDITIONAL INFORMATION |
|--------------|---------------|----------------------------------|--|
| AT | Decentralised | Charged to beneficiaries | According to the beneficiaries legal status, its legal or management control body or according to national public co-financing, appointed controllers on national or regional level are responsible. |
| CZ | Centralised | Free of charge for beneficiaries | |
| DE | Decentralised | Charged to beneficiaries | Controllers must be selected through a tender procedure. Appointed controllers need to be approved by the national approbation body. |
| HR | Centralised | Charged to beneficiaries | |
| HU | Centralised | Free of charge for beneficiaries | |
| IT | Decentralised | Charged to beneficiaries | Controllers must be selected by each beneficiary. They can be external and selected through a tender procedure, or (if the beneficiary is a public administration) they can be appointed internally, within the beneficiary organisation, as long as s/he is independent from the unit in charge of project finances and activities. Appointed controllers, both external and internal, need to be validated by the national ad hoc Committee. |
| PL | Centralised | Free of charge for beneficiaries | Please consult your national contact point for further information. |
| SK | Centralised | Free of charge for beneficiaries | |
| SI | Centralised | Free of charge for beneficiaries | |

¹⁵ Some restrictions apply to beneficiaries located in Austria.



Qualification and capacity of controllers

The whole management and control system, and ultimately the sound implementation of the Interreg CE programme and its co-financed projects, strongly relies on the quality of the national control systems set in place.

Minimum qualification requirements of controllers are set at national level, however the following requirements should be held by a controller:

- Preferably degree in accounting, finance and relevant fields;
- Work experience in control and audit, preferably in controlling projects co-financed by Structural Funds;
- Knowledge of relevant EU, programme and national rules;
- Command of English.

In addition, knowledge and skills of controllers should be regularly updated through targeted trainings. In this respect, at national level (national bodies responsible for control or the NCPs) regularly organise training and information events. Furthermore, the MA/JS periodically organise opportunities for exchanging knowledge and experiences among national control bodies.

While in centralised systems, the qualification of controllers is ensured directly by the Member States when designating the body in charge of national controls, in decentralised systems it is a responsibility of the beneficiary, within the selection procedure, to ensure that controllers respect programme and national requirements (see also description of the selection of controllers below). If the performance of controllers in decentralised systems casts doubts on their professional standards, the MA reserves the right to require that the selected controller is replaced, in consultation with the national responsible body.

Irrespective to the type of control system, national controllers must have enough capacity for processing the expenditure submitted by the beneficiaries without delays. According to Article 23(4) of the ETC Regulation, the expenditure submitted to a national controller **must be verified within a period of three months** following the submission of the documents by the beneficiary. The designated controllers shall aim at submitting a signed certificate to the LP/PP within two months after the end of the reporting period. Experience has shown that delays in validating expenditure can hamper the implementation of a project due to delayed payments.

At the same time, a timely verification of expenditure by the controllers largely depends on the **completeness and accuracy of documents submitted by the beneficiary** which, in turn, must also be ready to respond quickly to requests for clarification that the controller may pose.

Independence of controllers

The controllers must be independent from the beneficiary. Whereas this requirement is met de facto in countries with a centralised system, beneficiaries located in countries with a decentralised system must bear in mind the following considerations:

- In case of internal controllers, the de facto independence of the organisational unit in which the controller is placed from the project activities and financial management must be ensured. This independence may not be easily given in small institutions and for such cases this option should be whenever possible avoided.
- The independence of external controllers may not always be given in cases in which tight commercial relations already exist between the partner institution and the selected controller (e.g., use of own tax accountants).

Minimum requirements on independence are set at the national level in Member States with a decentralised control system.

EXAMPLE *A private company acting as beneficiary in an Interreg CE project and located in a Member State with a decentralised system, is making use of an external accounting and tax consultant for its regular bookkeeping. Even if this consultant meets the necessary qualification requirements set at programme and national level for verifying expenditure, s/he may not be appointed as controller due to the fact that a commercial relationship already exists. In compliance with national requirements and procedures, the beneficiary may need to select another controller.*

Selection and approbation of controllers in decentralised systems

When a beneficiary from a Member State with a decentralised control system chooses its controller, the selection of the external body or person must respect procurement rules as described in chapter C.1.5.1 (except in the case that the controller is internal, as explained above).

ATTENTION

The qualification and independence of controllers must be a key point of the selection process and compulsory requirements set at programme level (as in the above chapters) as well as at national level must be fulfilled.

Furthermore, on the basis of experiences made in the 2007-2013 period, it is highly recommended to foresee contractual clauses, which:

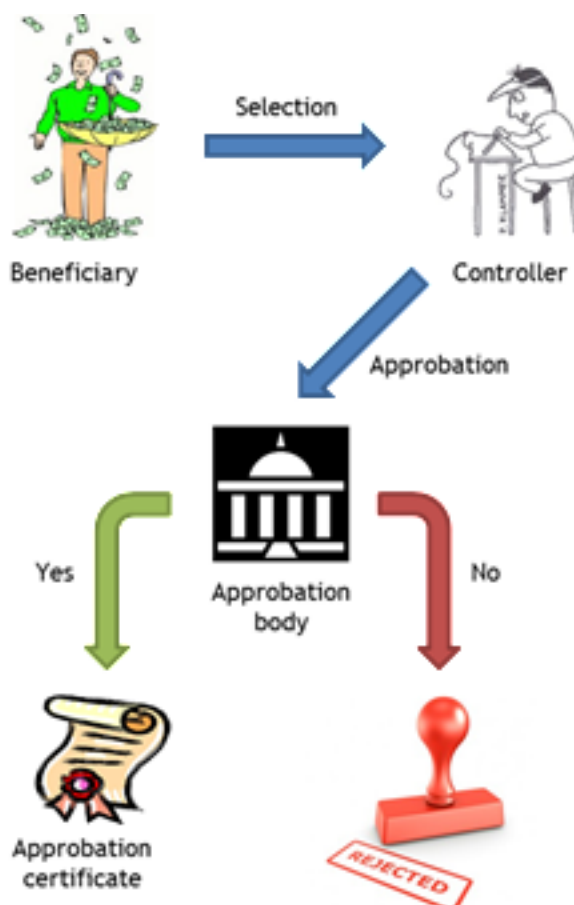
- Define the liability of controllers linked to the quality of their performance (quality and accuracy of the control work but also timely delivery of outputs);
- Ensure the availability of selected controllers also in the project closure phase, i.e. after the project end and until the last instalment has been paid out following the project end.

Following the selection of the controller (internal or external) by the beneficiary, **the controller must be approved** by an approbation body designated by the Member State. This could either be the national coordinating body or another body appointed for this purpose by the Member State. The approbation body verifies that the controller who was selected by the beneficiary fulfils the applicable requirements of qualification and independency. When approving a controller, the national approbation body assigns the controller to the specific project and beneficiary and issues an official approbation certificate.

Programme bodies can only accept project expenditure that is verified through certificates issued and signed by approved controllers.

The selection and approbation process in decentralised control systems is visualised in the following figure.

Figure 2- Selection and approbation process of controllers in decentralised systems



Information on controllers in eMS

The controllers of the LP and each PP must be indicated in the section of the eMS, in which supplementary information has to be provided by the LP following the approval of the project. During project implementation, the LP and, in a second stage, the programme bodies have to verify that all the certificates of expenditure have been issued by the authorised controllers.

Administrative and on-the-spot verification of expenditure

The verification of expenditure is performed by the independent national controller of each beneficiary (LP and PP) on incurred expenditure to be included in each progress report. This is done through **administrative verifications** (i.e. desk-based verifications) as well as **on-the-spot verifications**. Each progress report submitted to the MA/JS can contain only expenditure claims that have been verified by national controllers in accordance with national requirements and procedures set up by each Member State.

Expenditure submitted by a beneficiary to its national controller **should be verified in its entirety**. Only in duly justified cases, a selection of expenditure items to be verified can be done on a sample basis applying a suitable and transparent methodology set-up at national level. When applying a sampling method, the controls must cover all budget lines and take into account all risk factors affecting the project. The method applied and the sample taken as well as the results must be documented carefully and in a transparent way. The methodology has to contain steps to be taken in case of detection of errors or non-eligible amounts in the sample (i.e. enlarging the sample of the affected budget line up to 100 % of the claimed expenditure).

On-the-spot verifications are performed by the controller at the premises of the beneficiary as well as in any other place where the project is being implemented. On-the-spot verifications should check the existence of the project, especially with regard to cost items referring to the budget lines equipment and infrastructure/works (as described in chapters C.2.5 and C.2.6) as well as of accounting documents forming part of the audit trail. Furthermore, on-the-spot verifications should check the existence and effective functioning of an accounting system on the level of the controlled beneficiary.

As a general rule, **on-the-spot verifications have to be performed by controllers on all beneficiaries**.

An exception to this rule applies to countries with a **centralised control system**, where on-the-spot verifications may be performed on a sample of beneficiaries. In such case the controllers shall describe and justify the sampling method, ensuring a proper size of the sample in order to achieve reasonable assurance on the legality and regularity of the expenditure. However, beneficiaries realising investments in thematic equipment with a value of more than EUR 2.000 per cost item and/or any investment in infrastructure/works need to be verified on-the-spot by controllers also in countries following centralised control systems.

In countries with a **decentralised control system**, on-the-spot verifications of all beneficiaries are compulsory at least once and they have to take place in the first half of the project implementation period. Furthermore, a second on-the-spot verification is compulsory on those beneficiaries realising investments in thematic equipment with a value of more than EUR 2.000 per cost item and/or any investment in infrastructure/works.

TIP For more detailed information and guidance on verification of expenditure in the framework of the ESI Funds, national controllers are recommended to consult the **European Commission's "Guidance for Member States on management verifications"** (EGESIF 14_0012).

Control documents

The documentation of the control work carried out by the national controller is an essential element of the audit trail. It occurs through the filling-in and issuing of the following documents:

- ☐ **Certificate of expenditure**, i.e. the document certifying the compliance of the expenditure verified by the controller with the principles of eligibility, legality and relevance as listed above in this chapter. The certificate of expenditure must be signed by the authorised controller.
- ☐ **Control report**, i.e. the document in which the controller describes the methodology used for the verifications, including an assurance that controls covered 100 % of expenditure, explanation of the nature of the documents tested, of national and EU rules checked, etc. If applicable, the ineligible expenditure found during the verifications also needs to be described, including the reasons leading to this judgement.
- ☐ **Control checklist**, i.e. the document in which the controller gives evidence of the verifications performed.

Each beneficiary must enclose the above documents to each progress report in which it claims expenditure.

Templates of the above documents (**in English language only**) are developed by the Interreg CE programme and their use by the national controllers is compulsory. The above documents must be filled-in and issued by the controllers through eMS, as explained in chapter B.3. Offline templates are available for information purposes on www.interreg-central.eu.

A.4.2. Controls and audits at transnational (programme) level

Controls carried out at the transnational level by the programme bodies refer to ongoing controls of the MA (acting also as certifying authority –(CA)) supported by the JS as well as to audits performed by the audit authority (AA) supported by the group of auditors (GoA).

Ongoing controls performed by the MA

The so called ongoing controls performed by the MA (acting also as CA) with the support of the JS are to be regarded as complementary to the verification of expenditure carried out by national controllers.

The following types of control are performed by the MA/JS on LPs and PPs:

- **Verification of the project's existence and physical progress** by analysing the activity part, including indicators, of each progress report as well as outputs and relevant deliverables produced by the project and annexed to the reports (e.g. studies)¹⁶.
- **Plausibility checks of expenditure** consisting of desk checks of invoices and other supporting documents with the scope of analysing several aspects linked to the plausibility of expenditure, including the adequacy of costs (value for money) of the reported outputs and deliverables. These checks are performed by the MA/JS on a sample of projects in each reporting period.
- **Verification of the quality of the control work** performed by national controllers, through the check of the control report and checklist issued by controllers together with the certificate of expenditure. These documents are checked in all projects at least in the early stages of their implementation.

The above three types of control are usually performed by the MA/JS when analysing the submitted progress reports, prior to their approval. An additional type of control is performed by the MA/JS at any time during the implementation of the project and even after its closure:

- **On-the-spot verifications**, which are mainly targeted at projects that realise investments through thematic equipment and works, thus complementing the desk verification of the existence of the project. On-the-spot verifications might also be targeted at extended verifications on expenditure items already verified by national controllers¹⁷.

Furthermore, the MA/JS perform additional checks specifically for the **verification of quality standards of centralised control systems**, due to the potential systemic effect that a failure of the control systems may have.

On the basis of a risk assessment the MA/JS may also perform, at any time, additional verifications on incurred expenditure charged to the project with the scope of preventing and detecting potential irregularities (including fraud).

¹⁶ For further detailed information on the monitoring of the physical progress of the project carried out by the MA/JS, please refer to chapter B.2.

¹⁷ Projects are selected for on-the-spot verifications taking into account the following elements: size of the project and of the partnership; comparison of activities planned versus implemented (taking into account of implementation delays); indication of management problems; information on on-the-spot-verifications already performed by controllers and/or auditors, etc.

Audits performed by the AA and GoA

The AA is the body that, in compliance with Article 127 of the Common Provisions Regulation is responsible for:

- Ensuring the effective functioning of the management and control system in the programme, by performing audits on the MA/JS as well as on the national control systems;
- Ensuring that audits are carried out on an appropriate sample of projects for the verification, according to internationally accepted audit standards, of expenditure claimed by the beneficiaries and certified by the MA (in its function of CA) to the EC.

In the framework of the Interreg CE Programme, the AA is supported by the GoA which, in compliance with Article 25(2) of the ETC Regulation, is composed of a representative from each Member State participating in the programme. The AA and GoA must be independent from other programme bodies (MC, MA, JS, national controllers) as well as from the projects co-financed by the programme.

The audit work is performed by the AA and the GoA on the basis of an audit strategy setting out the audit methodology, the sampling method for audits on projects and the planning of the audits. In the framework of the Interreg CE Programme, the AA and the GoA entrusts the performance of audit work to an external audit firm. This firm carries out its work in accordance with the audit strategy set in place by the AA and GoA and under their supervision.

Audits on projects are performed during the entire programme lifetime. When a project is selected for an audit, the LP as well as one or more PPs are audited. The same beneficiary might be audited more times if the same project is selected more than once or if the beneficiary is involved in more than one project.

During the audit, the company in charge of carrying out the audits analyses a number of processes related to the implementation of the project, including the following:

- Existence of the project;
- Compliance with obligations set in the subsidy contract and partnership agreement;
- Eligibility of expenditure;
- Actual payment of expenditure;
- Compliance with EU and national rules (including public procurement);
- Existence and soundness of the audit trail;
- Review of the control work carried out by the national controller.

The audit is performed on-the-spot, at the premises of the audited body and/or in any other place where the project is being implemented, and is complemented by desk verifications.

In case of detected non-compliances/infringements, audit findings are raised, clearly stating for each finding the reasons and providing requirements for clearance of the finding. All findings are presented to the audited body upon completion of the audit.

The outcomes of audits performed on the LP and PPs of a project are aggregated in a project-specific audit report and submitted for comment and approval to the concerned national representatives in the GoA. Following the approval of the draft audit report by the concerned GoA members, the **draft audit report** is submitted to the LP and PP(s) as well as to their national controllers in order to undergo a contradictory procedure. Within the contradictory procedure the LP, PP(s) and controllers have the possibility to make comments on each fin-

ding. At the end of this procedure, the AA and GoA have to confirm or renounce the findings and following this the audit report becomes final and the audit follow-up process starts.

The **audit follow-up** is different in relation to the type of findings detected:

- In case of findings having financial consequences (i.e. in case of detecting irregular¹⁸ amounts), the amounts considered as not eligible will be withdrawn from the next payment claim submitted to the MA/JS or be recovered from the LP if the project is already closed or if the amount claimed by the concerned beneficiary is lower than the irregular amount;
- Should the findings have no financial consequences, the affected beneficiary (and/or its controller if applicable) will have to document that recommendations set by the auditors have been followed up.

As a precautionary measure, and in compliance with provisions in the subsidy contract, the MA is entitled to withhold any ERDF payment to projects undergoing an audit, until its conclusion.

The MA/JS support the communication flows between all parties involved in the audit process, i.e. the AA, GoA members, audit company, LP, PPs and national controllers.

The MA/JS will also provide further guidance as well as trainings to beneficiaries on audit preparation and follow-up.

¹⁸ For the definition of "irregularity" please refer to the glossary.

A.4.3. Other controls and audits

As provided for in the subsidy contract, and in addition to the programme bodies, the European Commission, the European Anti-Fraud Office (OLAF), the European Court of Auditors (ECA) and, within their responsibility, the auditing bodies of the Member States or other national public auditing bodies, are entitled to audit the proper use of funds by the beneficiaries. The concerned beneficiaries are notified in due time about any audit to be carried out by authorised persons of such bodies.

Beneficiaries undergoing an audit have to provide any project-related information to the above auditing bodies and give access to their business premises. Audits may occur at any time until the end date for the retention of documents, as described below in chapter A.4.4.3.

A.4.4. Setting up the audit trail

For the purposes of this document, an audit trail is to be understood as a chronological set of accounting records that provide documentary evidence of the sequence of steps undertaken by the beneficiaries and programme bodies for implementing an approved project. According to this definition, the proper keeping of accounting records and supporting documents held by the beneficiary and its national controller plays a key role in ensuring an adequate audit trail.

A.4.4.1. Requirements of an adequate audit trail

At the level of each beneficiary, an adequate audit trail is composed of the following elements:

- The subsidy contract (and its amendments);
- The partnership agreement;
- The latest version of the approved application form;
- Adequate documentation of all outputs and deliverables produced during the project lifetime;
- Documents proving, for each cost item claimed within the project, the expenditure incurred and the payment made (invoices or other documents of equivalent probative value, extract from a reliable accounting system of the beneficiary, bank statements, etc.)
- Adequate documentation of all procurement procedures implemented for selecting experts, service providers and suppliers (from the planning of the procedure until the signature of the contract and its possible amendments);
- Any other supporting document applicable to each budget line (staff reports, timesheets, contracts with providers, etc.) as further specified in chapter C.2;¹⁹
- Physical and financial reports submitted to the national controller with the purpose of validating project expenditure;
- Documents issued by the national controller validating all expenditure claimed within the project;
- A copy (as pdf) of all project progress reports and final report submitted and approved by the MA/JS.

¹⁹ Chapter C.2 also contains details on the application of flat rates and lump sums, including requirements concerning the audit trail.

In the project start-up phase it is essential for each beneficiary participating in a project to set up adequate arrangements that allow ensuring the availability of:

- A separate accounting system or an adequate accounting code set in place specifically for the project;
- A physical and/or electronic archive which allows storing data, records and documents concerning the physical and financial progress of the project - as listed above - until the end of the document retention period specified in chapter A.4.4.3.

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 documents held 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).

A.4.4.2. Annulling of documents

One important element to be taken into account when setting up the audit trail is the need to avoid double funding from different co-financing sources for the same expenditure item. Whereas analytical accounting systems help in this respect, more straightforward measures must also be foreseen, as for instance the annulling of invoices and other probative documents.

Irrespective of the control system in place in the different Member States, the practice of annulling the originals of invoices and other probative documents is compulsory in the framework of the Interreg CE Programme. Where available, the annulling of originals of expenditure documents should be carried out by means of a stamp bearing at least the following information:

- The information that the expenditure has been co-funded by the CE Programme;
- The number and the name (acronym) of the project;
- If applicable (e.g. same document covering different cost items), a statement on the share of expenditure claimed in the concerned project.

ATTENTION

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.

EXAMPLE *The LP of an Interreg CE project has organised a two-day public event aimed at raising awareness of relevant stakeholders on project achievements. The catering of the event has been sub-contracted to a company selected following a procurement procedure. The estimated value of the contract is of EUR 10.000,00 for the provision of two lunches and three coffee-breaks to around 120 participants on both days.*

After the event the catering company issued an e-invoice (according to national law) with the following information included in the description of the service in the body of the invoice:

"Catering service for the provision of two buffet lunches and three coffee-breaks to 120 participants to the conference of the project No CE 001 "ACRONYM" co-funded by the Interreg CENTRAL EUROPE Programme held on 09-10.07.2015 in Vienna."

An invoice containing in its description only the following sentence below would not be sufficient for complying with programme requirements for audit trail.

"Catering service for the provision of two buffet lunches and three coffee-breaks to 120 participants to the conference held on 09-10.07.2015 in Vienna."

A.4.4.3. Retention of documents

All supporting documents composing the audit trail (as described in chapter A.4.4) must remain available at the premises of each beneficiary at least for a period of three years. This period starts from 31 December following the submission of the payment claim to the EC by the MA that contains the last expenditure of the project following its completion. Furthermore, documents referring to project activities and expenditure carried out in the framework of aid granted under the de minimis rule²⁰ must be retained for a period of 10 fiscal years from the date on which the aid was granted (date of signature of the subsidy contract).

At the closure of projects, the MA/JS will individually inform each LP and its national controller on the exact start date of the above mentioned retention periods.

Other possibly longer document retention periods, according to the applicable national and internal rules, remain unaffected.

For the entire retention period, all bodies entitled to perform controls and audits, as presented in the previous chapters (from A.4.1 to A.4.3), are entitled to access the project and all relevant documentation and accounts of the project.

²⁰ For more information on State aid and the de minimis rule please see chapter C.1.5.2



B. HOW TO REPORT PROJECT PROGRESS

B.1. The reporting process

Joint progress report and partner reports

In order to follow the project implementation and as a basis for the reimbursement of the ERDF to the project, a joint progress report (including related annexes) has to be submitted every six months by the LP to the JS. As far as the last implementation period is concerned, longer or shorter reporting periods might be set in place.

This obligation and respective submission deadlines are laid down in an overview table annexed to the subsidy contract concluded between the LP and the MA.

The joint progress report of a project consists of:

- Activity parts (including communication) that provide information on the achievements of activities, deliverables and outputs (see chapter B.2)
- Financial parts which provides information on the project's expenditure verified by national controllers (see chapter B.3)

Joint progress reports are a core tool for report and monitoring both progress made in implementation and linked expenditure against what was originally planned in the application form. In addition, the reports provide qualitative information on the results achieved and lessons learnt within the reporting period. Overall, the information reported by the projects should be as clear and coherent as possible.

In order to facilitate joint reporting by the partnership, and as an internal management tool, each partner must complete a **partner report** in which it provides the necessary information on performed activities and deliverables achieved in the reporting period. In addition, the partner report includes information on the expenditure to be verified by the respective national controller.

The partner report is available from the programme electronic Monitoring System (eMS).

In most countries of the Interreg CE cooperation area the partner report is used by the PPs (**and the LP itself**) also for submitting activity and financial reports to the respective national controller for the verification of expenditure (as outlined in chapter A.4.1). Each beneficiary has to verify at national level whether the use of the partner report in the eMS is to be compulsorily used as reporting tool to the national controller.

Further information on national procedures for submitting expenditure to controllers can be found on the websites of national contact points. Links are provided on www.interreg-central.eu.

ATTENTION

Please note that the partner report serves only as a reporting tool from PPs towards the LP (and the concerned national controllers if applicable). It will not be subject to checks by the MA/JS.

Due to the fact that the partner reports feed into the joint progress report, both templates follow a similar structure as presented below.²¹

²¹ Please note that the structure of the reports presented below is indicative and further minor adaptations might take place at a later stage.

Submission by project partners to >
> National controllers (if applicable)
> Lead partner

PARTNER REPORT (internal management tool)

HEADERS (SUB-SECTIONS)

Partner progress report identification

A./B. PARTNER REPORT AND WORK PACKAGES

Summary of partner's work in
this reporting period and
problems/deviations encountered

Project outputs achievement

Target groups reached

B. WORK PACKAGES

Management work package

Thematic work package(s)

Investment specification(s), if applicable

Communication work package

C. LIST OF EXPENDITURE

List of partner expenditure

D. PROJECT REPORT FINANCIAL TABLES

Partner report expenditure summary

Partner expenditure per budget line

Partner expenditure per WP

Partner expenditure per WP per budget line

Partner expenditure outside the programme
area

E. ANNEXES

Documentation of outputs and deliverables
achieved in the reporting period

Control documents (issued by national
controllers and sent to the LP)

Submission by lead partner to > MA/JS

PROJECT PROGRESS REPORT (formal reporting template)

HEADERS (SUB-SECTIONS)

Project progress report identification

A. PROJECT REPORT

Highlights of main achievements (summary)

Project specific objectives achievement

Project outputs achievement

Additional result indicators achievement

Target groups reached

Financial explanations

B. WORK PACKAGES

Management work package

Thematic work package(s)

Investment specification(s), if applicable

Communication work package

C. CERTIFICATES OF EXPENDITURE

Certificate LP

Certificate PP2

Certificate PP(n)

D. PROJECT REPORT FINANCIAL TABLES

Project report expenditure summary

Project expenditure per budget line

Project expenditure per WP

Project expenditure per WP per budget line

Expenditure outside the programme area

Expenditure per partner

Partner expenditure per budget line

Partner expenditure per WP

Project expenditure spending profile per partner

E. ANNEXES

Documentation of outputs and deliverables
achieved in the reporting period

Control documents (of the LP and each PP)

Lead partner verifications checklist

LP payment request

Collection of partner reports and consolidation

The **joint progress report** shall provide a comprehensive overview on the performed activities, the deliverables/outputs realised as well as the spending progress by the whole partnership in the reporting period. Information enclosed in the joint progress report has to be aggregated and consolidated by the LP on the basis of information provided by each PP through the partner report.

It is to be noted that information on indicators reported by PPs through **partner reports are not automatically aggregated at project level**, as this could lead to double or multiple counting (e.g. joint organisation of an event by more PPs addressing project target groups, followed by individual reporting of each PP on the achievements of this activity).

The progress report shall also include a **payment request** in which the LP will confirm, among others, that expenditure reported has been incurred by itself and by its PPs for the purpose of implementing the project and that it corresponds to the activities laid down in the latest version of the approved application form.

TIP It is recommended that the LP sets appropriate deadlines to the PPs for timely submitting the partner reports to the national controllers and the LP. This will give sufficient time to the LP to perform quality checks on the submitted information (including deliverables and outputs) and the consolidation into the joint progress report.

It is also recommended to make sure that the terminology used is consistent throughout the report and in line with the terminology as used in the approved application form.

Quality of joint progress reports

In order to ensure effective and efficient reporting to the programme bodies, as well as a **swift reimbursement of funds**, the LP should strive for high quality joint progress reports, with clear and comprehensive information as well as a complete set of annexes.

When compiling the joint progress report, the LP should pay special attention that the provided information is clear and consistent between the different sections (e.g. between the activity and the financial part). For example, when reporting a specific output, this should be clearly linked to the description of the reported activities. Furthermore, the LP shall verify that expenditure of PPs corresponds to the activities as foreseen in the latest version of the approved application form.

Submission of progress reports

All joint progress reports except for the last one have to be submitted at **the latest two months** after the end of a reporting period. Please note that additional verified expenditure may be included in the progress report also after its first submission to the MA/JS (as further explained in chapter B.3.4).

The last progress report has to be submitted together with the final report (see chapter E.1) **at the latest three months** after the project end date.

The reporting periods and submission deadlines for reports are stipulated in an overview table annexed to the subsidy contract. The deadlines should be understood as the latest possible submission date, meaning that if a project is ready to submit the joint progress report before the set date it is welcome to do so.

All reports have to be submitted via the eMS.

ATTENTION

Postponements of deadlines for submission of reports can be granted only in exceptional and duly justified cases. In such cases, the LP has to formally request from the JS a postponement via email, at least one week prior to the due deadline.

If reporting deadlines are not respected, after an initial reminder to the LP the JS will inform the MC about this issue. It has to be emphasized that failure to submit required reports may result in a termination of the subsidy contract as provided for in § 18 of the subsidy contract.

Specific information on including additional costs in a joint progress report after the deadline for submission is available in chapter B.3.

B.2. Drafting the activity parts of the joint progress report

The activity related parts of the joint progress report allow capturing the physical progress of the project towards the objectives and results set in the approved application form. In this chapter, some guidance on how to fill in the activity parts of the progress report is given.

Section A. Project report

Highlights of main achievements - project summary

The summary of progress achieved must be suitable for publishing on the Interreg CE and the project website. Particular attention should be paid to the quality of the text and information provided. The following has to be considered:

- The style of writing should be similar to a news release about the reporting period for non-experts. The first paragraph should answer briefly, what the project aims for, what was achieved already, when by whom and for whom. Abbreviations should be avoided or explained and neither work packages nor project partners should be mentioned. It should always be the project that achieved something.
- It should ideally be written in cooperation and close coordination with the communication manager.
- Information should be cumulative: i.e. the summary should provide an overview of key achievements from the start of the project until the end of the reporting period.
- It should cover the main content-related activities carried out, the outputs delivered and the project specific objectives reached so far. The summary should not contain information on project management issues (e.g. delays, low performance of certain PPs, etc.).

Project specific objectives achieved

For each of the project specific objectives (as defined in the latest version of the approved application form) the progress and level of achievement by the end of the respective reporting period has to be indicated and briefly explained.

Project outputs achieved

An overview table on the achievement of the planned project outputs and their linkage to the respective output indicators is automatically generated in this section. The table is completed by the eMS based on the information provided in the application form and reported in the work package section of the progress report (section B). It presents cumulative information from the project start to the last reporting period and will help the LP to monitor the progress in achieving project outputs against targets set in the application form.

Target groups reached

In this section, the number of institutions which have been reached by the partnership should be reported and their involvement should be briefly explained. The eMS automatically displays the categories of target groups selected in the application form for which targets have been defined.

The reported figures should only reflect an active involvement of target groups in line with reported activities, deliverables and outputs (e.g. participation in targeted project events such as trainings, interviews, workshops, local stakeholder groups, advisory boards, testing of tools, implementation of pilot actions etc.).

TIP

Please ensure the coherence between reported figures on reached target groups and reported project activities within communication and thematic work packages (section B of the progress report).

Please make sure to avoid any double counting of institutions which have been reached by more than one PP or which have already been reported under the target groups reached in previous reporting periods.

Additional result indicators

Projects have to report on the progress achieved towards the targets as set in the latest version of the approved application form with regard to the thematic result indicators. These indicators aim to capture the result and implementation-oriented project effects (see also Annex III of the application manual):

| INDICATOR | MEASUREMENT UNIT | DEFINITION/EXPLANATION |
|---|------------------|--|
| Number of institutions adopting new and/or improved strategies and action plans | Institutions | <ul style="list-style-type: none"> > Number of institutions (inside or outside of the partnership) having adopted a strategy or an action plan developed and/or improved in the frame of the project. > Adoption/endorsement to be made by a competent decision making body and be formalised as well as verifiable (e.g. a declaration of intent, local/regional council or assembly decision). > Only institutions where the adoption was made within the project life time should be considered. > Directly linked to the output indicator "Number of strategies and action plans developed and/or implemented". |
| Number of institutions applying new and/or improved tools and services | Institutions | <ul style="list-style-type: none"> > Number of institutions (inside or outside of the partnership) applying within their own organisations or in their fields of activities tools and services which were developed and/or improved in the frame of the project. > Application can range from a test operation to full scale deployment of the respective tool or service and should be verifiable. > Only institutions which apply the developed tools/ services or which made the decision on the future application of those tools/services within the project life time should be considered. > Directly linked to the output indicator "Number of tools and services developed and/or implemented". |
| Amount of funds leveraged based on project achievements ²² | EUR | <ul style="list-style-type: none"> > Direct project effects in terms of leverage of funds (i.e. project achievements leading to higher follow up investments) in the concerned field during or after the end of the project (within a time horizon of 5 years after project end), e.g. the attraction of public or private funds, the generation of follow-up projects funded at local/regional/national/ EU level > Including investment preparation with a mid-term perspective (up to 5 years for its realisation) such as up-scaling of pilots and demonstration activities, etc. > Could be linked to any type of output indicator |
| Number of jobs created (FTE) based on project achievements ²³ | FTE | <ul style="list-style-type: none"> > New and durable jobs created during or after the end of the project (up to 5 years) as a direct effect of the project achievements with a clear perspective to remain after the end of funding. > To be counted in full time equivalents (FTE), i.e. in case of part-time jobs those should be reported as FTE percentage. |
| Number of trained persons | Persons | <ul style="list-style-type: none"> > Number of persons having participated and having completed a training session or cycle within the project duration. > Double counting of the same person has to be avoided (e.g. if the same person has participated in several trainings). > Directly linked to the output indicator "Number of trainings implemented". |

²² To be based on realistic assumptions which will be verified during project monitoring and through sample checks carried out after the project end

²³ Ditto

In addition to the activity reporting, projects also have to report on progress made regarding **communication result indicators** that aim at capturing the project's communication effects.

| INDICATOR | MEASURE- MENT UNIT | DEFINITION/EXPLANATION |
|--|--|---|
| Unique visits to the project website (digital reach) | Number of stakeholders reached | <ul style="list-style-type: none"> > Number of unique visits to start page of the project website, hosted on the programme website. > Figure to be provided is a monthly average to be reached across the reporting period. > High traffic to the project website is understood as the result of successful communication aiming at raising awareness. |
| Participants at project events planned in WP C (physical reach) | Number of stakeholders reached | <ul style="list-style-type: none"> > Number of participants to project events (public and targeted) as well as to sessions hosted by the project in the frame of other events. > High attendance to the project events is understood as the result of successful communication aiming at raising awareness. |
| WP C event participants satisfied with information provided (satisfaction with information) | Percentage of stakeholders satisfied | <ul style="list-style-type: none"> > Percentage of visitors that declare themselves satisfied with information provided at public and targeted project events. > Feedback should be collected after the event on a scale from 1 (not satisfied) to 5 (very satisfied). Only feedback of 4 or 5 shall be considered as "satisfied" with information provided. > High satisfaction with information provided is understood as the result of successful communication at project events aiming at providing information. |
| Joint communication activities implemented with external stakeholders (external cooperation) | Number of joint communication activities | <ul style="list-style-type: none"> > Number of joint communication activities - reaching from joint publications to joint events and joint digital platforms - that were implemented by the project with external stakeholders. > High level of cooperation with external stakeholders is understood as the result of successful communication aiming at influencing attitude and/or changing behaviour. |

Section B. Work packages

A summary clearly describing implemented activities and achieved progress in the reporting period has to be provided for each work package. Furthermore, the summary shall also include a description of the involvement of each PP.

In addition, if applicable, information on problems encountered as well as minor deviations or delays should be reported including solutions and/or mitigation measures adopted. For more information on minor modifications please see chapter D.2.

The eMS displays, for each work package, the description of activities and deliverables (including timeline) as defined in the latest version of the approved application form. For each planned activity and deliverable the progress reached at the end of the reporting period has to be indicated according to the categories defined below:

- Not started
- Proceeding according to work plan
- Behind schedule
- Ahead of schedule
- Completed

Further, a brief qualitative explanation on progress made in view of each deliverable should be given. Deliverables achieved within the current reporting period must be uploaded on eMS as annexes to the progress report (section E).

In addition to the above requirements, applicable to all types of work packages, additional specific information is to be provided for specific work package types.

Furthermore, and if applicable, additional information has to be provided on progress made on investments that have a total cost exceeding EUR 15.000 for which an investment specification has been provided in the approved application form.

Work package "Project management"

In this work package, activities and deliverables linked to project management and coordination shall be reported based on following pre-defined categories (see also application manual Part D chapter IV.2.4.1):

- Start-up activities (e.g. signing of the partnership agreement, kick-off meeting, setting up management structures, etc.);
- Daily project management, including internal communication and coordination (e.g. tools and procedures, coordination meetings, monitoring of progress and preparation of reports, quality management);
- Steering and monitoring project implementation (e.g. structure and procedures, meetings of decision making bodies and advisory boards, appraisal of project progress and management such as evaluation and reviews);
- Financial management (e.g. monitoring of incurred expenditure, transfer of funds and cash flow management) and preparation of documentation in view of the verification of expenditure and programme audits.

Thematic work packages

Within this type of work packages, in addition to activities carried out and deliverables achieved, the partnership has to report also on the overall progress and the level of achievement of project outputs planned in the application form.

The definition of outputs and deliverables in Interreg CE is presented in the table below.

DEFINITION

| | |
|---------------------------|---|
| PROJECT ACTIVITIES | Project activities have to lead to the development of one or more project outputs. |
| DELIVERABLES | Each activity should include one or more deliverables (e.g. analysis report, feasibility study etc.) that contribute to the achievement of project outputs. All small steps of a single activity, such as stakeholder meeting documents, working groups etc., do not need to be listed as separate deliverables, but should be aggregated into one deliverable, e.g. a qualitative report describing the stakeholder involvement. |
| PROJECT OUTPUTS | Are the outcomes obtained following the implementation of project activities paid with project funds (i.e. strategy/action plan, tool, pilot action, training etc.). Each output has to be captured by a programme output indicator and should directly contribute to the achievement of the project result. |

Project outputs follow the typology defined by the Interreg CE Programme and have to be captured by programme output indicators linked to the thematic focus and scope of each programme priority axis and specific objective. The following table provides an overview. Detailed explanations on the output typology and the respective output indicators can be found in annex III of the application manual.

TYPE OF OUTPUTS

OUTPUT INDICATORS

| | | |
|--|---|---|
| STRATEGY/ ACTION PLAN | <p>A strategy should be jointly defined on the basis of problems which are relevant for the participating regions. It should provide a common vision and set objectives and priorities in a mid- to long-term perspective. The formulation of a transnational and/or regional strategy should be carried out with involvement of relevant stakeholders (targeting the policy level) and aim at its subsequent implementation.</p> <p>An action plan should break down the strategy goals and objectives into specific tasks. It should include the sequence of steps to be taken, or activities that must be performed, for a strategy to succeed. Therefore it should include a time line, the financial resources and a definition of the responsible actors.</p> <p>Can relate either to the development of new or further improvement, revision and/or update of existing strategies/action plans as well as their subsequent implementation.</p> | <p>Number of strategies and action plans developed and/or implemented</p> <ul style="list-style-type: none"> > Each developed strategy/ action plan, whether implemented or not, should be only counted once. > Project management-related strategies such as e.g. the project communication strategy should not be considered. |
| INNOVATION NETWORKS (only applicable to SO1.1) | <p><i>In order to measure project contributions to the creation of innovation networks being particularly relevant for the programme specific objective 1.1, in this exceptional case this additional output indicator complements the typology of outputs.</i></p> <p>Innovation networks are forms of coordinated and stable cooperation relations between enterprises and other players (e.g. training and research institutions, political players, etc.) that serve the exchange of information, knowledge and resources. The aim of the established networks is to join efforts for yielding innovative products, processes and services and gain competition advantage.</p> | <p>Number of innovation networks established</p> <ul style="list-style-type: none"> > Innovation networks established as result of project implementation such as business clusters, technology sector networks, networks of entrepreneurs etc. are to be counted. |
| TOOLS | <p>A tool is to be understood as a means for accomplishing a specific task or purpose. Tools should be jointly developed at transnational level and innovative; they can be physical or technical objects, but also methods, concepts or services. They comprise amongst others of analytical tools, management tools, technical tools, software tools, monitoring tools, decision support tools etc. To be effective, a tool must be tailored to user needs and the respective framework conditions and has to be comprehensive and durable.</p> <p>Relates either to the joint development of new or further improvement and/or adaptation of existing durable tools as well as their subsequent operational implementation.</p> | <p>Number of tools and/or services developed and/or implemented</p> <ul style="list-style-type: none"> > Each developed tool, whether implemented or not, should be only counted once. > Project management-related tools such as standard project websites, internal communication platforms and templates should not be considered. |
| PILOT ACTIONS | <p>A pilot action is to be understood as a practical implementation of novel schemes (e.g. services, tools, methods or approaches). An experimental nature is central to a pilot action (or pilot investments, if relevant) which aims at testing, evaluating and/or demonstrating the feasibility and effectiveness of a scheme. Therefore it covers either the testing of innovative solutions or demonstrating the application of existing solutions to a certain territory/sector. The results and practices of pilot actions should be exploited on and transferred to other institutions and territories.</p> <p>A pilot action is limited in its scope (area, duration, scale etc.) and must be unprecedented in a comparable environment.</p> | <p>Number of pilot actions implemented</p> <ul style="list-style-type: none"> > Implemented pilot actions (including pilot investments, if applicable) are to be counted only when they have been finalised. |
| TRAINING | <p>Training is to be understood as providing persons with the understanding, knowledge, skills, competences and access to information required in particular occupations. Training may encompass any kind of education (general, specialised or vocational, formal or non-formal, etc.).</p> <p>Training measures should be jointly developed at transnational level and tailored according to the needs of the specific territories, target groups and stakeholders addressed by the operation.</p> | <p>Number of trainings implemented</p> <ul style="list-style-type: none"> > Implemented training measures such as training seminars, study visits, peer reviews, online training courses, etc. are to be counted. > Internal project management related trainings such as on reporting requirements, finances etc. should not be considered. |

TIP

Information on outputs realised and on the achievement of related output indicators (in comparison to the set targets as in the application form) provides the project manager with a valuable source of information on the progress of the work package implementation - on project and on PP level.

An overview of the foreseen outputs (including their targets) as well as the linkage to the programme output indicators is automatically displayed in the eMS for each thematic work package.

Outputs that were achieved (i.e. finalised) by the end of the reporting period have to be reported. In addition, for each completed output an "output factsheet" has to be provided as annex to the progress report. Information to be included in this factsheet should mainly cover the following:

- Summary description of the output;
- NUTS region(s) concerned by the output;
- Expected impact and benefits of the output for the concerned territories and target groups;
- Sustainability and transferability of the output;
- Lessons learned and added value of transnational cooperation;
- References to relevant deliverables and web-links, images, if applicable.

The templates of output factsheets, tailored to each type of output, are available for download at www.interreg-central.eu/implement.

Each thematic work package should also contain a description of how target groups including associated partners were involved during the development of the respective project outputs. For the outputs already achieved, it should be described how they will be further used by the target groups and which benefits and/or changes the project outputs will bring to them.

EXAMPLE *The planned output of a thematic work package is a set of action plans for the reduction of air pollution in functional urban areas for four cities.*

In order to achieve this output, several activities with the following deliverables are foreseen:

- *Activity 1: Analysis of the current air quality situation and collection of best practices*
 - *Deliverable 1.1 : Study on air quality for the participating four cities*
- *Activity 2: Analysis of air quality policy framework*
 - *Deliverable 2.1: Transnational report on policy framework*
- *Activity 3: Stakeholder involvement*
 - *Deliverable 3.1: Concept on how to involve relevant stakeholders in the four cities*
 - *Deliverable 3.2: Summary report on stakeholder involvement*
- *Activity 4: Elaboration of transnational action plan*
 - *Deliverable 4.1: Transnational action plan concept*
- *Activity 5: Adaptation of the transnational action plan to the local context*
 - *Deliverable 5.1: Action plan for city A*
 - *Deliverable 5.2: Action plan for city B*
 - *Deliverable 5.3: Action plan for city C*
 - *Deliverable 5.4: Action plan for city D*



Output: Four action plans developed

for four central European cities (to be documented within four output fact sheets summarising the activities and their outcomes related to the action plan development)

Output indicator: "Number of strategies and action plans for the improvement of environmental quality in functional urban areas developed and/or implemented"

Indicator quantification/target: 4

Further information can be found in Part D, chapter IV.2.4.1 of the application manual in its latest available version.

Investment specification (if applicable)

This section of the progress report refers to investments for which an "investment specification" was provided in the latest version of the approved application form²⁴.

In addition to a summary on the progress of the investment at the end of the reporting period, the description should highlight also potential delays or problems which could pose a risk to its successful realisation. If this is the case, counteractions and solutions adopted have also to be clearly described.

²⁴ Namely, investments exceeding EUR 15.000 total cost.

Please note that (accompanying) activities for the investment should be reported under the respective thematic work package to which the investment is linked.

Information on the physical location of the investment should be included through providing both the NUTS 3 region where it is located as well as the geographical coordinates.

An investment for which an investment specification is provided is also considered as a project output (in addition to the types of outputs indicated above under “thematic work packages”). Therefore the reporting of such investments follows a similar approach as described under the thematic work packages.

Once the investment is finalised, an **investment report** needs to be provided as attachment to the progress report referring to the reporting period in which it was finalised.

The template for an investment report is available for download on www.interreg-central.eu/implement.

Work package “Communication”

In the communication work package, the partnership has to report the overall progress achieved in the reporting period including a description of how PPs were involved in which activities.

Beyond this description of overall progress made, the LP and PPs will also have to report on how far project communication objectives could be reached already. To provide more details, the partnership then needs to report on progress achieved regarding the pre-defined communication activities and planned deliverables, which are ultimately contributing to reaching the planned communication objectives.

In all cases, deviations, delays and any other problems have to be reported as well as solutions found to counter these.

Different from the “activity” definition in thematic work packages below, the pre-defined “activities” in the communication work package contribute to reaching project communication objectives rather than outputs. The definition of “deliverables” remains the same though. No outputs need to be reported in the communication work package.

In addition to the activity reporting, projects also have to report on progress made regarding **communication result indicators** that aim at capturing the project’s communication effects. See the section further below on additional result indicators.

Section E. Annexes (activity-related)

Annexes to the joint progress report which refer to activity and communication progress document the achieved outputs and deliverables in the reporting period and, ultimately, prove the existence of the project. Such annexes are subject to analysis by the JS especially with regard to their relevance for the project and the adequacy of costs.

A list of annexes based on documents uploaded in various sections of the report (e.g. deliverables, output factsheets, investment reports, etc.) will be provided.

Further information on the controls carried out by the MA/JS on deliverables and outputs is available in chapter A.4.2.

B.3. Drafting the financial parts of the joint progress report

The financial parts of the joint progress report presents the expenditure progress in the reporting period, for which a request of reimbursement is submitted to the MA/JS together with the report, as well as additional information on financial matters. The financial report shall contain information on **expenditure paid by the LP and all PPs in the reporting period which has been verified by the national controllers.**

The following steps have to be taken in order to fill in the financial part of the progress report:

1. Submission of expenditure by each beneficiary (LP and all PPs) to its national controller for verification;
2. Reporting of verified expenditure from all beneficiaries;
3. LP verification on expenditure of all PPs;
4. Inclusion of verified expenditure in the joint progress report by LP and request for payment

B.3.1. Submission of expenditure to national controllers

A pre-condition for including any expenditure in a progress report is its verification in accordance to the principles and provisions included in chapter A.4.1.

The submission of expenditure and related supporting documents to a national controller has to follow procedures set at national level. Depending on national systems, the submission of expenditure may also make use of the partner report available in the eMS. The financial part of the **partner report contains the "list of expenditure" i.e. a table to be filled in by the beneficiaries and listing all cost items submitted to the national controllers for verification.**

For national control systems using the eMS partner report, the national controller will then either confirm or reject (in part or in full) expenditure submitted by the beneficiary for verification. The amount verified and confirmed by the national controller will then be stated in the "certificate of expenditure" to be included by the LP in the joint progress report.

ATTENTION

Expenditure must be submitted to national controllers at the latest by the due date of submission of the six-monthly progress report covering the reporting period following the one for which expenditure has been paid by the beneficiaries. Any expenditure item submitted by the beneficiary to its controller after this deadline will be regarded as not eligible.

An exception to this rule may be accepted only if, according to rules set at national level, a minimum amount of project expenditure has to be accumulated by beneficiaries prior to sending it to national controllers.²⁵

²⁵ This is the case, for example, for Austria, where a beneficiary can only submit expenditure to a national controller amounting to at least EUR 10.000. If expenditure is lower the beneficiary has to wait until this amount is accumulated.

EXAMPLE *Project-related costs incurred and paid by the LP and PPs in the first reporting period (from January to June 2016) need to be submitted to the national controllers before the due date of the joint progress report covering the second reporting period (from July to December 2016). According to the reporting deadlines set in the subsidy contract, the due date of the second progress report is **1st March 2017**. This means that any project-related expenditure paid until 30th June 2016 and submitted to the national controllers for verification after **1st March 2017** will become ineligible.*

Further information on national procedures for submitting expenditure to controllers can be found on the websites of national contact points. Links are provided on www.interreg-central.eu.

B.3.2. Reporting of verified expenditure to the lead partner

Expenditure verified by the national controllers has to be reported to the LP including, as an annex, the related control documents (certificates of expenditure, control reports and checklists) issued by the national controllers. Financial data to be reported to the LP shall include:

- List of expenditure providing a description of main features at the level of each cost item as well as information on the concerned amount. This applies at least to budget lines BL4 "External expertise and services", BL5 "Equipment" and BL6 "Infrastructure and works";
- Breakdown of reported costs per budget line and work package;
- Expenditure incurred outside the programme area.

Furthermore, each PP must provide the LP with signed certificate(s) of expenditure, completed with control report(s) and checklist(s) covering the amounts included in the joint progress report. Such documents have to be provided both as originals and scans of originals.

As presented in chapter B.1, the reporting from the PPs to the LP must take place through the partner report available in the eMS. Annexes to the partner report have to be uploaded to the eMS by the PP.

B.3.3. Lead partner verifications

In addition to the verification of expenditure carried out by the controller of each beneficiary (as presented in chapter A.4.1, the LP has to perform the following additional verifications, in accordance to Article 13 of the ETC Regulation and in line with the subsidy contract and partnership agreement:

1. To ensure that expenditure of PPs included in each progress report has been verified by national controllers: this is to be done by enclosing in each progress report “certificates of expenditure” (complete with control reports and checklists) covering the entire amount claimed within the progress report;
2. To ensure that expenditure of PPs included in each progress report has been incurred for implementing the project, that it corresponds to activities described in the latest version of the approved application form and that it is in accordance with all provisions set in the subsidy contract;
3. To ensure that project expenditure remains within the flexibility thresholds (at partner, budget line and work package levels) in compliance with provisions in the subsidy contract and chapter D.2 of this manual.

The above LP verifications can be carried out either by the project and finance manager of the LP or its national controller. Evidence of the LP verification is to be given in eMS.

ATTENTION

If the LP casts doubts on the project relevance of any expenditure items claimed by a PP (see point 2 above), when preparing the joint progress report (see chapter B.3.4 below) the LP shall clarify the issue with the concerned PP with the aim of finding an agreement on the expenditure to be claimed and the corresponding activities to be reported as project-relevant. In the case that such agreement cannot be found, the LP is to ask guidance to the JS. This process may result in a reduction of the eligible amount claimed by the concerned PP in that progress report.

B.3.4. Filling in financial sections of the progress report and payment claim

In principle, expenditure to be included in a certain progress report should correspond to payments made during the corresponding reporting period. However, expenditure paid in previous reporting periods can be included, if it refers to expenditure for which:

- The certificate of expenditure was issued by the national controllers after the time limit set by the programme for including it in the concerned report (see attention box below);
- The verification was pending the resolution of contradictory processes between the beneficiary and its national controller;
- Verifications by the national controller and/or the MA/JS were pending following the outcomes of controls and audits carried out at programme level (see chapter A.4.2) or any other applicable control and audit (see chapter A.4.3).

ATTENTION

The LP may enclose additional verified expenditure to the joint progress report even after the deadline set for submitting the report to the MA/JS. However, this is only possible if the related certificate of expenditure and other control documents are available before the completion of the first clarification round occurring between the LP and the JS during the analysis of the report (see chapter B.4.1 below).

Any additional verified expenditure for which a certificate is available after the completion of the first clarification round, has to be included in the following progress reports. An exception to this rule applies to the last project progress report as well as to exceptional cases which need to be authorised by the MA/JS²⁶.

Expenditure verified by the national controllers and reported by each PP (and the LP for its own costs) through partner reports is to be included in the joint progress report. To this purpose the eMS (in section C of the joint progress report) displays the list of certificates issued by the national controllers and the LP can select from this list the ones to be included in the report. The certificate of each PP includes the list of expenditure which has been verified by the national controller and the LP may reduce the amount reported by a PP if, following the LP verifications presented in chapter B.3.3, the LP detects issues concerning the relevance and/or legality of the reported expenditure.

Once the LP has selected the certificates to be included in the joint progress report, the eMS will automatically fill in the financial tables.

The LP has also to provide, in the text box "Financial explanations" under section A of the joint progress report, additional information on any finance-related problems/deviations/delays/use of budget flexibility occurred in the concerned reporting period.

²⁶ Such exception could be the case, for example, if measures are set in place by the programme in order to mitigate the risk of automatic decommitment of funds applied to the programme in compliance with Articles 86, 87 and 88 of Regulation (EU) No 1303/2013.

Annexes (finance-related)

The LP must provide as finance-related annexes to the progress report the following documents:

- Signed certificates of expenditure (including control reports and checklists) issued by national controllers covering the entirety of the amounts claimed by the LP and the PPs in the progress report;
- A Lead partner verification checklist. This checklist can be issued either by the project and finance manager of the LP or its national controller as described in chapter B.3.3.
- A project payment request signed by the LP in which s/he confirms, among others, that expenditure reported has been incurred by the LP and PPs for the purpose of implementing the project and that it corresponds to activities laid down in the latest version of the approved application form. The template of payment claim is available for download on www.interreg-central.eu/implement.

The above documents are to be uploaded to the eMS as scans of originals. Once the monitoring of the progress report by the JS is completed, the LP has to provide also the hardcopy version of these documents.

B.4. How a progress report is monitored and how funds are paid out

B.4.1. Monitoring and clarification procedure

Each progress report (including annexes) is monitored by three desk officers at the JS: a project officer for activity and result-related issues, a finance officer for finance-related matters and a communication officer for communication-related issues.

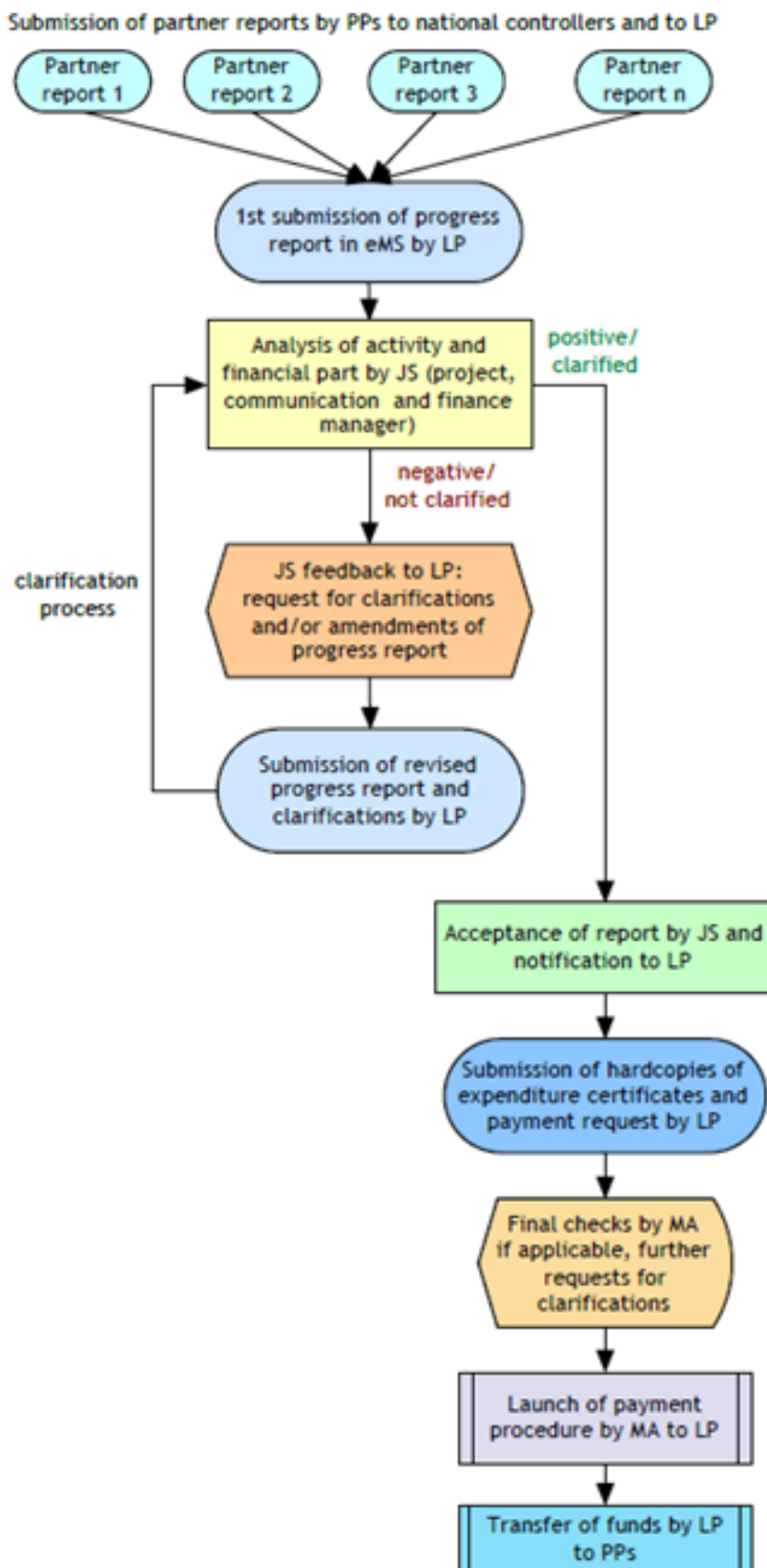
In case the information in the first submission of the progress report is not sufficient for properly assessing the progress and reimbursing the funds, the JS requests the LP to provide clarifications and amend the progress report within a given deadline. Requested amendments might also concern deliverables or outputs annexed to the progress report, as well as control documents issued by national controllers. The number of clarification rounds and the overall duration of the clarification process are directly linked to the quality (accuracy, completeness) of the submitted report.

As presented in chapter B.3.4, the LP may enclose additional verified expenditure to the joint progress report within the first clarification round.

Once all requests have been solved and the report is considered as acceptable, the LP must send to the JS the originals of the control documents and the payment request as listed in chapter B.3.4. The submitted documents undergo a conformity check by the JS and, if this is positively concluded, the JS notifies the MA on the completion of the monitoring. The MA carries out additional control steps and if no additional issues requiring additional clarifications from the LP are raised, it launches the payment procedure.

The process is illustrated in the chart below.

Figure 3 - Monitoring and clarification process of reports



TIP

As presented in chapter B.1, a swift reimbursement of funds is strictly depending on the quality of the progress report. The LP is therefore to ensure the availability of sufficient human resources for a careful and timely preparation of progress reports as well as for a prompt and accurate response to the JS when receiving a request of clarification.

In addition to the progress report (and annexes), the MA/JS will use other tools to monitor the progress of implementation, among them:

- Checks whether information added to the websites devoted to the project on the programme website are relevant and up-to-date;
- Informal exchanges with the LP, if necessary (e.g. by email or phone), for gathering additional information and clarifications;
- Participation in project meetings and/or on-the-spot-checks;
- Extraordinary meetings with the LP and PPs, if necessary.

B.4.2. Reimbursement of funds

The payment scheme applied by the Interreg CE Programme is based on the principle of reimbursement, according to which each beneficiary must fully pre-finance its project expenditure.

ATTENTION

Beneficiaries should bear in mind that the absence of advance payments from the programme, and the time gap between incurring the expenditure and having it reimbursed, may lead to cash-flow problems. This might be particularly relevant for private companies and small organisations.

Once the monitoring of the progress report has been completed, the JS is in charge of transferring the request for payment to the MA (acting also as CA), who then verifies that all contractual clauses and other requirements of the audit trail have been respected. If the checks performed by the MA on the expenditure declared lead to a satisfactory result, the payment procedure for the ERDF amount claimed is launched and a notification on the date on which the transfer of funds to the bank account of the LP has been undertaken is sent to the LP.

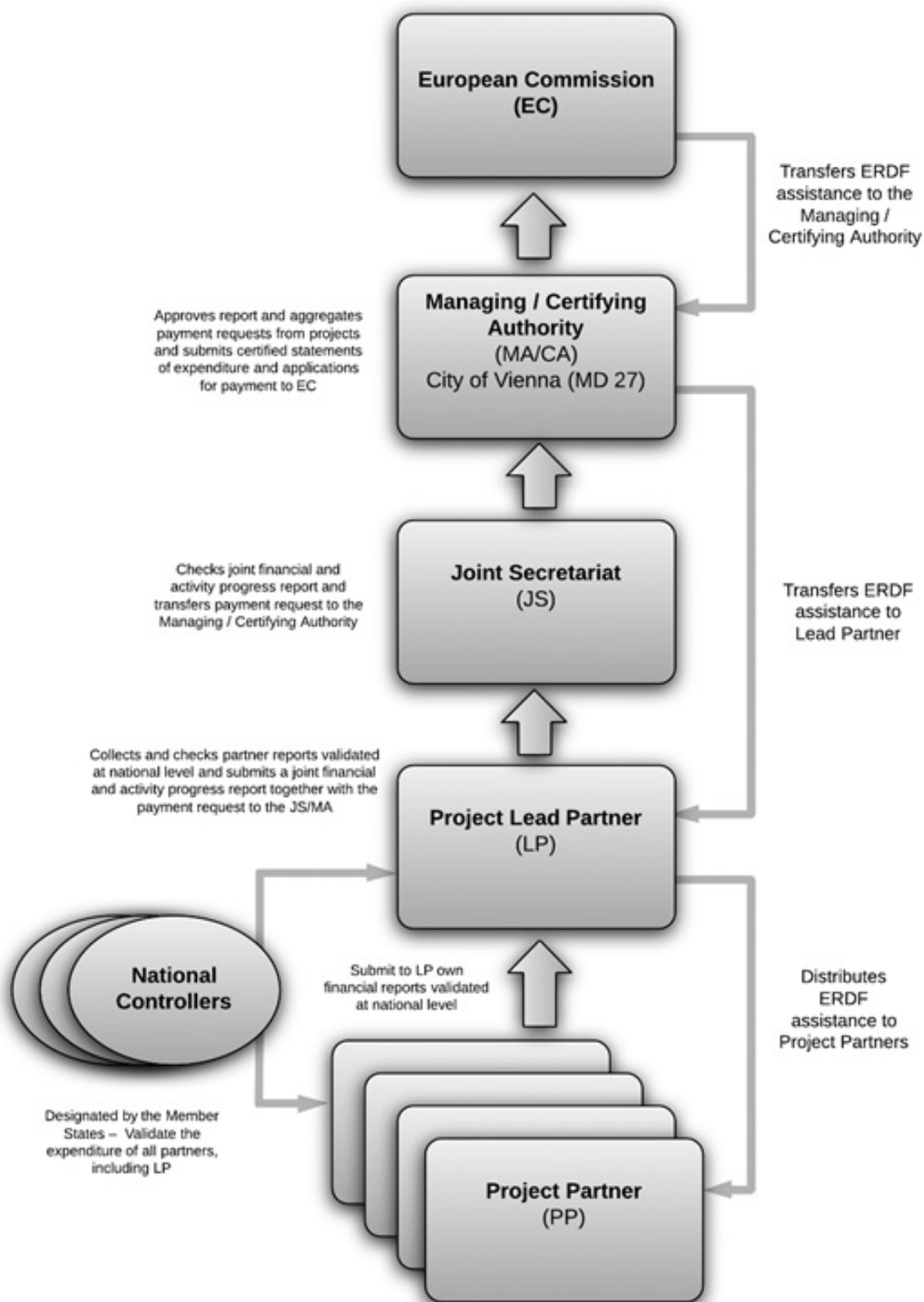
The disbursement of funds by the MA takes place as soon as possible and at the latest within 90 days from the date of submission of the final payment claim (hard copy) following the completion of the monitoring performed by the JS. This payment deadline may be interrupted by the MA if an investigation has been initiated by national, programme or European institutions in relation to a possible irregularity. In such cases the LP will be informed in writing of the interruption and the reasons for it.

As stipulated in the subsidy contract, the disbursement of funds to the LP is subject to the condition that the European Commission makes the necessary funds available. Should no funds be available, the LP will be duly notified and - if possible - a provisional date for the expected payment will be announced.

After receipt of funds from the MA, the LP is obliged to transfer in time and in full the share of ERDF which corresponds to each PP. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied, which would reduce that amount for the PPs.

The overview of the financial flows between the project, the programme and the European Commission is presented in the flowchart below.

Figure 4 - Financial flows in the framework of the Interreg CE Programme



B.4.3. Withdrawal or recovery of unduly paid-out funds

As specified in the subsidy contract, in case the MA or CA discover (e.g. during the day-to-day management or during on-site checks) any unduly paid out funds, or in case the MA is notified of such cases, the MA or CA shall, if necessary in consultation with the respective Member State concerned and by informing the MC, demand from the LP repayment of the subsidy in whole or in part.

The LP shall ensure that, if applicable, the concerned PP repays the LP any amounts unduly paid, as provided for in the partnership agreement. The amount to be repaid can be withdrawn from the next payment to the LP or, where applicable, remaining payments can be suspended. In case of closed projects, the LP is obliged to transfer the unduly paid-out funds to the MA.

If the LP does not succeed in securing repayment from the concerned PP, or if the MA does not succeed in securing repayment from the LP, the concerned Member State on whose territory the partner concerned is located (or, in the case of an EGTC, is registered) shall reimburse the CA the amount unduly paid to that partner. Therefore the concerned Member State **shall be entitled** to claim the unduly paid funds from the partner concerned.

B.5. Project mid-term review and decommitment of funds

B.5.1. Aims and process

Projects in the framework of the Interreg CE Programme have to undergo a compulsory mid-term review carried out by the MA/JS. The aim of this is to review project progress against the project objectives, outputs and expected results defined in the approved application form and to have a common view of the state of play considering eventual external effects.

The mid-term review takes place at the end of the first half of the project implementation phase, notably shortly after the submission of the concerned progress report (e.g. for a project lasting 36 months, the mid-term review would occur soon after the submission of the progress report No 3).

The mid-term review is based on the following elements:

- The progress report covering the project mid-term;
- The project mid-term fact sheet (based on a template provided by the programme) in which the LP should summarise the most recent state of play of project implementation and provide a realistic activity and financial forecast for the remaining project life time (deliverables and outputs and as well as spending per project partner, work package and budget line). The completed fact sheet should be provided to the JS one month prior to the mid-term review meeting.
- A mid-term review meeting with the JS organised by the project possibly in the frame of a steering committee meeting. The meeting should take place about one month after the submission of the mid-term progress report (e.g. month 21 for a project lasting 36 months).

The mid-term review follows a collaborative approach between the programme and the partnership. It ensures close engagement of all project partners and should be understood as a constructive dialogue between the partnership and the programme representatives. It is considered as a valuable source of feedback to both the partnership and the programme.

In the review, it will be analysed whether there is a need to restructure or modify the project in terms of, e.g. adjusting or modifying the work plan or budget. In case specific risks/problems or significant delays are identified, the partnership has to present mitigation measures. It is to be emphasized that major project modifications can only be requested in exceptional cases, which need to be duly justified and approved by the programme bodies (see chapter D.3).

The mid-term review focuses in particular on the following aspects:

- Analysis of physical and financial progress of the project;
- Joint reflection on management issues (including communication, knowledge management and transfer);
- Sustainability of outputs and results;
- Realistic forecast and recommendations for the remaining project implementation period;
- If applicable, identification of risks/problems, project deviations and delays as well as necessary project modifications (finance and activity modifications, etc.).

As an outcome of the mid-term review feedback and eventual recommendations (e.g. on management and communication issues, budget, content-related aspects, investments etc.) for the remaining project period will be given by the JS. In addition, follow-up actions can be agreed.

The LP has to prepare a summary of the main points of discussion and the conclusions/agreements taken at the mid-term review meeting. This summary has to be sent to the JS possibly within two weeks after the meeting.

If project modifications are deemed necessary after the mid-term review, the project can formally request those modifications to the programme following the procedure described in chapter D.3.

Information on the outcome of a project mid-term review is presented to the MC and national contact points.

ATTENTION

No activity or budget modifications are allowed before the mid-term review (see also chapter D.3). Based on the outcome of the review, especially in case of low project performances, the programme reserves the right to apply reductions to the project budget (as presented in chapter B.5.3).

B.5.2. How to prepare for the mid-term review

The mid-term review meeting should be organised in conjunction with a regular project steering committee meeting in order to ensure the involvement of all PPs and to minimise costs. Depending on the extent of the issues to be discussed, up to one working day could be foreseen for the review meeting.

The project management team (project, finance, and communication managers), all work package leaders as well as at least one representative per PP should attend the meeting. Contact points will be informed by the JS on the upcoming meeting and one or more national contact points may also attend the meeting.

The meeting allows the LP and PPs to report on their work in an interactive way, thereby usefully complementing the written reports.

The mid-term review meeting should be run according to the following agenda:

- Introduction of the process by the JS;
- LP presentation (activity and financial progress, management, communication, problems, need for project modifications, other issues);
- Further presentations by work-package leaders and/or other PPs (e.g. on specific outputs and highlights, investments, target groups etc.);
- Open discussion;
- Recommendations and agreement on follow-up actions, if applicable.

If required, a separate meeting between the LP and the JS could occur at the fringe of the mid-term review meeting.

TIP

It is recommended to prepare with special care the progress report, which will be submitted before the mid-term review, as well as the project mid-term review factsheet since these documents will be the basis for the mid-term discussion and appraisal.

The LP and all PPs should well prepare in advance for the meeting. This includes collecting most recent content and financial information (quantitative and qualitative data) allowing realistic projections towards the project end. This information feeds into the mid-term project review factsheet to be submitted to the JS one month prior to the mid-term review meeting (as explained in chapter B.5.1 above).

Such preparatory analysis within the partnership is also important because the entire partnership should be able to provide input to the discussion.

When preparing the mid-term review meeting the LP has to:

- Propose a date and venue to the JS **at least two months in advance**;
- Provide the JS with an agenda and list of participants and distribute it to all PPs;
- Organise the logistics for the meeting (venue, equipment, etc.).

After the mid-term review meeting the LP has to arrange any necessary follow-up with the partnership.

B.5.3. Financial performances and de-commitment of funds

Regulatory framework

Not meeting the spending targets set in the latest version of the approved application form may result in de-commitment of funds. This is linked to the need for the programme to respect its financial targets as set in the Interreg CE Cooperation Programme (CP).²⁷

Furthermore, the programme may have funds de-committed by the EC in case that annual appropriations set in the financial tables of the CP²⁸ are not translated into effective requests for payment to the European Commission within the set timeframe.²⁹ If the de-commitment applied to the programme by the European Commission cannot be secured by other means, the de-committed funds would result in a reduction of the ERDF committed to projects.

²⁷ Financial indicators as in the performance framework tables included in section 2 of the Cooperation Programme, firstly adopted by the European Commission on 16.12.2014.

²⁸ Table 15 in section 3 of the Cooperation Programme, firstly adopted by the European Commission on 16.12.2014.

²⁹ Articles 86, 87 and 88 of the Common Provisions Regulation.

Project decommitment

Irrespective whether the programme is subject or not to a decommitment of funds by the European Commission, the MC may decide to de-commit funds from projects that, following the mid-term review (presented in the previous chapters B.5.1 and B.5.2) show a low performance. Decommitted funds may be further used e.g. for funding additional projects within calls for proposals.

ATTENTION

Experience shows that project spending is delayed in the first months of implementation. In light of this, an underspending up to 20 % of the spending target set in the application form can be tolerated until the end of the mid-term reporting period (i.e. the reporting period referring to the project mid-term implementation). **Any underspending of funds exceeding this threshold may be decommitted by the programme MC on a case-by-case basis also considering the recommendations given by the MA/JS at the end of the project mid-term review.**

If the programme faces a decommitment by the European Commission for an amount that cannot be compensated by the budget made available following the procedure outlined above, the 20 % threshold will be lowered and additional projects will be subject to the decommitment procedure. In such case also different reporting periods than the project mid-term may be considered for calculating the amount to be decommitted.

C. ELIGIBILITY OF EXPENDITURE, OTHER FINANCIAL PROVISIONS, COMPLAINTS

C.1. General eligibility provisions

C.1.1. General eligibility requirements

TIP

As provided under chapter 7 of the Financial Regulation [Regulation (EU, Euratom) No 966/2012] the principle of sound financial management builds on the following three principles:

- The principle of economy requires that the resources used by the beneficiary 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 concerns the best relationship between resources employed and results achieved;
- The principle of effectiveness concerns the attainment of the specific objectives set and the achievement of the intended results.

Expenditure is eligible for funding when fulfilling all the general eligibility requirements listed below:

- It relates to the costs of implementing a project as submitted by the lead applicant and approved by the MC;
- It relates to cost items that did not receive support from other EU Funds or other contributions from third parties;³⁰
- It is essential for the achievement of the project objectives/outputs and it would not be incurred if the project is not carried out (the additionality of costs incurred for project purposes is to be ensured);
- It complies with the principle of real costs except for costs calculated as flat rates and lump sums;
- It complies with the principle of sound financial management (see tip box below);
- It has been incurred and paid by a beneficiary for actions as identified in the latest approved application form, in the period between the project start and end date set in the subsidy contract;³¹
- It is registered in the beneficiary's accounts through a separate accounting system or an adequate accounting code set in place specifically for the project;
- It is not in contradiction with any specific eligibility criterion applicable to the respective budget line (as provided for in chapter C.2);
- The relevant procurement rules have been observed, if applicable;
- It has been validated by an authorised national controller (as explained in chapter A.4.1).

ATTENTION

Please note that costs, which are not eligible according to the applicable eligibility rules, cannot be claimed, even if they are included in the approved application form.

³⁰ With the exception of financial contributions from third parties to the expenditure not exceeding the share of beneficiary's contribution to that expenditure (as further explained in chapter C.1.2).

³¹ Without prejudice to the eligibility of preparation and contracting costs - reimbursed as a lump sum as provided for in chapter A.1.4 - as well as project closure costs related to final reports and audit certificates as provided for in chapter C.1.4.

C.1.2. Expenditure supported by financial contributions of third parties

Non-EU financial contributions of third parties (e.g. from national, regional, local sources) specifically assigned to finance eligible costs of the project or any of its actions which are fully (i.e. 100 %) covering the concerned project expenditure make such expenditure not eligible in the framework of the Interreg CE Programme, since the beneficiary is not allowed to gain a direct profit from the received ERDF contribution.

In the case of partial financial contributions of third parties specifically assigned to finance eligible costs of the project or any of its actions, the related costs can be considered as eligible only if the financial contribution **does not exceed the share of beneficiary's contribution to that expenditure** (i.e. 15 % or 20 % depending on where the beneficiary is located). If this financial contribution exceeds the share of beneficiary's contribution, the ERDF contribution from the programme has to be reduced by the amount exceeding the share of beneficiary's contribution to the expenditure.

EXAMPLE

1. *Thematic equipment (as defined in chapter C.2.5.1) has been purchased for project purposes by a beneficiary located in the Czech Republic. The purchase cost is of EUR 5.000. This cost item has also received a subsidy from a national fund covering 30 % of its cost. The cost of this computer is eligible within the Interreg CE project, however the ERDF contribution has to be reduced from 85 % (ERDF contribution to beneficiaries located in CZ) to 70 %. The ERDF contribution is calculated as follows:*

Total purchase cost: EUR 5.000,00

National contribution: EUR 1.500,00 (30 %)

ERDF contribution: EUR 3.500,00 (70 %)

2. *Thematic equipment (as defined in chapter C.2.5.1) has been purchased for project purposes by a beneficiary located in Italy. The purchase cost is of EUR 5.000. In compliance with national provisions on the matter, this cost item has also received an automatic subsidy from a national fund covering 20 % of its cost (EUR 1.000,00). The ERDF contribution granted to this cost item amounts to EUR 4.000,00, i.e. 80 % of the eligible cost (ERDF contribution to beneficiaries located in IT). The financial public contribution granted to this cost item is therefore to be regarded as national contribution to the project eligible expenditure.*

In case financial contributions of third parties that may be used by the beneficiary to cover other costs than those eligible under the approved project or that are not due to the third party where they are not used at the end of the project, **shall not be considered as financial contributions** specifically assigned to the financing of project eligible expenditure.³²

³² In line with Article 184 of Regulation (EU) No. 1268/2012.

C.1.3. In-kind contributions

In the framework of the Interreg CE Programme, contributions in-kind as defined in Article 69(1) of the Common Provisions Regulation are not eligible.

C.1.4. Time-wise eligibility of expenditure

Time-wise, expenditure is eligible according to the following three periods:

TIP Please note that preparation costs (including costs for contracting) are reimbursed through a lump sum, therefore they do not refer to expenditure actually incurred by the applicants when preparing their proposals.

a. Project preparation and contracting

Costs for the preparation and contracting of an approved project can be compensated through a lump sum under the terms and conditions further explained in chapter A.1.4. The lump sum will be paid out upon condition that the partnership successfully fulfilled all conditions for approval of the project set by the MC, necessary information is included in the section "Supplementary information" in eMS and the subsidy contract is signed. **The date of the MA/JS acceptance of the revised application form fulfilling all conditions for approval is also the date in which preparation and contracting activities end.** Costs for these are covered by the lump sum. In the event that a project starts its implementation phase earlier than such date, real costs linked to preparation and contracting (e.g. staff, travel and accommodation) cannot be charged under the implementation costs.

b. Project implementation

Costs for the implementation of an approved project are eligible from its start date until its end date as set in the subsidy contract. At the earliest, costs are eligible as from the day after the submission of the application form, provided that this day is the official start date of the project as indicated in the application form. On this basis, partners may decide at their own risk to start the implementation of the project even before the MC decision for funding.

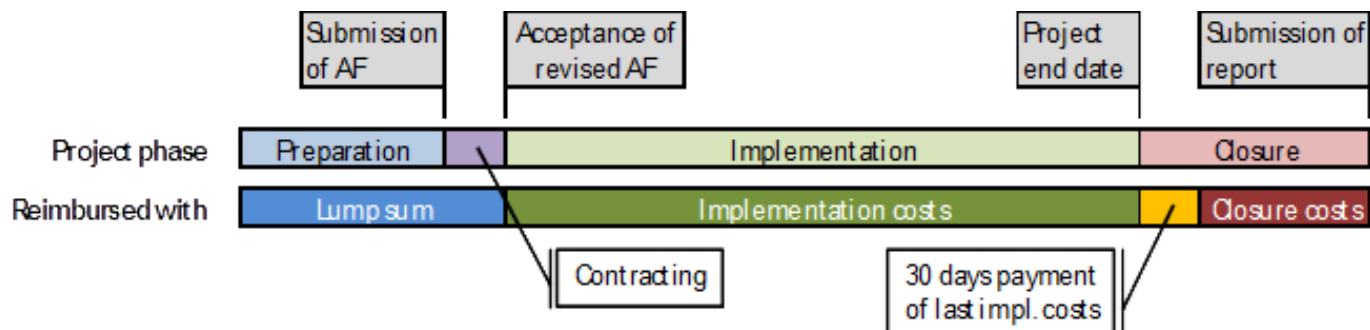
Payment of costs incurred in the last reporting period must take place at the latest **within 30 days after the project end date** set in the subsidy contract. As an exception, only staff costs (including social charges) referring to the last month of project implementation can be paid after this deadline, however **not later than the due date of submission of the last progress report** as set in the subsidy contract. Costs paid after these dates shall be regarded as not eligible even if incurred during the project implementation period.

c. Project closure

Costs for the closure of the project refer to activities such as the preparation and submission of the last progress report, the final report and the control of expenditure. Costs referring to these activities are eligible and must be paid by the deadline for submission of the last progress report as set in the subsidy contract.

The time-wise eligibility of expenditure is visualised in the following figure.

Figure 5 - Time-wise eligibility of expenditure



C.1.5. Compliance with EU policies and other rules

C.1.5.1. Public procurement

General principles and applicable public procurement rules

The acquisition by means of a public contract of works, supplies or services from economic operators is subject to rules on public procurement. Such rules aim at securing transparent and fair conditions for competing on the common market and shall be followed by the beneficiaries when procuring the above mentioned services, works or supplies on the market.

Rules differ depending on the kind of goods and/or services to be purchased, as well as depending on the value of the purchase and the legal status of the awarding institution. They are set at the following levels:

1. EU rules as set by the applicable directives on the matter;
2. National rules;³³
3. Programme rules (see specification below).

In addition to what is set out in the procurement laws, all relevant laws related to procurement (e.g. rules on contracting, intellectual property, business law etc.) are to be observed as well.

TIP It is strongly recommended to become familiar with the applicable procurement rules and, if necessary, seek the advice of procurement experts and/or their national controllers early enough before launching an award procedure.

Failure to comply with the procurement rules set out at EU, national or programme levels will have financial consequences. The Interreg CE Programme follows the "Guidelines for determining financial corrections to be made to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement"³⁴ by applying correction rates based on the type and significance of the non-compliance.

³³ National rules include laws on public procurement, related delegated or implementing acts or any other generally applicable legally binding rules and decisions.

³⁴ Annex to the Commission Decision C(2013) 9527 final of 19.12.2013.

More information on EU rules on public procurement, including on applicable EU thresholds, can be found at ec.europa.eu/internal_market/publicprocurement/index_en.htm, while information on national rules on public procurement can be found on the websites of competent institutions on the matter.

Particular attention should be paid to the concept of “sufficient degree of advertising” as included in various court rulings and communications by the European Commission.³⁵ This concept implies that for contracts which are not (or not fully) subject to the public procurement directives, there is - besides the requirement to obey the national law - also the need to determine the existence of a certain cross-border interest. Contracting entities should be made aware that it is in their responsibility to decide whether an intended contract award might potentially be of interest to economic operators located in other Member States and to choose the appropriate means of publication within the framework of the above mentioned national or EU rules. In view of the European Commission, this decision has to be based on an evaluation of the individual circumstances of the case, such as the subject-matter of the contract, its estimated value and the specifics of the sector concerned (size and structure of the market, commercial practices etc.) and the geographical location of the place of performance.

If compliance with the notion of a “sufficient degree of advertising”, as laid out above, requires (additional) publication of a tender notice, **the Interreg CE Programme strongly recommends to publish the tender notice on the programme website www.interreg-central.eu.**

³⁵ Commission Interpretative Communication No 2006/C 179/02.

EXAMPLE

1. *For a project event, taking place in a city in the geographical centre of Poland, the LP (a public institution) intends to contract a caterer for lunch and coffee breaks for an estimated value of EUR 10.000. The LP has to observe the applicable national rules on publication. Due to the geographical location of the event, the interest of providers located in other Member States in this catering contract is likely to be limited. Accordingly, the use of additional publication channels enlarging the degree of visibility of the tender notice, especially to foreign potential providers, is not necessary.*
2. *A project partner (public institution) intends to contract a study covering the territory of three Member States, for an estimated value of EUR 65.000. The procurement law of the Member State where the awarding institution is located requires a national wide publication of the tender notice. Due to the potential cross-border interest of the contract, the use of publication channels for EU wide tenders might be advisable - if accessible for the awarding institution - in order to ensure a sufficient degree of advertising. The PP might also use the opportunity offered by the Interreg CE Programme to publish it also on the programme website.*
3. *The same contract as in example 2) is to be tendered by a PP located in a Member State where, for the estimated amount of the contract, there is no obligation to publish the tender notice. Again, due to the potential cross-border interest of the contract, at least the publication on the programme website is advised.*

For details related to publication requirements, especially with regard to appropriate means of publication, please refer to the Commission Interpretative Communication No 2006/C 179/02.

Programme rules on public procurement

In order to guarantee a harmonised standard in contracting procedures across Member States and to accomplish sound financial management principle (as mentioned in chapter C.1.1), the Interreg CE Programme requires from beneficiaries to give evidence of adequate market researches for contracting amounts comprising between **EUR 5.000,00** (excl. VAT) and the threshold set by the applicable EU and national rules above which prior publication of the tender notice and the conduction of a competitive procedure is required. This means that in such cases, **unless stricter national rules apply**, beneficiaries must **perform and document the execution of adequate market researches** (e.g. through collecting bids, using centralised e-procurement services, etc.)³⁶. This is meant to provide sound knowledge and sufficient information on the relevant market allowing for sound comparison of offers in terms of price and/or quality and a profound assessment of the adequacy of the price.

Even for contracts having a value below EUR 5.000 (excl. VAT) or stricter national thresholds, the adequacy of costs must always be ensured and demonstrated. However, in such cases beneficiaries do not have to give evidence of a specific selection procedure conducted.

³⁶ A combination of more market searches for a same purchase can also be made in order to ensure the accomplishment of the sound financial management principle.

TIP

Beneficiaries are recommended to carefully define their legal status and **thoroughly analyse the legal terms of the mentioned directives** on public procurement with regard to their applicability.

Scope of application of public procurement rules

As mentioned above, different rules apply. Their applicability depends, among others, on the legal status of the awarding institution. In this regard the following is to be kept in mind:

- **Public authorities** and other institutions falling under the scope of application of the procurement laws³⁷ (including international organisations) must comply with the applicable rules on public procurement.
- **Institutions not falling under the scope of application of the public procurement laws** (e.g. private companies for most procurement activities as defined under the “classical directive”)³⁸ are exempt from the application of public procurement laws. Notwithstanding this, such institutions **have to observe the basic principles on which the procurement norms are based, and to ensure the best value for money or, if appropriate, the lowest price. Please check national rules and guidelines in this respect, which may set specific/stricter rules applicable also to institutions not falling under the scope of application of the public procurement laws.** The Interreg CE Programme has developed specific procedures to be followed by such institutions when procuring works, supplies or services (see below).

Procurement procedure for institutions not falling under the scope of the public procurement laws

Institutions not falling under the scope of application of the public procurement laws must follow the procedures presented below when procuring works, supplies or services:

- If the estimated value of the contract **exceeds the applicable EU or national thresholds** a competitive procedure similar to the applicable EU or national procurement norms has to be conducted. It is highly recommended to follow the scheme and basic requirements of the national/EU procurement norms (e.g. with regard to the minimum number of offers, formulation of selection/awarding criteria). In any case, it has to be demonstrated that the procedure conducted is sufficient and adequate to pursue the principles of sound financial management as mentioned in chapter C.1.1 especially regarding the contract value. Further guidance on this can be found in the factsheet “Purchase form for partners not subject to procurement laws” available on www.interreg-central.eu/implementation.
- If the estimated value of the contract **is below the national threshold** the programme rules on public procurement, as laid out above, have to be followed.

Institutions not falling under the scope of application of the public procurement laws also have to demonstrate compliance with the principles of transparency. Accordingly, tender notices and/or related documents should be published following the requirements of the procurement norms. Such tender notices shall be published on websites or newspapers allowing an adequate degree of transparency taking into account the subject-matter of the contracts, their estimated values and the specifics of the sector concerned as well as the geographical location of the place of performance.

In order to enable such institutions to comply with the transparency principle, the Interreg CE Programme **strongly recommends to publish their tender notices on the programme website www.interreg-central.eu.**

³⁷ Namely “contracting authorities” within the meaning of Directive 2004/18/EC or “contracting entities” within the meaning of Directive 2004/17/EC as further amended.

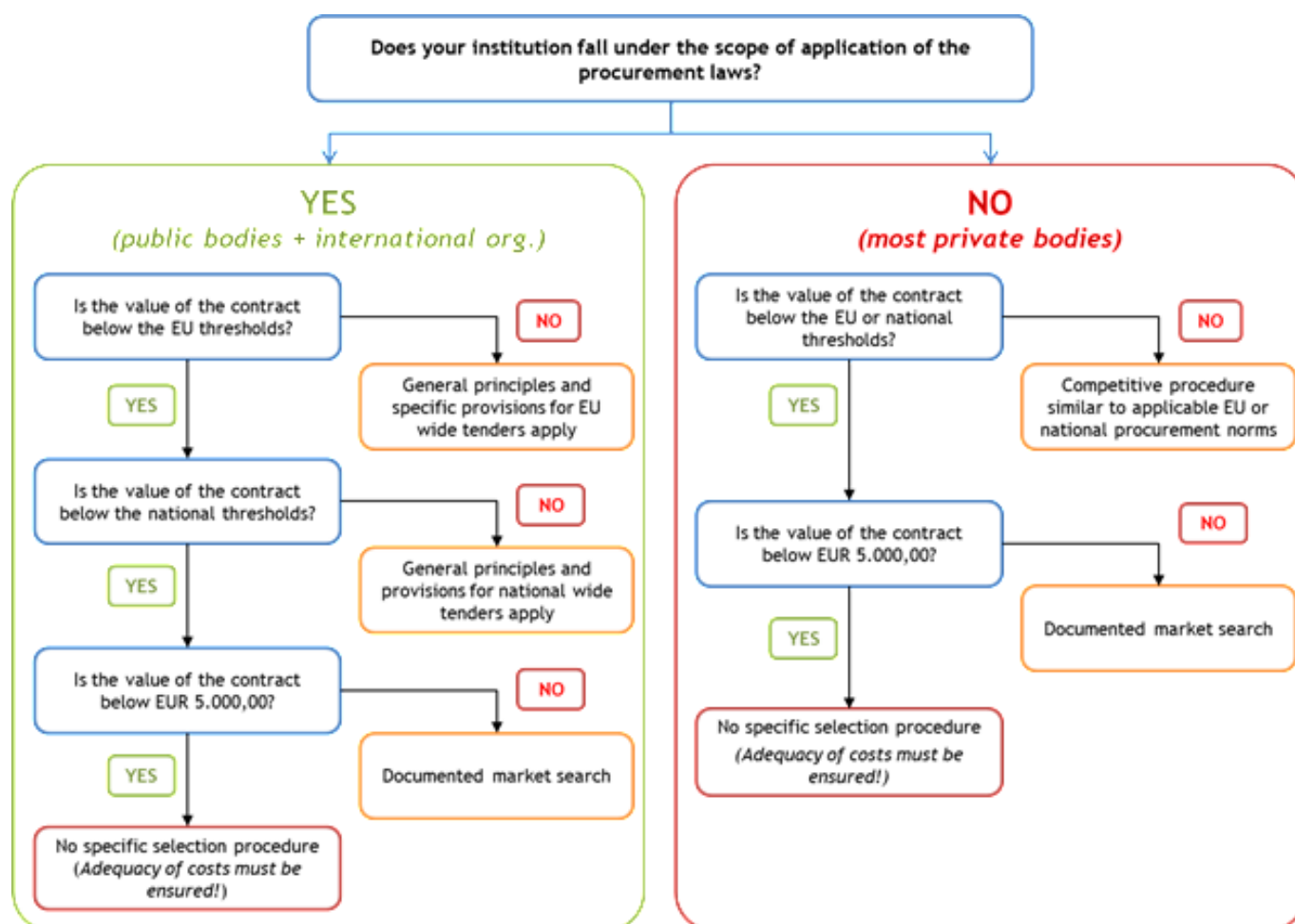
³⁸ More information on EU rules on public procurement, including information on applicable EU thresholds, can be found at the following link: http://ec.europa.eu/internal_market/publicprocurement/index_en.htm.

Selection of the awarding procedure

Beneficiaries must choose the appropriate procedure on the basis of an accurate assessment of the value of the future contract, keeping in mind that the artificial splitting of contracts for remaining below a certain threshold violates the law. The estimated value of the contract is the basis for the selection of the procurement procedure to be conducted and accordingly determines the range of the publicity required for the respective procurement. The specific thresholds set by the European Commission or national institutions are indicated in the EC directives or national rules.

Once the value of the contract is determined, the following decision trees might support in deciding the procedure to be applied³⁹.

Figure 6 - Decision tree for selecting the procurement procedure



³⁹ Further guidance on the matter is given by the European Commission in the document "Public procurement - Guidance for practitioners on the avoidance of common errors in ESI-funded projects". This document is not yet published at the time of issuing this manual. Please check regularly the following link: http://ec.europa.eu/regional_policy/en/information/legislation/guidance/

Conflict of interest

A conflict of interest exists where the impartial and objective exercise of the functions of a financial actor or other person, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a recipient. Each beneficiary is responsible for ensuring that appropriate measures are taken to minimise any risk of conflict of interest during the procurement process.

Although the character of the conflicts of interest can be diverse depending on the parties, types of the relationships and interests involved, **transparency of the decision-making process and fair treatment for all tenderers is to be ensured**. Special attention should be given to cases where project staff is also involved in external companies participating in the tenders organised by the respective project partner. In any case, measures need to be carefully analysed to minimise any possible risks of conflict of interest.

For specific requirements national legislation should be consulted (for example: the conclusion of a contract between institutions that are represented by the same person(s) might be forbidden or allowed only under special conditions as set out by company or other laws).

Exemption from procurement rules

- **In-house subcontracting:** requirements from the latest EU Directive on public procurement⁴⁰ imply that:
 - ☐ The contracting authority exercises over the contracted in-house body a control which is similar to that which it exercises over its own departments;
 - ☐ More than 80 % of the activities of the controlled body are carried out for the controlling contracting authority;
 - ☐ There is no direct private capital participation in the controlled body.⁴¹

When all three of the above conditions for an in-house contracting are given, the in-house body can be contracted by the beneficiary through a direct award. Costs of the contracted in-house body **must always be charged on a real-costs basis, thus without any profit margin**. Such costs shall be accounted under each relevant budget line, according to the nature of the service provided, as well as under the same general and specific provisions on eligibility, reporting and audit trail as provided for in this document.

The above provisions concerning in-house contracting apply also to international organisations receiving funds within Interreg CE projects.

- **Contracts for the cooperation between public bodies:** also in this case requirements deriving from the EU Directive on public procurement⁴² apply.

⁴⁰ Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014, art. 12 which also establishes the methodology for calculating the percentage of activities referred to in point 2.

⁴¹ With the exception of non- controlling and non-blocking forms of private capital participation required by national legislative provisions, in conformity with the Treaties, which do not exert a decisive influence on the controlled body.

⁴² Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014, art. 12.

ATTENTION

In case of sub-contracting to in-house bodies, or in case of costs referring to cooperation between public bodies, costs must always be charged on a real-costs basis, thus without any profit margin (with the exception of office and administrative expenditure, to be calculated as a flat rate of 15 % of eligible direct staff costs).

Such costs shall not be accounted under the budget line 'External expertise and service costs' but under each relevant budget line, according to the nature of the service provided, as well as under the same general and specific provisions on eligibility, reporting and audit trail as provided for in this document. Please see the example below.

General and specific provisions on eligibility, reporting and audit trail, as outlined in this manual are to be followed in full by the sub-contracted body (the in-house or public authority cooperating with the project beneficiary).

EXAMPLE *A regional authority, acting as lead partner of a CENTRAL EUROPE project, contracted its own in-house company, specialised in EU funding management, for the implementation of tasks concerning project financial management and reporting.*

In the first reporting period, the in-house company incurred and paid project-related costs of EUR 27.000, out of which:

- EUR 20.000 for staff costs (one senior and one junior officer assigned to the project);
- EUR 3.000 for office and administrative expenditure (calculated as 15 % of staff costs);
- EUR 4.000 for external expertise and services costs (costs for the project kick-off event).

The compliance of the above costs with general and specific provisions on eligibility, reporting and audit trail, as included in this manual, are to be verified by the national controller of the beneficiary, including the availability of documents, the application of public procurement rules, etc. Once validated, such costs are to be included in the financial section of the progress report under each relevant budget line.

Project partners vs external experts/providers

The Interreg CE Programme **does not allow project partners to contract each other to carry out project activities**. The only legal basis for a project partner's activity in the project is the application form, which will be reimbursed on the basis of the applicable eligibility rules as laid out in this document.

At the same time, organisations must not be incorporated into the partnership with the intention to undermine procurement laws. This concerns in particular bodies whose main scope of activities within their business profile, as well as their project role, consists of project coordination, management, communication, knowledge management or other activities that are of a mere executive or supporting character (service providers) which cannot be involved as project partners.

C.1.5.2. State aid

The notion of State aid

Public support granted by the Interreg CE Programme must comply with State aid rules applicable at the point of time when the public support is granted. According to Article 107 of the Treaty on the functioning of the European Union, State aid is defined as *“any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods”*, therefore affecting trade between Member States.

In practical terms, State aid applies when **all five criteria** listed below are met:

1. The recipient of the aid is an **“undertaking”**, which is carrying out an **economic activity** in the context of the project (see definitions below).
2. The aid **comes from the State**, which is always the case for any Interreg programme.
3. The aid gives an **economic advantage** (a benefit), which an undertaking would not have obtained under normal market conditions.
4. The aid is **selectively** favouring certain undertakings or the production of certain goods.
5. The aid **distorts** or threatens to distort competition and trade within the European Union.

An **undertaking** is to be regarded as any entity engaged in an economic activity, regardless of its legal status (it can be a public body, a charity, an NGO, an association or university, as well as a private firm) and regardless of whether it aims to make a profit or not. The classification as an undertaking is specific to an activity and it is not linked the status of an entity such as public or private. The only decisive criterion is whether or not the entity carries out an economic activity in the context of the Interreg project.

An **economic activity** is broadly defined as offering goods or services on a given market and therefore, due to this, a comprehensive list of economic (and non-economic) activities does not exist. It is to be kept in mind that State aid applies only if an LP or PP carries out activities in the project that can reasonably be assumed to be of economic nature. If the project partner carries out non-economic activities in the project, there is no State aid even if this organisation normally (i.e. outside the Interreg project) carries out activities of an economic nature. The contrary (i.e. economic activities are performed in the project by an organisation that normally does not carry out economic activities) can also occur, thus resulting in State aid relevance.

EXAMPLE *A public university participating as LP in an Interreg CE project carries out economic activities (e.g. contracted research for SMEs) and non-economic activities (e.g. knowledge development and cooperation with other partners) in the context of the project. This university is therefore to be regarded as an undertaking in the context of the project.*

The public contribution granted to the part of the project referring to the economic activity belongs to the State aid discipline. Contrary to this, public contributions granted to non-economic activities (knowledge development and cooperation) falls outside the scope of State aid. However, economic and non-economic project activities must be clearly separated in the application form.

Further general information on state aid can be found on the DG Competition website of the European Commission (http://ec.europa.eu/competition/state_aid/overview/index_en.html), where also a comprehensive guideline on the notion of State aid is available⁴³. Also relevant national and/or regional authorities may be consulted to obtain more specific information on rules and limitations concerning State aid.

Last, a guidance document on State aid in the framework of European Territorial Cooperation programmes has been issued by the Interact Programme.⁴⁴

State aid in the Interreg CE Programme

State aid assessment

The Interreg CE Programme addresses State aid in all phases of the project lifecycle. A key step of the programme approach towards State aid is already the application stage, i.e. when project proposals are submitted in response to calls for proposals. Submitted application forms undergo a specific “**State aid assessment**” focusing on the five criteria listed above, with particular attention to the assessment of the status as “undertaking” of LPs and/or PPs (criterion 1 above) and of the existence of an economic advantage for the undertaking (criterion 3 above).

The results of this assessment may lead to conditions for approval set by the MC for those projects that are relevant to State aid. Conditions for approval are drafted with the aim of ensuring compliance of the approved project with State aid rules, resulting in any of the following consequences:

- Reduction of the ERDF contribution to beneficiaries acting as undertakings in the framework of the project, in respect of de *minimis* thresholds (see below);
- Inclusion of provision(s) in the subsidy contract aimed at eliminating the State aid cause (e.g. wide dissemination, also to competitors, of a project output);
- Inclusion of provision(s) in the subsidy contract addressing indirect aid granted to project final beneficiaries (e.g. some SMEs attending for free to a training course organised within the project).

⁴³ http://ec.europa.eu/competition/state_aid/modernisation/notice_aid_en.html

⁴⁴ Available for download on www.interact-eu.net.

During the implementation of the project, national controllers must then verify that contractual conditions on State aid are fulfilled by the concerned LP and/or PPs.

Additional contractual conditions on State aid may be given to projects in case of modification of their activities, budget and/or composition of the partnerships occurring during the project lifetime (as presented in section D).

De minimis aid

Public support given to an undertaking in the framework of the Interreg CE Programme is **granted under the de minimis rule⁴⁵** by the Member State Austria. This implies that undertakings can receive grants from the programme **only if they have not received by Austria public aid under the de minimis rule totalling more than EUR 200.000 within three fiscal years from the date of granting the aid.⁴⁶** This ceiling is reduced to EUR 100.000 in the road transport sector. Agriculture, aquiculture and fisheries, as well as aid to export-related activities and aid contingent upon the use of domestic over imported good, cannot be granted under the de *minimis* rule within the Interreg CE Programme.

The amount of de *minimis* aid granted to an undertaking within an Interreg CE project is ultimately linked to the respect of the de *minimis* threshold at the moment of granting the aid. This might lead to a reduction of the public contribution granted to the undertaking, as explained in chapter II.7.7 of part B of the application manual.

ATTENTION

The de *minimis* threshold counts per “single undertaking”. In case a project partner is part of a group, the entire group is considered as one single undertaking and the de *minimis* threshold applies to the entire group.⁴⁷ This could be for example the case of a company owning (or controlling) one or more companies, or the different departments of one university.

Article 2(2) of Regulation (EU) No 1407/2013 on de *minimis* aid precisely defines the principle of single undertaking.

Information concerning previous aid received under the de *minimis* rule is provided to the Interreg CE Programme through a **self-declaration**, signed by the legal representative of the undertaking participating in the project, indicating any de *minimis* grant received from Austria within three fiscal years from the date of granting the aid (date of signature of the subsidy contract, as mentioned above). This self-declaration is to be provided when submitting the full application form and, as an update, in case the project proposal is selected for funding prior to signing the subsidy contract. The template of State aid self-declaration including information on de *minimis* is available for download on www.interreg-central.eu.

When granting the de *minimis* aid, the undertaking will be duly notified in writing by the programme authorities about the prospective amount of the aid and of its de *minimis* character.

⁴⁵ As provided for in Regulation (EU) No 1407/2013 on de *minimis* aid.

⁴⁶ Date of signature of the subsidy contract.

⁴⁷ The European Court of Justice has ruled that all entities which are controlled (on a legal or on a de facto basis) by the same entity should be considered as a single undertaking [Case C-382/99 Netherlands v Commission [2002] ECR I-5163].

Indirect aid

Any undertaking receiving an advantage from an approved project (usually in the form of services, trainings, consultancy, etc.) that it would not have received under normal market conditions can be the recipient of State aid. This applies to undertakings participating as LPs or PPs as well as - potentially - to third parties receiving benefits from the project. The latter could be the case, for example, for some SMEs attending for free to a training course organised within the project.

On the basis of the State aid assessment performed in the selection process (see above), any project proposal involving indirect State aid will have specific **conditions** addressing this issue in the subsidy contract. This may include the following obligations:

- The concerned PP (or LP if applicable) has to collect self-declarations from the final recipients of the indirect aid (i.e. SMEs attending for free the training course in the mentioned example) prior to granting the aid (i.e. before the training course in the example) in order to verify the respect of *de minimis* thresholds.
- The concerned PP (or LP) has to notify in writing the final recipients of the indirect aid on the prospective amount granted under the *de minimis* rule as well as to fulfil any other obligation as provided for in Regulation (EU) No 1407/2013 on *de minimis* aid (e.g. to inform the central register for *de minimis*, if existing, maintaining records regarding individual *de minimis* aid, etc.).

The amount of indirect aid granted to the final beneficiaries is to be determined on the basis of market prices for benefits (services, trainings, consultancy, etc.) comparable to those given through the project (e.g. the training course in the example mentioned above). Only in case that for such benefits no reliable benchmark exists (e.g. it might be the case of highly specialised consultancy services), the amount of the aid is to be calculated according to an estimation of the real costs planned by the concerned LP or PP for implementing the service.

The procedure and templates applicable for collecting self-declarations from final recipients of the aid as well as for notifying the granted aid are set at Member State level. More information is available from the Interreg CE national contact points.

Last but not least, Member State controllers must verify that contractual conditions on indirect aid are fulfilled by the concerned LP and/or PPs.

Undertakings in difficulty

In compliance with Article 3(3) d) of the ERDF Regulation the Interreg CE Programme does not support undertakings in difficulty⁴⁸. In the occurrence that the LP and/or any of the PPs is in the situation of undertaking in difficulty, the affected institution is to leave the partnership following the procedure described in chapter D.3.2. Furthermore, in such cases the MA is entitled to terminate, in whole or in part, the subsidy contract and/or to demand repayment of the granted subsidy.

⁴⁸ As defined in point 24 (in conjunction with point 20) of the "Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty" (Communication from the Commission No. 2014/C 249/01 of 31.07.2014).

C.1.5.3. Branding

In order to ensure high visibility and a harmonised visual identity of European Union cohesion policy projects, Articles 115-117 and Annex XII of the Common Provisions Regulation) as well as Articles 4 and 5 of the Commission Implementing Regulation (EU) No 821/2014 provide a set of instructions for programme and project communication and branding. The documents are available on the programme website at www.interreg-central.eu/implement.

In addition, the Interreg CE Programme has joined the harmonised Interreg branding initiative⁴⁹ coordinated by the Interact Programme, which also affects the communication and branding of projects co-financed by the programme.

The resulting rules and obligations to be respected by projects are summarised below.

Definition of combined project and programme logo

All communication measures carried out by the project have to acknowledge support from the European Union in general and from the European Regional Development Fund (ERDF) and the Interreg CE Programme more specifically.

Accordingly, all measures have to be branded with a logo combining EU elements with both programme and project elements. The resulting combined project and programme logo will be provided by the programme in various digital formats to projects at the start of their activities. Each logo will include the following elements:

- European Union emblem (EU flag);
- Name of European Union
- Name of fund (European Regional Development Fund)
- Name of funding strand (Interreg);
- Programme name (CENTRAL EUROPE);
- Project acronym.

Combined project and programme logos will look similar to the example below:



Background information: The fringes of the paint stroke into which the project acronym is embedded are identical with the eastern and western borders of the programme area. The project acronym is centred and the colour and length of the paint stroke will change according to thematic priority and acronym length.

⁴⁹ To facilitate better cooperation among programmes and projects and to increase awareness of European Territorial Cooperation as a valuable objective of EU Cohesion Policy, the branding of many cooperation programmes and projects is being harmonised in the programming period 2014-2020. The well-known "Interreg" has been re-introduced as a name for the funding strand "European Territorial Cooperation".

For very small spaces, with an available print area of less than 2 cm in height or 4 cm in width, and where due to the small size the logo would be too small to be readable, so-called small-scale solutions will be provided to each funded project. The combined logos will still have to include:

- European Union emblem (EU flag);
- Name of European Union
- Name of funding strand (Interreg)
- Name of programme (CENTRAL EUROPE);
- Project acronym.

Various options for such small-scale logos will also be provided by the programme to the projects. For more information please refer to the project brand manual at www.interreg-central.eu/implement.

Placement and size of project logo

The combined project and programme logo has to be placed either on the front or (in exceptional cases to be authorised by the MA/JS) on the back cover of publications. On websites and their subpages, online and smartphone applications, social media and other digital platforms and implementations the logo has to be positioned in a place which is visible without scrolling or clicking. On other communication products such as conference bags, exhibition roll-ups or presentations, it also has to be placed in a prominent place.

The size of the logo should be reasonable and recognizable.

If other logos are displayed in addition to the combined programme and project logo, the combined logo has to be placed on the same page (or surface) as the other logos.

ATTENTION

The European Union flag emblem - which forms an integral part of the combined programme and project logo - shall not be smaller than the size of the biggest logo displayed on a same page (or surface), measured either in height or width. Please consult with the JS if in doubt about combining logos.

Branding infrastructure and construction measures

Where the total public support for a project carrying out infrastructure or construction measures exceeds EUR 500.000, it is obligatory to establish temporary billboards during implementation.

No later than three months after completion of the output/deliverable, projects have to put up a permanent plaque or billboard of significant size on the infrastructure or construction, or (if not possible) at a place nearby, readily visible to the public. In case of several infrastructure or construction measures carried out within one project, billboards or permanent plaques have to be placed on all of them.

In addition to information on the total public financial support received by the project and the contact details of the lead partner (name, address, e-mail and website), 25 % of the available space on billboards and permanent plaques have to be made up of:

- Combined project and programme logo;
- Description of the main project objective and the objective of the supported activity including the address of the project website.

Where it is not possible to place a billboard or permanent plaque on an infrastructure or construction, other appropriate branding measures have to be taken in order to display the public support.

Where the total public support for a project with infrastructure or construction measures does not exceed EUR 500.000, at least one poster (minimum size A3) has to be placed on the infrastructure or construction, or (if not possible) at a place nearby readily visible to the public. The poster has to include information about the project as listed above.

Templates for plaques, billboard and posters are available in the project brand manual.

Branding promotional products and gifts

Awareness-raising on the project is the most common reason for purchasing promotional items (gadgets). They can be used as giveaways at events, such as exhibitions and conferences, or in broader awareness campaigns.

Promotional items are usually relatively small and inexpensive. While almost any product can be branded with a project logo and used for promotion, the Interreg CE Programme has drafted an **exhaustive list** of common promotional items⁵⁰. The production of other promotional items not included in such list needs a prior approval by the MA/JS.

Promotional products are by definition produced in larger quantities and come custom printed with the project logo. The production scale is one key difference between promotional products and gifts. The use of gifts has also a different aim: project gifts are not meant to raise awareness but rather to improve relations. They help to express gratitude to one specific person while respecting applicable rules against corruption. An example of gift could be a bouquet of flowers wrapped with a band holding the project logo, handed over to the host or an important speaker at a project event.

Gifts purchased are eligible up to a maximum value of EUR 50 per item upon condition that they are used for communication activities. As it is for promotional items, they must be branded with the project logo. No more than EUR 500 shall be spent on gifts during the lifetime of an Interreg CENTRAL EUROPE project.

For further information on eligibility requirements on promotional items and gifts please refer to chapters C.1.6 and C.2.4.3.

⁵⁰ The list of eligible promotional items is available on www.interreg-central.eu/implement.

Other product branding and additional product website

Complementary to the use of the combined project and programme logo, projects can choose to create logos for specific products or other outputs of the project that are going to be marketed beyond project duration. The creation of product logos is eligible if defined as a specific output in a project's work packages. Product logos shall always be combined with the combined project and programme logo to avoid eligibility issues.

Should a product or other output of the project (e.g. awareness campaign) be promoted by a dedicated website in addition to the project website hosted by the programme, a short description of the project has to be included on the homepage of that website, including aims and results of the project and highlighting the financial support from the European Regional Development Fund and the Interreg CENTRAL EUROPE Programme.

It is also compulsory to place the combined project and programme logo on the homepage of a product or output-related website and to place a hyperlink from the logo to the project website hosted on the programme website (e.g. www.interreg-central.eu/projectacronym).

C.1.5.4. Horizontal principles

Sustainable development, equal opportunities and non-discrimination as well as equality between men and women are three major EU horizontal principles that give the framework to the programme. Projects supported by the Interreg CE programme must comply with these principles at any stage of the project lifecycle. Starting from their application forms, projects have to assess their respect of the above principles. In case of possible negative effects, adequate mitigation measures have to be designed already in that stage in order to avoid such negative effects.⁵¹ In general, projects should reflect the horizontal principles in any of their activities, outputs and results. The project management should define actions for ensuring the respect of these principles.

This chapter gives an overview on the considerations that have to be made by projects regarding sustainable development, equal opportunities and non-discrimination and equality between men and women. More information can be found also in section 8 of the Interreg CE Cooperation Programme (available for download on www.interreg-central.eu/implement).

Sustainable development

Sustainable development (along its economic, social and environmental pillars) is a key horizontal principle of the Interreg CE Programme and compliance with relevant policies and rules must be ensured by all beneficiaries.

Possible environmental effects (positive, neutral or negative) are to be carefully considered with regard to the following aspects: water, soil, air and climate, population and human health, fauna, flora and biodiversity, cultural heritage, and landscape. This is of particular relevance in case of pilot investments.

⁵¹ For example, if a project foresees the promotion of river and sea transport, specific attention should be placed on the ecological status of the water body and its hydro morphology.

Projects approved under any of the programme priority axes are strongly encouraged to incorporate activities for tackling environmental concerns and reducing their environmental and carbon footprint, for example by:

- Including environmental criteria in procurement procedures;
- Giving preference to environmentally-friendly mobility options (in particular for short travel distances);
- Considering online meetings instead of face-to-face meetings where possible;
- Organising conferences and events in a sustainable way (e.g. by combining different meetings in one place, reducing printing and using recyclable materials, using video conference facilities, etc.);
- Considering resource efficiency and the use of renewable energy at all levels;
- Making use of regional supply chains (reducing supply chain length and CO2 emissions).

The respect of compulsory requirements set by European and national legislation on environmental policies is particularly important for projects realising infrastructures/works (as further detailed in chapter C.2.6).

In addition to the above general principles, projects have to demonstrate their contribution to sustainable development in line with the scope of each programme priority axis. More detailed information on this can be found under the description of the programme priority axes (section 2) as well as in section 8 of the Interreg CE Cooperation Programme (available for download on www.interreg-central.eu).

Equal opportunities and non-discrimination

Beneficiaries have to ensure that activities implemented within the approved project are in line with the principle of equal opportunities and do not generate discrimination of any kind (sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation).

Besides projects having the reduction of disparities as main objective, all projects approved under any priority axis are encouraged to incorporate measures for promoting equal opportunities and preventing any discrimination. This includes for example to actively tackle of concerns on demographic change and inequality. Projects are also encouraged to integrate the principle of barrier-free accessibility at all levels, with a special focus on physical investments and project events. Furthermore, when selecting service providers, suppliers or contractors, beneficiaries have to ensure equal opportunities for all interested parties and avoid limiting or discriminating with requirements or selection criteria (as further explained in chapter C.1.5.1).

Equality between men and women

Beneficiaries have to ensure that activities implemented within the approved project are in line with the principle of equality between men and women and actively promote gender mainstreaming.

Beside projects with gender equality as their main objective, all projects approved under any priority axis are encouraged to incorporate measures for integrating gender perspectives, for example by securing equal participation of men and women in management and steering structures and by ensuring gender equality in any decision-making activity.

C.1.6. Non-eligible expenditure

The following costs are not eligible:

- In-kind contributions, as defined in Article 69(1) of the Common Provisions Regulation;
- Fines, financial penalties and expenditure on legal disputes and litigation;
- Costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information;⁵²
- Costs related to fluctuation of foreign exchange rate;
- Interest on debts;
- Purchase of land;
- Recoverable VAT except where it is non-recoverable under national VAT legislation;
- Charges for national financial transactions;
- Costs for alcoholic beverages;
- 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;
- Any other cost not eligible according to general provisions on eligibility (as in this chapter) as well as specific provisions at budget line level (as in chapter C.2).

⁵² For further requirements applicable to gifts please refer to chapters C.1.5.3 and C.2.4.

C.2. Specific budget line provisions

In this chapter specific provisions on eligibility, form of reimbursement as well as on reporting and audit trail are given on the following six budget lines applicable to the Interreg CE Programme:

1. Staff costs
2. Office and administrative expenditure
3. Travel and accommodation costs
4. External expertise and services costs
5. Equipment expenditure
6. Infrastructure and works expenditure

C.2.1. BL1. Staff costs

C.2.1.1. Definition

Expenditure on staff costs consists of the gross employment costs of staff employed by the beneficiary institution for implementing the project. Staff can either be already employed by the beneficiary or contracted specifically for the project.

Staff may be employed in the project by the beneficiary in one of the following ways:

- a. **Full-time** in the project;
- b. **Part-time** in the project:
 - ☐ Part-time with a fixed percentage of time per month dedicated to the project
 - ☐ Part-time with a flexible number of hours worked per month on the project
- c. Contracted for project purposes on an hourly basis.

It is to be underlined that the above categories refer to the **relation of the employee vis-à-vis the project** and not the employer.

EXAMPLE *An employee is working full-time in the beneficiary institution but is working only part of her/his time on an Interreg CE 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 an Interreg CE project is to be included in the category "full-time".

Expenditure included under this budget line is limited to:

- a. **Salary payments** fixed in an employment document (employment contract or any other equivalent legal agreement that permit 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.** Payments to natural persons working for the beneficiary under a contract other than an employment/work contract may be assimilated to salary payments and such a contract is considered as an employment document⁵³.
- b. **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, 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.

With regard specifically to staff costs referring to a natural person working for the beneficiary under a contract other than an employment/work contract, they are to be regarded as 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;
- 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.

ATTENTION

Please note that costs arising from a contract stipulated with a natural person that results to be not equivalent to an employment contract according to national/institutional rules, belong to the external expertise and services budget line and have to comply with all provisions applicable to that budget line, including the respect of procurement rules.

⁵³ The conditions under which a natural person can work under a contract other than an employment contract, and assimilated to it, is to be clarified by the beneficiary against the applicable national (including institutional) rules on the matter. The beneficiary is also to prior consult its national controller in order to identify possible risks of ineligibility of expenditure.

C.2.1.2. Forms of reimbursement

Staff costs of the beneficiary organisation can be reimbursed on the basis of one of the following options:

- a. Real costs, where the beneficiary must document that expenditure has been incurred and paid out (as provided for in the following sections); or
- b. Flat rate up to 20 % of direct costs other than staff costs, where the beneficiary does not need to document that the expenditure has been incurred and paid out⁵⁴.

Each beneficiary must choose one of the above reimbursement options (a. or b.) already when drafting the application form. The same reimbursement option will then apply to all staff members of the partner institution working on the project and it will be set for the entire project duration.

ATTENTION

The option chosen by an LP and any PP when submitting the application form cannot be changed during project contracting and/or implementation. However, different partners in a same project may choose different options for reimbursing staff costs.

C.2.1.3. Specifications, reporting and audit trail

a. Real costs

a.i Additional eligibility requirements

The following applies to staff costs determined on a real cost basis:

- The adequacy of staff costs must always be ensured. When claimed staff costs are not adequate in quality and/or quantity to the realised project deliverables and outputs, as listed in the approved application form, a flat rate correction may be applied following the principle of proportionality.
- Taxable benefits are only eligible if foreseen in the signed contract, national or internal regulations and they are in line with the employment policy of the beneficiary organisation (ad hoc regulations applicable only to the project are not allowed). They must be directly linked to the salary payments and figure on the payslip.
- Unjustified ad-hoc salary increases or bonuses for project purposes are not eligible.
- Where foreseen by the employment document, overtime is eligible, provided it is in conformity with national legislation and the standard practice of the beneficiary. Overtime of an employee working part-time in the project can only be eligible if transparently and proportionally allocated to the project.
- Staff costs must be calculated individually for each staff member charged to the project.
- In case of contractual changes for staff working in the project on a real cost basis, the method for calculating staff costs may also be adapted to the changed conditions⁵⁵.

⁵⁴ For further requirements applicable to staff costs reimbursed according to a flat rate up to 20 % please refer to point b) in chapter C.2.1.3.

⁵⁵ E.g. an employee of the beneficiary institution that, consequently to a change in her/his assignment, starts to work full-time in the project instead of working part-time with a flexible No of hours. The option used for calculating staff costs is therefore to be changed as from when the changed contractual conditions occurred.

a.ii Calculation of costs for staff working full-time in the project

For individuals employed by the beneficiary to work full-time on the project, the total gross employment costs incurred by the employer are to be considered as eligible as far as they are in line with the general provisions on eligibility (chapter C.1) and the additional eligibility requirements provided for staff costs determined on a real-cost basis (point a.i above).

a.iii Calculation of costs for staff working part-time with a fixed percentage of time per month on the project

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.

Gross employment costs incurred by the employer are to be considered as eligible as far as they are in line with the general provisions on eligibility (chapter C.1) and the additional eligibility requirements provided for staff costs determined on a real-cost basis (point a.i above).

EXAMPLE *A university participating in an Interreg CE project assigned a senior researcher to the project. Contractual conditions for the researcher are:*

- monthly gross employment cost of EUR 5.000;
- 50 % of the total working time to be worked in the CENTRAL EUROPE project.

Moreover, the researcher works also in another EU-funded project for the remaining 50 % of her/his working time.

The cost monthly claimed in the CE project is:

*EUR 5.000 * 50 % = EUR 2.500*

*(corresponding to EUR 2.500 * 6 = EUR 15.000 per reporting period)*

- *After six months of project implementation, tasks assigned to the employee changed. Following this change, in the second reporting period the researcher worked 25 % of her/his working time instead of 50 %. Due to the changed conditions, the amount monthly claimed in the CE project in all 6 months of the second reporting period is:*

*EUR 5.000 * 25 % = EUR 1.250.*

*(corresponding to EUR 1.250 * 6 = EUR 7.500 in the second reporting period)*

As a consequence of this the employment contract (in this case the document stating the percentage of time worked by the employee on the project) has to be updated to the new percentage. Furthermore, this revision has to set new qualitative and/or quantitative targets for the deliverables and outputs to be produced by the employee.

If claimed staff costs are not adequate in quality and/or quantity to realised project deliverables and outputs, a flat rate correction may be applied (as specified in point a.i above).

a.iv Calculation of costs for staff working part-time with a flexible number of hours worked per month on the project

For individuals employed by the beneficiary 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 project in the concerned month, as resulting from the time-record of the total time worked by the employee (time-sheets).

Costs to be claimed in the project are then calculated multiplying the hourly rate by the number of hours actually worked on the project. The hourly rate to be applied for the calculation is determined exclusively through the following formula:

$$\text{Hourly rate} = \frac{\text{Latest documented annual gross employment costs}}{1.720 \text{ hours}}$$

The latest documented annual gross employment costs used for the calculation must comply with the general provisions on eligibility (chapter C.1) and the additional eligibility requirements provided for staff costs determined on a real-cost basis (point a.i above). Moreover, the latest documented annual gross employment costs do not have to refer to the calendar year: the latest available data must be used⁵⁶.

If data on the latest documented annual gross employment costs of the concerned employee is not available (i.e. for staff employed by the beneficiary as from less than one year), costs cannot be calculated with this method and the beneficiary must wait until this data is available.

Please note that:

- The denominator of the formula for the calculation of the hourly rate (i.e. 1.720 hours) cannot be changed irrespective of contractual conditions applicable to the employee to be accounted in the project (e.g. the 1.720 hours denominator must be used also for employees working on a reduced time-basis vis-à-vis the employer).
- 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 CENTRAL EUROPE project(s) cannot be higher than 1.720 hours.

⁵⁶ For example: if the latest available data refers to June 2015, the latest documented annual gross employment costs refer to the period from July 2014 to June 2015.

EXAMPLE *An employee of the beneficiary institution working in an Interreg CE project has been hired in May 2014 and started working in the project in January 2015. The latest documented annual gross employment cost of this employee is not available when s/he started working in the project.*

The reporting period of the project runs from January to June 2015 and in this period the employee worked 120 hours in the project (as resulting from the time-sheet covering 100 % of the worked time).

At the end of the project reporting period (June 2015) the latest documented annual employment cost of the employee is available and it refers to the period July 2014 - June 2015. Such cost amounts to EUR 60.000.

The hourly rate according to the latest documented annual employment cost of the employee is then calculated as follows:

$$\text{EUR } 60.000 / 1.720 = \mathbf{34,88 \text{ EUR/hour}}$$

The amount to be claimed in the project in the concerned reporting period is thus calculated as follows:

$$34,88 \text{ EUR/hour} * 120 \text{ hours} = \mathbf{\text{EUR } 4.185,60}$$

The hourly rate as determined above will remain unchanged until the end of the project, while only the monthly calculation of the costs to be claimed in the project (according to time-sheets) will have to be made every month.

a.v Calculation of costs for staff contracted for project purposes on an hourly basis

For individuals employed by the beneficiary on an hourly basis, staff costs shall be regarded as eligible as far as they are in line with the general provisions on eligibility (chapter C.1) and the additional eligibility requirements provided for staff costs determined on a real-cost basis (point a.i above). They shall be calculated multiplying the number of hours actually worked on the project by the hourly rate agreed in the employment document.

Please note that expenditure referring to staff employed on an hourly basis with a contract other than an employment/work contract, all conditions listed in chapter C.2.1.1 have to be fulfilled in order to regard such expenditure eligible under the budget line staff costs.

EXAMPLE *An employee of the beneficiary institution is working in an Interreg CE project with an employment contract on an hourly basis and an agreed hourly rate of **EUR 30 per hour**. In the concerned month, this employee worked 60 hours in the project (as resulting from the time-sheet covering 100 % of the worked time).*

*The costs to be claimed in the project for the concerned employee in that month are:
60 hours * 30 EUR/hour = **1.800 EUR***

a.vi Audit trail for staff reimbursed on a real cost basis

The following documents constitute the audit trail for staff costs reimbursed on a real cost basis. **The documents to be provided to the controller depend on the option chosen for calculating staff costs of the concerned employee (see table below).**

- a. Employment document (as defined in chapter C.2.1.1);
- b. Job description providing the necessary information on responsibilities related to the project;
- c. Proof of the latest annual gross employment cost documented through accounts, payroll reports, payslips, etc. which allow proof of payment of gross employment costs (e.g. extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement);
- d. Document issued by the beneficiary showing the calculation of the hourly rate;
- e. A document clearly stating the intensity of work of the employee on the project, i.e. full time (100 %) or the fixed percentage of time worked by the employee on the project. It can be the employment document itself (point a above) and/or an official assignment of the employee to the project (see **attention box** below);
- f. Periodic staff report (template available on www.interreg-central.eu) with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. For staff working full-time on the project or part-time with a fixed percentage, the periodic staff report shall also contain an indicative breakdown of the time worked in each work package as well as specific information on missions carried out by the employee in the period. The periodic staff report must be signed both by the employee and her/his supervisor;
- g. Monthly data from the working time registration system (e.g. time-sheets), with **at least** the following information for each day of the month⁵⁷:
 - ☐ Number of hours worked on the project at the level of each work package;
 - ☐ Where applicable, number of hours worked in other EU or national co-funded projects together with name and funding reference of the concerned project(s);
 - ☐ Number of hours worked in other activities, so as to cover 100 % of the actual worked time of the employee for the beneficiary institution in the concerned month.
- h. Payslips or other documents of equivalent probative value which allow proof of payment of gross employment costs (e.g. extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement).

⁵⁷ The Interreg CENTRAL EUROPE Programme has developed a model of timesheet compliant with the requirements listed in this chapter, available under www.interreg-central.eu/implement. Beneficiaries are free to use this model or any other time-record systems satisfying the mentioned requirements.

ATTENTION

The employment document (point a in the above list) and/or the official assignment to the project (point e in the above list), signed by both the employer (delegated person) and the employee at the beginning of the assignment, must bear **at least** the following information:

- Statement on the percentage of the employee's working time on the project (100 % if working full-time on the project);
- 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.

If claimed staff costs are not adequate in quality and/or quantity to realised project deliverables and outputs, a flat rate correction may be applied (as specified in point a.i above).

Documents to be provided to the controller depend from the option chosen for calculating staff costs of the concerned employee, as displayed in the following table:

| DOCUMENT | FULL-TIME IN THE PROJECT | PART-TIME IN THE PROJECT | | |
|---|--------------------------|---------------------------|---------------------------------|--------------|
| | | Fixed % of time per month | Flexible No. of hours per month | Hourly basis |
| a. Employment document | YES | YES | (YES)* | YES |
| b. Job description | YES | YES | (YES)* | YES |
| c. Proof of the latest annual gross employment cost | NO | NO | (YES)* | NO |
| d. Calculation of the hourly rate | NO | NO | (YES)* | NO |
| e. Project assignment document ⁵⁸ | YES | YES | NO | NO |
| f. Periodic staff report | YES** | YES** | YES | YES |
| g. Time-sheet | NO | NO | YES | YES |
| h. Payslip | YES | YES | NO | YES |

* In case of staff working part-time on the project with a flexible No. of hours per month, documents from a. to d. must be provided to the controller only for the first time that costs of the concerned employee are to be claimed in the project.

** In case of staff working full-time on the project or part-time with a fixed percentage, the periodic staff report shall also contain an indicative breakdown of the time worked in each work package as well as specific information on missions carried out by the employee in the period.

b. Flat rate up to 20 % of direct costs other than staff costs.

A beneficiary may opt to calculate its staff costs on a flat rate financing basis. The flat rate applicable for the Interreg CE Programme is up to 20 % of the beneficiary's direct costs incurred in the reporting period excluding staff. All costs incurred by the beneficiary and validated by the national controller under the following budget lines are to be regarded as direct costs for the purpose of calculating the flat rate:⁵⁹

- Travel and accommodation costs;
- External expertise and services costs;
- Equipment expenditure;
- Infrastructure and works expenditure.

Documented direct costs that form the basis for the staff costs calculation must be incurred and paid by the partner institution as real costs and must not include any indirect costs that cannot be directly and fully allocated to the project. If - in the framework of controls described in chapters from A.4.1 to A.4.3 - direct costs used as calculation basis for determining staff costs are found to be ineligible, the determined costs for staff must be re-calculated and reduced accordingly.

⁵⁸ A separate project assignment document is needed only when the employment document does not provide the necessary information mentioned in the above attention box. See also point e).

⁵⁹ This list does not include "office and administrative expenditure" since in the framework of the Interreg CE Programme (priority axes 1 to 4) no distinction can be made between direct and indirect costs under this budget line (for further information please see chapter C.2.2.1).

EXAMPLE *A beneficiary participating in an Interreg CE project chose in the application form the “20 % flat rate” calculation method for staff cost. In the reporting period No. 1, the beneficiary incurred and reported the following direct costs confirmed to be eligible by the beneficiary’s controller in compliance with general and specific provisions on eligibility of expenditure as outlined in this manual:*

| | | |
|----------------------------------|------------|---------------|
| Travel and accommodation: | EUR | 1.500 |
| External expertise and services: | EUR | 11.500 |
| <u>Equipment:</u> | <u>EUR</u> | <u>1.000</u> |
| Total amount: | EUR | 14.000 |

The eligible amount for staff costs claimed in the reporting period No. 1 is then calculated as follows:

$$\text{EUR } 14.000 * 20 \% = \text{EUR } 2.800$$

Following an audit on the beneficiary institution carried out by the audit authority during project reporting period No. 4, an irregular amount of EUR 2.000 claimed in reporting period No. 1 was later detected under the external expertise and services budget line. As a consequence, staff costs claimed in reporting period No. 1 have to be re-calculated by deducting from the calculation basis (EUR 14.000) the amount found to be ineligible (EUR 2.000):

$$(\text{EUR } 14.000 - \text{EUR } 2.000) * 20 \% = \text{EUR } 2.400$$

Following the result of the audit, the total amount to be withdrawn from the payment claim submitted by the beneficiary in the next reporting period is:

$$\text{EUR } 2.000 \text{ (ineligible external expertise and services)} + \text{EUR } 400 \text{ (ineligible staff costs)} = \text{EUR } 2.400.$$

Each beneficiary must choose already in the application form whether to apply this option for the reimbursement of staff costs. The chosen reimbursement option will apply to all staff members of the beneficiary institution working on the project and it will be set for the entire project duration.

ATTENTION

The chosen option cannot be changed during project contracting or implementation.

Documents for the audit trail

For staff costs calculated through the flat rate, beneficiaries do not need to document that the expenditure for staff costs has been incurred and paid or that the flat rate corresponds to the reality. Accordingly, no documentation on staff costs needs to be provided to the controller.

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.

In case of small companies where no staff is employed and the work is provided by the company's owner(s), the legal representative of the company has to issue a self-declaration certifying that the owner(s) of the company has(have) directly worked in the project in the concerned reporting period.

ATTENTION

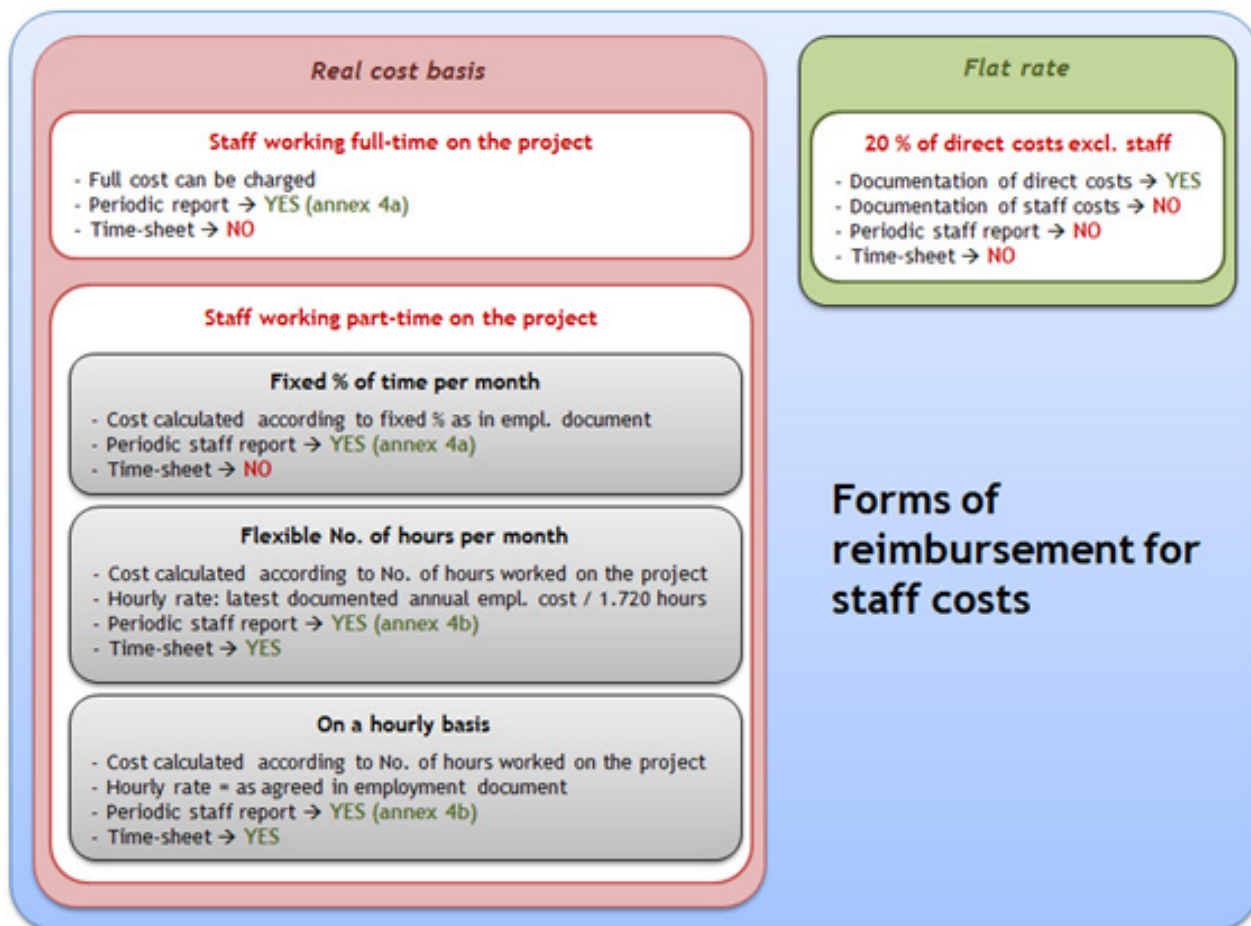
If the beneficiary is not able to demonstrate that it has at least one employee (or the owner of the company if applicable) involved in the project, staff costs calculated according to this option shall be regarded as not eligible.

The veracity of self-declarations certifying that member(s) of the beneficiary's organisation are working in the project may be checked by any of the bodies entitled to perform controls and audits, as mentioned in chapters from A.4.1 to A.4.3.

C.2.1.4. Summary of options for the reimbursement of staff costs

The following chart summarises the options for calculating staff costs and some of the documentation requirements presented above.

Figure 7 -Summary of options for the reimbursement of staff costs



C.2.2. BL2. Office and administrative expenditure

C.2.2.1. Definition

Office and administrative expenditure covers operating and administrative expenses of the beneficiary organisation necessary for the implementation of the project. As office and administrative expenditure is calculated through a flat rate (see chapter C.2.2.2 below), no distinction can be made between direct and indirect costs under this budget line.

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

- a. Office rent;
- b. Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- c. Utilities (e.g. electricity, heating, water);
- d. Office supplies;
- e. General accounting provided inside the beneficiary organisation;
- f. Archives;
- g. Maintenance, cleaning and repairs;
- h. Security;
- i. IT systems (operating/administrative IT services of general nature, linked to the implementation of the project);
- j. Communication (e.g. telephone, fax, internet, postal services, business cards);
- k. Bank charges for opening and administering the account or accounts where the implementation of the project requires a separate account to be opened;
- l. Charges for transnational financial transactions.

The above list is exhaustive and all listed items are to be considered as included in the amount calculated applying the flat rate. Accordingly, cost items accounted under the office and administrative budget line cannot be reimbursed under any other budget line.

C.2.2.2. Forms of reimbursement

Office and administrative expenditure shall be reimbursed by the programme according to a **flat rate of 15 % of eligible direct staff costs**.

Office and administrative expenditure are calculated as a flat rate regardless of the form of reimbursement applied under the staff costs category.⁶⁰

C.2.2.3. Specifications, reporting and audit trail

As office and administrative expenditure is reimbursed according to a flat rate automatically calculated on the basis of direct staff costs and confirmed as eligible by the controller, beneficiaries do not need to document that the expenditure has been incurred and paid nor that the flat rate corresponds to the reality. Accordingly, no documentation on office and administrative expenditure is required to be provided to the controller or kept for further controls.

⁶⁰ In the circumstance that the beneficiary accounted staff costs through a flat rate of up to 20 % of direct costs excluding staff (chapter C.2.1.3 point "b."), this calculated staff costs amount is the basis for the calculation of office and administrative expenditure.

If - in the framework of controls described in chapter 2 - direct staff costs used as calculation basis for determining office and administrative expenditure are found to be ineligible, the determined amount of office and administrative expenditure must be re-calculated and reduced accordingly.⁶¹

EXAMPLE *A beneficiary participating in a CE project has claimed EUR 10.000 of staff costs in reporting period No. 1. Such costs have been confirmed as eligible by the beneficiary's controller in compliance with general and specific provisions on eligibility of expenditure as outlined in this manual.*

The eligible amount for office and administrative expenditure claimed in the reporting period No. 1 has to be calculated as follows:

*EUR 10.000 * 15 % = EUR 1.500*

C.2.3. BL3. Travel and accommodation costs

C.2.3.1. Definition

Travel and accommodation costs refer to the expenditure on travel and accommodation of the staff of the beneficiary organisation for missions necessary for the project implementation.

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

- a. Travel costs
- b. The costs of meals;
- c. Accommodation costs;
- d. Visa costs;
- e. Daily allowances.

The above list is exhaustive and in no case other cost items can be included under this budget line. Moreover, any element listed in points a) to d) which is covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

C.2.3.2. Forms of reimbursement

Travel and accommodation costs of the staff of the beneficiary organisation shall be reimbursed by the programme on a real cost basis.

⁶¹ In this regard see also the example under chapter C.2.1.3 point "b" concerning the calculation of staff costs according to a flat rate.

C.2.3.3. Specifications, reporting and audit trail

Additional eligibility requirements

In addition to the general provisions on eligibility (chapter C.1), the following applies:

- Travel and accommodation costs must be clearly linked to the project and be essential for its effective implementation. They must be justified by activities carried out within the project (e.g. participation in project meetings, project site visits, meetings with the programme bodies, seminars, conferences, etc.);
- Travel and accommodation costs must be definitely borne by the beneficiary. Direct payment of costs by a staff member of the beneficiary must be supported by a proof of reimbursement from the employer;
- The most cost-efficient mean of transportation shall be used. No business or first-class tickets for air transport are eligible irrespective the fact that this may be 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);
- Local transfers with taxi shall be regarded as eligible only in case they represent the most efficient travel solution;
- The duration of the mission must be clearly in line with the purpose of it. Moreover, the duration of a mission cannot be longer than from the day before to the day after the concerned meeting. 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;
- Daily rates for hotels are considered as cost-adequate when they are below the amounts defined in the official list available on www.interreg-central.eu/implement. Higher daily rates shall be considered as exceptional and must be duly justified;
- Daily allowances must be in line with national and internal rules of the beneficiary. If not ruled at national or internal level, as well as in case of international organisations, the maximum eligible daily allowances are those defined in the official list available on www.interreg-central.eu/implement;
- Where applicable, the reimbursement of daily allowances must be reduced if costs have been partially covered by third parties (e.g. breakfast included in the hotel fee, lunch or dinner paid by the organisers of a meeting/event);
- Daily allowances covering any of the costs referring to travels, meals, accommodation or visa (as listed in points a) to d) in chapter C.2.3.1 above) cannot be claimed and reimbursed in addition to the daily allowance;
- Unused travel tickets are not eligible, irrespective of the reason for the cancellation of the travel;
- Travel and accommodation costs of external experts and service providers can be reimbursed only under the external expertise and services budget line. The same applies to travel and accommodation costs of staff of institutions acting as associated partners. Travel and accommodation costs of staff of associated partners have to comply with the additional eligibility requirements applicable to travel and accommodation outlined in this chapter;
- Travel and accommodation costs occurred outside the programme area are eligible only if they are in line with the general provisions on expenditure for activities implemented outside the programme area (chapter C.3.3) and if they have been previously authorised by the MA/JS (unless already foreseen in the approved application form).

Documents for the audit trail

The following documents must be provided to the controller:

- 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 according to national or institutional rules (if applicable) and total cost;
- Other supporting documents (e.g. invitation, agenda);
- Proof of payment of costs directly paid by the beneficiary and/or proof of reimbursement to the employee (e.g. extract from a reliable accounting system of the beneficiary, bank statement).

EXAMPLE *An employee working on an Interreg CE project for a beneficiary institution located in Austria has to travel from Vienna to Brussels to present and discuss project results with an important umbrella organisation taking over such results. The following assumptions apply:*

- *The duration of the mission is two days;*
- *According to contractual conditions, in case of missions abroad the employee receives a daily allowance varying depending on the country of destination (tariffs set according to national/internal rules). For Belgium the applicable daily allowance is EUR 50;*
- *According to the applicable national/internal rule, daily allowances substitute costs of meals and local public transports;*
- *In case of meals offered by third parties the daily allowance has to be reduced by 40 % for each main meal (i.e. lunch or dinner). In case of breakfast covered by the hotel fee, the daily allowance has to be reduced by 10 %;*
- *Lunch on the second day (day of the meeting) is offered by the hosting institution.*

Costs that can be claimed in the project are calculated as follows:

| | |
|--|--|
| <i>Flight ticket</i> | <i>EUR 300</i> |
| <i>Hotel for one night (incl. breakfast)</i> | <i>EUR 120</i> |
| <i>Daily allowance* for the first day</i> | <i>EUR 50</i> |
| <i>Daily allowance* for the second day</i> | <i>EUR 25 (reduced by breakfast (-10 %) and lunch (-40 %))</i> |
| Total cost of the mission | EUR 495 |

** As daily allowances substitute for costs of meals and local transport, these costs cannot be considered for the calculation of the costs to be claimed within the project.*

C.2.4. BL4. External expertise and services costs

C.2.4.1. Definition

External expertise and services are provided by a public or private body or a natural person outside of the beneficiary organisation. External expertise and services cover costs paid on the basis of contracts or written agreements and against invoices or requests for reimbursement to external experts and service providers who are sub-contracted to carry out certain tasks or activities linked to the implementation of the project.

Expenditure under this budget line shall be limited to the following elements:

- a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- b. Training (e.g. venue and trainers);
- c. Translations;
- d. IT systems and website development, modifications and updates (e.g. setting-up and/or update of a project IT system or website);
- e. Promotion, communication, publicity or information;
- f. Financial management;
- g. Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- h. Participation in events (e.g. registration fees);
- i. Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- j. Intellectual property rights;
- k. Verification and validation of expenditure carried out by authorised national controllers;
- l. Provision of guarantees by a bank or other financial institution where required by the programme;
- m. Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- n. Other specific expertise and services needed for the project.

The above list is exhaustive. Accordingly, cost items accounted under the external expertise and services budget line cannot be reimbursed under any other budget line.

C.2.4.2. Forms of reimbursement

External expertise and service costs shall be reimbursed by the programme on a real cost basis.

C.2.4.3. Specifications, reporting and audit trail

Additional eligibility requirements

In addition to the general provisions on eligibility (chapter C.1), the following applies:

- External expertise and services must be clearly and strictly linked to the project and be essential for its effective implementation;
- Eligibility of costs for external expertise and services is subject to the full respect of EU, national and programme procurement rules and must comply with the basic principles as described in chapter C.1.5.1.;
- All external expertise and services have to be clearly mentioned in the application form or must have been agreed by the MA/JS beforehand in order to be considered as eligible. A prior approval of the MA/JS is not needed if amounts are below the threshold of the “budget flexibility rule”⁶² applicable to this budget line;
- Where applicable, deliverables produced by experts/service providers must respect the relevant branding requirements as provided for in chapter C.1.5.3;
- Promotional materials are eligible only if referring to items included in the programme pre-defined list of eligible materials⁶³ or if previously approved by the MA/JS;
- Gifts are eligible up to a maximum value of EUR 50 per item, they must be branded with the project logo and they must be linked to promotion, communication, publicity or information activities. The purchase of gifts is eligible up to a ceiling of EUR 500 at the entire project level, and the LP must verify that this threshold is not exceeded at the level of the entire project;
- Complementary activities to events (e.g. site visits) must have clear and demonstrable project relevance, otherwise costs linked to them are not eligible;
- 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 (e.g. advance payment for an expert carrying out a study) are eligible but depend on later confirmation that the service has been properly and timely delivered;
- Travel and accommodation costs of staff of associated partners as well as of external speakers and external participants in project meetings and events must be incurred and paid by partners listed in the application form and have to be accounted for under this budget line. Such costs must comply with all provisions on eligibility applicable to the travel and accommodation budget line, as described in chapter C.2.3.3;
- Sub-contracting between partners of a same project is not allowed.

Documents for the audit trail

The following documents must be provided to the controller:

- Evidence of the selection procedure, in line with EU, national or programme procurement rules, depending on the amount contracted and the type of beneficiary.⁶⁴
- Contract or written agreement laying down the services to be provided with a clear reference to the project and the programme. 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.

⁶² For further details on budget flexibility please refer to chapter D.2.3.

⁶³ The list of eligible promotional items is available on www.interreg-central.eu.

⁶⁴ For further details on public procurement please refer to chapter C.1.5.1.

- Invoice or request for reimbursement 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 services provided in line with the contents of the contract. 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.
- 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. extract from a reliable accounting system of the beneficiary, bank statement).

C.2.5. BL5. Equipment expenditure

C.2.5.1 Definition

This budget line refers to expenditure for equipment purchased, rented or leased by a beneficiary other than those covered by the budget line “office and administrative expenditure”, which is necessary for the implementation of the project. This includes costs of equipment already in possession by the beneficiary and used to carry out project activities.

Expenditure on equipment shall be limited to the following elements:

- a. Office equipment;
- b. IT hardware and software;
- c. Furniture and fittings;
- d. Laboratory equipment;
- e. Machines and instruments,
- f. Tools or devices;
- g. Vehicles;
- h. Other specific equipment needed for the project.

The purchase of consumables linked to the use of thematic equipment is eligible and should be included under BL5.

Cost items accounted under the equipment budget line cannot be reimbursed under any other budget line. Purchase costs of second-hand equipment may be eligible if its price does not exceed the generally accepted price on the market in question, if it has the technical characteristics necessary for the project and if it complies with applicable norms and standards.

Costs for equipment shall be distinguished in:

1. **Equipment for general (office)** use as computers, office furniture, etc. which is used for the daily work of the project staff and which is not already included under the “office and administrative expenditure” budget line.
2. **Thematic equipment** directly linked to (or forming part of) the project outputs, which will be used by beneficiaries and target groups in line with project objectives. Thematic equipment may either form part of or be independent from the works budget line.⁶⁵ In any case, it must accomplish programme requirements for investments (as explained in part B, chapter II.3 of the application manual) in order to be considered as eligible.

⁶⁵ Equipment forming part of an infrastructure/work realised within the project shall be reported under the “equipment” budget line when it cannot be categorised under the “infrastructure and works” budget line, 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 26.02.2014. For further details please see chapter C.2.6.

EXAMPLE

1. **Equipment of general (office) use** could be a laptop to be used by a staff member of the lead partner appointed as project manager.
2. **Thematic equipment** could be a thermal camera used for monitoring energy losses of a building, purchased by the beneficiary in relation to the refurbishment of a public building aimed at improving its energy efficiency. In this case the thermal camera belongs to the "equipment" budget line. Other building installations purchased for the refurbishment, e.g. heating equipment such as a boiler belong to the "infrastructure and works" budget line.

C.2.5.2. Forms of reimbursement

Equipment expenditure shall be reimbursed by the programme on a real cost basis.

C.2.5.3. Specifications, reporting and audit trail

Additional eligibility requirements

General eligibility requirements for equipment

In addition to the general provisions on eligibility (chapter C.1), the following applies:

- Equipment must be clearly linked to the project and be essential for its effective implementation;
- All equipment items have to be duly described in the application form or must have been agreed upon with the MA/JS beforehand in order to be considered as eligible. A prior approval of the MA/JS is not needed in case of amounts below the threshold of the "budget flexibility rule"⁶⁶ applicable to the equipment budget line;
- Eligibility of costs for equipment is subject to the full respect of EU, national and programme procurement rules and must comply with the basic principles as described in chapter C.1.5.1.;
- Full purchase cost of equipment that, according to national and internal accountancy rules is not depreciable (e.g. low-value asset) is eligible;
- Equipment expenditure cannot refer to items already financed by other EU or third party subsidies (as provided for in chapter C.1.2) and must not be already depreciated;
- Where applicable, equipment items must respect the relevant branding rules as provided for in chapter C.1.5.3;
- 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 but depend on later confirmation that the equipment has been properly and timely delivered;
- Equipment cannot be purchased, rented or leased from another partner within the project.

⁶⁶ For further details on budget flexibility please refer to chapter D.2.3.

Eligibility requirements for 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, as explained in chapter A.4.1. In case that equipment items are not checked on-the-spot, controllers shall verify their existence by other means of verification (as e.g. photo documentation).

Eligibility requirements for thematic equipment

- In case of thematic equipment the full purchase cost is eligible;
- Thematic equipment for which the exclusive use in the project cannot be demonstrated shall be charged pro-rata on the basis of a transparent method set in place by the beneficiary for allocating the share of use in the project;
- The existence of thematic equipment and its clear identification to the project must be verified on-the-spot by controllers for all items with a purchase cost equal or above EUR 2.000. In case of equipment items below such thresholds, on-the-spot verifications might be substituted by other means of verification (as e.g. photo documentation).

Documents for the audit trail

The following documents must be provided to the controller:

- Evidence of the selection procedure, in line with EU, national or programme procurement rules, depending on the amount contracted and the type of beneficiary⁶⁷;
- In case of thematic equipment, the contract or written agreement laying down the services and/or supplies to be provided with a clear reference to the project and the programme. For contracts including also daily/hourly fees, 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 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 and, where applicable, bearing references to the project and the programme. For contracts including also 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 assets subject to depreciation, a calculation scheme of depreciation;
- Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement).

⁶⁷ For further details on public procurement please refer to chapter C.1.5.1.

C.2.6. BL6. Infrastructure and works expenditure

TIP Article 2(1) of the Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014 defines a “work” as **“the outcome of building or civil engineering works taken as a whole which is sufficient in itself to fulfil an economic or technical function”**.

Furthermore, Annex II of this Directive provides a detailed list of all elements that are eligible under this budget line.

C.2.6.1. Definition

Expenditure for works⁶⁸ refers to costs incurred by the beneficiary for the execution of infrastructure.

Infrastructure and works expenditure may either refer to an object (e.g. a building) that will be set up ex-novo or to the adaptation of an already existing infrastructure. In any case these costs are only eligible if complying with programme requirements for investments (as explained in part B, chapter II.3 of the application manual).

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 (see tip box), 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).

C.2.6.2. Forms of reimbursement

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

C.2.6.3. Specifications, reporting and audit trail

Additional eligibility requirements

In addition to the general provisions on eligibility (chapter C.1), the following applies:

- Works must be clearly linked to the project and be essential for its effective implementation;
- Works have to be duly described in the approved application form or, must have been agreed with the MA/JS beforehand in order to be considered as eligible;
- Full cost for realising infrastructure and works within the project is eligible, i.e. no depreciation is necessary;
- Costs for infrastructure and works outside the CENTRAL EUROPE programme area are not eligible;
- Eligibility of costs for works is subject to the respect of EU, national and programme procurement rules and must comply with the basic principles as described in chapter C.1.5.1.;

⁶⁸ In the sense of the definition of ‘work’ provided for in Article 2(1) of the Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014.

- 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 Interreg CE Programme the following directives are of particular relevance:
 - ☐ Environmental Impact Assessment or EIA Directive⁶⁹
 - ☐ Strategic Environmental Assessment Directive⁷⁰
 - ☐ Freedom of Access to Information on the Environment Directive⁷¹
 - ☐ Birds and Habitats Directive⁷²
 - ☐ Water Framework Directive⁷³
 - ☐ Waste Framework Directive⁷⁴
 - ☐ Landfill Directive⁷⁵
 - ☐ Incineration Directive⁷⁶
- 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) requirements as provided for in chapter E.2;
- Infrastructure and works expenditure cannot refer to items financed by other EU or third party subsidies (as provided for in chapter C.1.2) and must not be already depreciated;
- In the case of works being part of a larger infrastructural investment, the part realised by the CE project must be clearly and univocally identifiable;
- Where applicable, infrastructures and works realised by the project must respect the relevant publicity requirements as provided for in chapter C.1.5.3;
- Requirements concerning durability, including ownership and maintenance, as provided for in Article 71 of the Common Provisions Regulation and as further explained under chapter E.2, 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.

⁶⁹ Council Directive 85/337/EEC as further amended.

⁷⁰ Directive 2001/42/EC of the European Parliament and of the Council as further amended.

⁷¹ Council Directive 90/313/EEC, as amended by Directive 2003/4/EC.

⁷² Directive 2009/147/EC and Council Directive 92/43/EEC as further amended.

⁷³ Directive 2000/60/EC as further amended.

⁷⁴ Directive 2008/98/EC as further amended.

⁷⁵ Council Directive 99/31/EC as further amended.

⁷⁶ Directive 2000/76/EC as further amended.

Documents for the audit trail

The following documents must be provided to the controller:

- 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 beneficiary⁷⁷;
- Contract or written agreement laying down the supplies and/or services to be provided with a clear reference to the project and the programme. For contracts including also a daily/hourly fee, such fee 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 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. For contracts including also a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price;
- Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement).

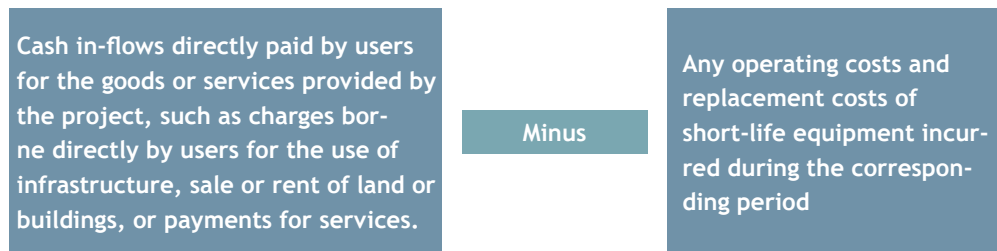
⁷⁷ For further details on public procurement please refer to chapter C.1.5.1.

C.3. Other financial provisions

C.3.1. Revenues

As a general principle⁷⁸, eligible expenditure of a project (and consequently the ERDF contribution to it) shall be reduced according to the net revenue generated by the project both during its implementation as well as until three years after its completion.

Net revenues are:



Please note that **operating cost-savings** generated by the project shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

In case of revenue-generating projects, applicants are to calculate the expected net revenues following the method as provided for in Article 61(3) b) of the Common Provisions Regulation and as further detailed under Articles 15 to 19 of the Delegated Regulation (EU) No 480/2014. Net revenues have to be deducted from the project total eligible expenditure fully or on a pro-rata basis and shall consequently reduce the ERDF contribution to it.

Revenues generated by the project are monitored and treated by the Interreg CENTRAL EUROPE Programme throughout the project lifetime, as explained below.

a. Revenues foreseen at project application stage

For projects which calculated the expected net revenues during the application stage and included the related amount in the application form, the ERDF contribution granted to the project is already offset of the corresponding net revenue generated.

b. Revenues generated during project implementation

Each beneficiary is responsible for keeping account and documenting all revenues generated following project activities for control purposes. Net revenues not foreseen and/or not deducted at the application stage must be stated in the progress report and must be deducted from the reported eligible expenditure at the latest in the final payment claim submitted by the beneficiary. Beneficiaries have to provide their national controllers with information on revenues generated in the reporting period and to support this with accounting (or equivalent) documents.

c. Revenues generated after project closure

Net revenues not foreseen and/or not deducted at the application stage which are occurring after project closure have to be reported to the MA/JS. The corresponding ERDF contribution has to be either withheld from the last instalment to the project or reimbursed to the MA. This obligation applies until three years following the date of closure of the project.

⁷⁸ In accordance to Articles 61 and 65(8) of the Common Provisions Regulation.

C.3.2. Conversion into euro

Financial reporting of a project shall occur in Euro and the programme will reimburse ERDF contribution in Euro.

All beneficiaries located outside the Euro-zone shall convert expenditure incurred and paid in national currency into Euro using the monthly accounting exchange rate of the European Commission⁷⁹ in the month during which that expenditure was submitted for verification by the concerned beneficiary to its national controller.

The following applies when making the Euro conversion:

- The date of submission refers to the day in which the beneficiary submitted for the first time to its controller the documents concerning a certain expenditure. Further submission of missing documents, clarifications etc. on that expenditure shall not be considered.
- The date of submission is to be documented in the eMS or any other reliable system able to clearly and univocally proof this date.
- In the case of on-the-spot verification of expenditure by the controller (i.e. without submission of documents to the controller by the beneficiary) the date of submission corresponds to the date of execution of the on-the-spot control.

C.3.3. Expenditure outside the CENTRAL EUROPE cooperation area

As a basic principle, the Interreg CE Programme supports cooperation between project partners located in the programme area. In turn, project activities should take place in the programme area. Exceptions to this general principle apply, as described below. However, **the ERDF amount allocated to a project for expenditure referring to activities implemented outside the programme area cannot exceed 20 % of the overall ERDF granted to the project.**⁸⁰

The mentioned exceptions are:⁸¹

a. Expenditure in EU regions outside the programme area

The following two cases fall under this exception:

- Activities carried out (and expenditure incurred) by beneficiaries listed in the approved application form and located in EU regions outside the programme area (with the exclusion of "assimilated partners");⁸²
- Activities carried out (and expenditure incurred) in EU regions outside the programme area by beneficiaries located in the programme area.⁸³

⁷⁹ The monthly exchange rates of the European Commission are published on http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm

⁸⁰ The verification of the respect of this threshold is to be performed by the lead partner at the level of the entire project.

⁸¹ Specifications on the eligibility and reporting of travel and accommodation costs outside the programme area are provided under chapter C.2.4.

⁸² For further information on requirements concerning the location of partners please refer to Part B, chapter II.1.2 of the application manual.

⁸³ For further information on requirements concerning the location of activities please refer to Part B, chapter II.2 of the application manual.

ATTENTION

Expenditure referring to activities carried out in EU regions outside the programme area by beneficiaries located in the programme area can be accepted only in exceptional and duly justified cases. This includes the participation in missions, study visits and events. The following requirements must be respected in order to be regarded as eligible:

- Co-funded activities are for the benefit of the regions of the programme area;
- Co-funded activities are essential for the implementation of the project;
- Co-funded activities are explicitly foreseen in the approved application form or have been authorised by the MA/JS beforehand.

With regard to activities carried out and expenditure incurred by beneficiaries located in EU regions outside the programme area it is to be noted that relevant institution(s) of the concerned Member State(s) outside the cooperation area must sign an agreement on the acceptance of management, control and audit responsibilities as well as on liabilities in case of irregularities.⁸⁴ The agreement shall be accompanied by a description of the national control system for the verification of expenditure incurred and paid by beneficiaries located in such Member States. The MA/JS will contact the relevant national authorities immediately after the MC decision for funding of projects having PPs located in EU regions outside the programme area.

ATTENTION

If the responsible national institution of the Member State outside the cooperation area does not provide the signed agreement and the description of the national control system within 12 months from the date of the relevant MC decision for funding, the PP organisation concerned shall be excluded from the project. In this case the LP must initiate a partnership modification procedure as described in chapter D.3.

b. Expenditure in third countries

Expenditure referring to activities carried out outside the EU territory can be reimbursed only if incurred by financing partners listed in the approved application form (i.e. with the exclusion of associated partners)⁸⁵. Also in this case, requirements to be respected in order to consider such expenditure as eligible are the following:

- Co-funded activities are for the benefit of the regions of the programme area;
- Co-funded activities are essential for the implementation of the project;
- Co-funded activities are explicitly foreseen in the approved application form or have been authorised by the MA/JS beforehand.

⁸⁴ With the exception of partners located in regions of Germany and Italy outside the programme area, since the relevant national authorities already accepted the necessary conditions for programme implementation, management and control.

⁸⁵ For further information on the definition of eligible partners please refer to Part B, chapter II.1.2 of the application manual.



C.4. Resolution of complaints

C.4.1. Overview

According to Article 74(3) of Regulation (EU) No 1303/2013 a complaint procedure shall be set-up for the Programme by the participating countries. The purpose of this is to ensure effective examination of complaints.

In the framework of the Interreg CE Programme, the term “complaint” applies to the following cases:

a. Complaints against the project selection process

Complaints may be made if failures during the project selection process of an application affecting the funding decision are suspected. Failure means that the project assessment did not comply with the selection criteria and/or the procedures laid down in the cooperation programme and in the specific call documents (application manual). Also technical mistakes may occur resulting in an incomplete or wrong assessment. If a project is not selected for funding as a consequence of such failures, the Lead Applicant (LA) has the right to submit a formal complaint.

Complaints against the project selection process have to be submitted by the LA on behalf of all project partners via e-mail to the MA within 14 calendar days after the notification on the funding decision of the respective call⁸⁶. The LA shall **clearly specify** what failures or mistakes have happened during the assessment of the project and include clear references to the relevant programme documents (cooperation programme, application manual, other call-specific documents).

b. Complaints related to the MA/JS with regard to the subsidy contract

The LP, on behalf of the partnership, may file complaints against acts, omissions and/or decisions of the MA/JS on any issue covered by the subsidy contract. If no agreement on the application of the subsidy contract provision or their interpretation can be found, the LP is entitled to address the competent court under consideration of the rules as laid out in the subsidy contract and related Austrian national law.

c. Complaints related to audit and control bodies

Complaints against acts, omissions and/or decisions of control and audit bodies (national controllers, programme auditors or any other national or EU institution, as mentioned in chapter A.4) have to be submitted to the responsible EU authority or administrative body at Member State level according to the applicable procedures set up at national and EU-levels.

d. Any other complaints outside the responsibility of the MA/JS

Complaints against any other person or institution performing activities that might affect activities of the partnership or the rights of beneficiaries and that are outside the sphere of competence of the MA/JS have to be directed e.g. to the employing or contracting institution or competent administrative or criminal offices and shall not be addressed to the MA.

⁸⁶ The Interreg CE Programme may provide a complaint form to be filled in by the LA.

C.4.2. Procedure for handling complaints submitted to the MA

This chapter covers only complaints addressed to the MA, i.e. complaints against the project selection process (point a. above) or against acts, omissions and/or decisions of the MA during project implementation and related to the subsidy contract (point b. above).

Prior to filing a complaint, **the LA is strongly recommended to request additional technical or legal information** to the MA/JS within the timeframe (14 calendar days) available for submitting a complaint (as presented in chapter C.4.1). Experience has shown that technical exchanges on this level between the LA and the MA/JS brought to a quick clarification of the concerned cases minimising administrative burden. Submission of requests of information interrupts the deadline for submitting a complaint until the day of the reply by the MA/JS to the LA. The LA may indicate the preference for a written or oral answer on the submitted request. Oral answers or explanations will be provided directly by a MA or JS officer in charge of the case.

If, following the answer submitted by the MA/JS, the LA is not satisfied with the received additional information, it may decide to submit a formal complaint to the MA. A confirmation of receipt of any written complaint is sent by the MA/JS to the complainant within 3 working days.

If a complaint includes an incomplete description of a case that does not allow for a thorough assessment by the MA/JS or another competent body to be involved, further information may be requested at any time of the procedure. If the information requested is not provided within the period of time as specified by the requesting authority/body (at least 3 working days) the case shall be closed without further investigation.

In case of complaints the following procedures apply:

a. Complaints against the project selection process:

Complaint on formal/administrative aspects

In case of a complaint concerning the formal/administrative compliance check of the project proposal⁸⁷, the legal status check of applicants⁸⁸ or, where applicable, the financial capacity check of the private Lead Applicant⁸⁹ the complaint is examined by the JS, on the basis of the information brought forward by the LA. Following this analysis the MA, in consultation with the MC member of the country of the LA, will assess the case and decide whether the complaint is justified or not and will inform the MC on the decision taken. The MA and/or the concerned MC member may also refer the complaint to the entire MC for decision making. The MC may also set up a task force or a sub-committee to deal with the complaints and in this case the MA will inform the LA on such a procedure including a provisional timeline for the settlement of the case, where possible.

If the complaint is considered justified, the MA/JS will review the project application and the related assessment part, subject to the complaint. This process will involve JS staff (and/or external experts where applicable) different from the ones involved in the first assessment of the project in question. The MA/JS will then provide the MC with an updated assessment on which basis the MC will take a new decision.

⁸⁷ As described in Part D, chapter V.1, point A. and chapter V.2 point A. of the application manual.

⁸⁸ As described in Part D, chapter V.2 point C. of the application manual.

⁸⁹ As described in Part D, chapter V.2 point B. of the application manual.

The final decision on the complaint is communicated by the MA to the LA in writing. This decision will be final, binding to all parties and not subject to any further complaint proceedings within the Programme if the complaint is based on the same grounds.

Complaint on quality and State aid aspects

In case of a complaint concerning the quality assessment⁹⁰ or State aid assessment⁹¹ of the project proposal, the assessment of the project proposal and the related MC decision cannot be reviewed. However, the LA may request further information and details from the MA/JS on the assessment performed and the reasons for rejecting the project proposal or considering it as State aid relevant. This information and details can be provided to the LA - if requested - also in the framework of a meeting at the premises of the MA/JS. Such a feedback might be advisable in case of a non-successful application in a call combined with a planned participation in future calls.

b. Complaints against act, omissions and/or decisions of the MA during project implementation and related to the subsidy contract

Such complaints are examined by the MA, with the support of the JS if necessary, on the basis of the information brought forward by the LP. The MA will inform the LP as soon as possible, whether the MA is competent to investigate and decide on the issue (including further steps to be taken and a provisional timeline) or if the case does not fall into its sphere of competence.

⁹⁰ As described in Part D, chapter V.1 point B. and chapter V.2 point E. of the application manual.

⁹¹ As described in Part D, chapter V.2 point D. of the application manual.



D. HOW TO MODIFY THE PROJECT

D.1. General principles

During its implementation, a project might face the need to modify the application form in order to adapt it to the actual needs. Any modification should be targeted at ensuring the best project performance. Depending on their focus the following types of modifications may occur:

- Modifications of the project partnership;
- Budget modifications;
- Modifications of the work plan;
- Extension of the project duration.

Depending on the impact on the project, it can also be distinguished between minor and major project modifications. While minor modifications can be implemented within a certain flexibility range, as presented in the next chapter, major modifications require **prior** approval by the relevant programme bodies. It is to be noted that even if the partnership considers a certain project modification as “minor”, following the analysis performed by the programme bodies it might instead result in a “major” modification needing an approval by the programme bodies.

ATTENTION

Any non-authorised modification of the content of the approved application form going beyond the flexibility limits allowed by the programme lacks legal value and is therefore void. As a consequence, any expenditure linked to it becomes ineligible.

D.2. Minor modifications

Minor modifications are adjustments of the project which do not have a significant impact on the project objectives and/or implementation. They may concern administrative/management issues as well as work plan and budget adjustments within the flexibility limits allowed by the programme. **Minor modifications do not require prior approval by the programme.**

Minor modifications have to be reported as “deviations” to the JS either within the periodic progress reports or in the relevant section of eMS. The progress report has to include a justification of such minor modifications compared to the approved application form, an explanation on their consequence on the project’s implementation and, if applicable, the solution agreed within the partnership on how to tackle them.

ATTENTION

It is crucial that the LP keeps an accurate and real-time status of the project implementation, in order to timely identify the need for a project modification. It is therefore strongly recommended to seek advice and guidance from the JS as soon as the risk of a deviation is identified by the LP. The JS will help in clarifying whether the needed modifications are minor or not.

Minor modifications are limited to the following:

- Modification of administrative elements
- Adjustments of the work plan
- Budget flexibility

D.2.1. Modification of administrative elements

The LP should inform the JS by email on the change of administrative information which will then analyse the modification request and, if applicable, will open the respective section in the eMS. The LP will then be able to update the information in the eMS. Details on the modification of administrative elements are provided in the table below.

| ADMINISTRATIVE ELEMENTS | |
|---|--|
| MODIFICATION ⁹² | REQUIRED ACTION |
| Change of contact data of LP/PPs | > To update either the “supplementary information” section or the partner section of the application form in the eMS |
| Change of legal representative of LP/PPs | |
| Change of LP/PPs name with no impact on its legal status ⁹³ | > To upload the relevant supporting document in eMS |
| Change of contact data of the project, finance or communication manager | |
| Change of bank account of the LP | |
| Change of location of project documents | |

⁹² It is to be noted that any modification of administrative elements linked to (or affecting the) structure and/or legal status of the beneficiary institution is to be regarded as a major modification and it has to be managed following provisions included in chapter D.3.

⁹³ E.g. it is not a legal succession.

D.2.2. Minor adaptations of the work plan

The LP should inform the JS by email in advance on any upcoming work plan modification. Based on this information the JS will either confirm the minor character of the modification or inform the LP on the need to request a major modification.

Details on possible elements to be considered as work plan adjustments are provided in the table below.

| WORK PLAN ADJUSTMENTS | | |
|---|--|--|
| MODIFICATION | REQUIRED ACTION | RESTRICTION |
| Minor adaptation of the timeline of activities, deliverables or outputs | <ul style="list-style-type: none"> > To inform the JS in advance by email | <ul style="list-style-type: none"> > The modification must not affect the project intervention logic (i.e. project main and specific objectives and results as well as project outputs) or the overall transnational cooperation approach |
| Modification of the format of activities or deliverables (e.g. postponement or change of location of a planned workshop, merging of deliverables, adjustment of scope of deliverables etc.) | <ul style="list-style-type: none"> > To report the modification as "deviation" in the respective work package of the progress report and providing the necessary justification | <ul style="list-style-type: none"> > The modification must not change the nature, quantity and use of the planned outputs and investments (thematic equipment and/or infrastructure and works) > No modification of the target values of indicators is allowed > Modifications of activities considered as State aid relevant, for which contractual conditions apply, must be authorised by the programme bodies even if minor |
| Change of work package leader | To report the modification as "deviation" in the respective work package of the progress report | N/A |

D.2.3. Budget flexibility

The budget laid down in the approved application form should be as precise as possible. However, when implementing the project the LP might need to adapt the financial plan to the actual project implementation status.

Budget flexibility requirements applied by the Interreg CE Programme are defined in the table below.

| BUDGET FLEXIBILITY | | |
|--|---|---|
| MODIFICATION ⁹⁴ | REQUIRED ACTION | RESTRICTION |
| <p>Increase of budget by up to 20 % or EUR 30.000 (whichever is higher) compared to the latest version of the approved application form in the following two cases:</p> <p>a. Increase of budget in any budget line</p> <p>b. Increase of budget in any work package</p> | <ul style="list-style-type: none"> > To report the modification as "deviation" in the progress report (it is strongly recommended to inform the JS in advance on upcoming modifications) > To report verified expenditure remaining within the flexibility limit in the progress report | <ul style="list-style-type: none"> > The ERDF contribution to the project cannot be increased > The budget allocated to a single investment, for which an investment specification was not provided in the latest version of the approved application form, cannot be increased above EUR 15.000 > The nature, quantity and use of planned investments cannot be changed > State aid contractual conditions setting thresholds to the budget granted to beneficiaries may limit the application of the budget flexibility rule⁹⁵ |
| <p>TalIncrease of budget by up to 10 % or EUR 20.000 (whichever is higher) compared to the latest version of the approved application form in case of</p> <ul style="list-style-type: none"> > Increase of budget of the LP or any PP | | |

If flexibility thresholds allowed by the programme are exceeded, the eMS will issue an error notification in the progress report and will impede its submission.

ATTENTION

Exceeding the budget flexibility limits without prior authorisation of the relevant programme bodies will result in the ineligibility of the amount exceeding the threshold.

⁹⁴ As mentioned in chapter B.3.3, it is a responsibility of the LP to monitor project expenditure in order to ensure the respect of the budget flexibility thresholds. As a consequence, any expenditure carried out at PP level exceeding the overall budget availability of the respective PP as well as the allocation per budget line and work package should be authorised by the LP.

⁹⁵ For more information on State aid assessment performed by the programme and linked contractual conditions please see chapter C.1.5.2.

EXAMPLE *The LP of an approved Interreg CE project intends to modify the budget in order to adapt it to the actual implementation situation. Planned modifications are presented in the following table, which also displays how the budget flexibility rule is applied.*

| ELEMENT TO BE CHANGED | ORIGINAL BUDGET AS IN AF | NEW BUDGET | INCREASE | APPLICATION OF FLEXIBILITY RULE | ALLOWED WITHOUT APPROVAL |
|--------------------------|--------------------------|------------|--------------------|---------------------------------|---|
| BL3 Travel accommodation | 50.000,00 | 85.000,00 | 35.000,00 (70 %) | N/A | NO |
| BL4 External expertise | 260.000,00 | 310.000,00 | 50.000,00 (19 %) | Increase ≤ 20 % | YES |
| BL5 Equipment | 60.000,00 | 88.000,00 | 28.000,00 (47 %) | Increase ≤ EUR 30.000 | YES (only if no increase above EUR 15.000 occurs for single investments with no specification) |
| WP3 | 120.000,00 | 145.000,00 | 25.000,00 (21 %) | Increase ≤ EUR 30.000 | YES |
| PP2 | 150.000,00 | 170.000,00 | 20.000,00 (13,3 %) | Increase ≤ EUR 20.000 | YES |
| PP5 | 150.000,00 | 175.000,00 | 25.000,00 (17 %) | N/A | NO |

It is to be noted that the budget shift between partners has a lower flexibility threshold (up to 10 % or EUR 20.000 whichever is higher) than the one applicable to budget lines and work packages. Accordingly, the planned budget increase for PP5 is to be regarded as a major modification which needs prior approval by the programme bodies.

It is also to be noted that the increase of BL3 Travel and accommodation requires a prior approval by the programme bodies.

The LP is strongly recommended to inform the JS in advance of any upcoming budget modification.

D.3. Major modifications

A “major modification” is any deviation from the latest version of the approved application form going beyond the flexibility limits applicable to “minor modifications” as outlined in the previous chapter. **Any major modification must be previously approved by the relevant programme bodies.** Major modifications concern changes in the:

- Partnership (e.g. withdrawal, replacement of a partner);
- Project approach and its activities (including additional or reduced project activities, deliverables and outputs), main characteristics of planned outputs and investments, project objectives and results (going beyond a mere adjustment of the work plan as presented in chapter D.2.2);
- Project budget (reallocation above the flexibility rules as presented in chapter D.2.3);
- Project duration.

TIP LPs have to always inform the JS as soon as they become aware that a major modification might be needed. The JS will then support and guide the LP through the modification process.

D.3.1. The request process for major modifications

Major modifications are to be considered as exceptional and they may be approved **only in duly justified cases. This means that if a major project modification is not duly justified, it cannot be approved.**

The request of a major modification is a complex process. Partnerships should be aware that a major modification procedure can only be launched:

1. **After the project mid-term review** (see chapter B.5), with the exception of a request for modification of partnership.
2. **Before the project end date** as indicated in the latest version of the approved application form. However, in order to ensure proper planning and implementation of activities in the final phase of the project, it is strongly recommended to submit any major modification request **at least 2-3 months prior to the project end date.**

After preliminarily informing the JS about the needed project modification, the LP has to fill in a “modification request form” and submit it to the programme through the eMS.⁹⁶ In this form the LP has to briefly describe the requested modification and provide a clear justification for it. The JS will support and guide the LP through the modification process.

Once the modification request form is submitted, the JS screens the provided information and gives initial feedback to the LP. If the outcome of this preliminary screening is positive, the JS grants the possibility to the LP to revise the application form in eMS. The LP then updates the relevant parts of the application form (partnership, work plan, or budget) in line with the modifications requested. In addition to the revision of the application form, the LP has to provide a detailed reasoning including the cause and effects of the requested modification.

In case the requested modifications require additional supporting documents (e.g. partner declarations, withdrawal letters etc. as indicated below for the respective type of modification), they have to be uploaded to the eMS as annexes of the revised application form.

⁹⁶ The offline template of the modification request form can be downloaded from www.interreg-central.eu for information purposes.

The JS analyses the revisions done in the application form and respective explanations. If the submitted revision of the application form and the related explanatory information is not sufficient, the LP will be asked to provide further clarifications and/or amendments of the application form.

Based on the final submission of the revised application form together with the modification request signed by the LP legal representative, the JS gives a technical opinion on the requested modification. The JS technical opinion will support the programme bodies in deciding on the requested modifications.

ATTENTION

A maximum of three submissions of revised application form per modification request will be allowed (i.e. maximum two clarification rounds). If, following two clarification rounds, information in the revised application form is still unclear/incomplete, the JS may give a negative technical opinion.

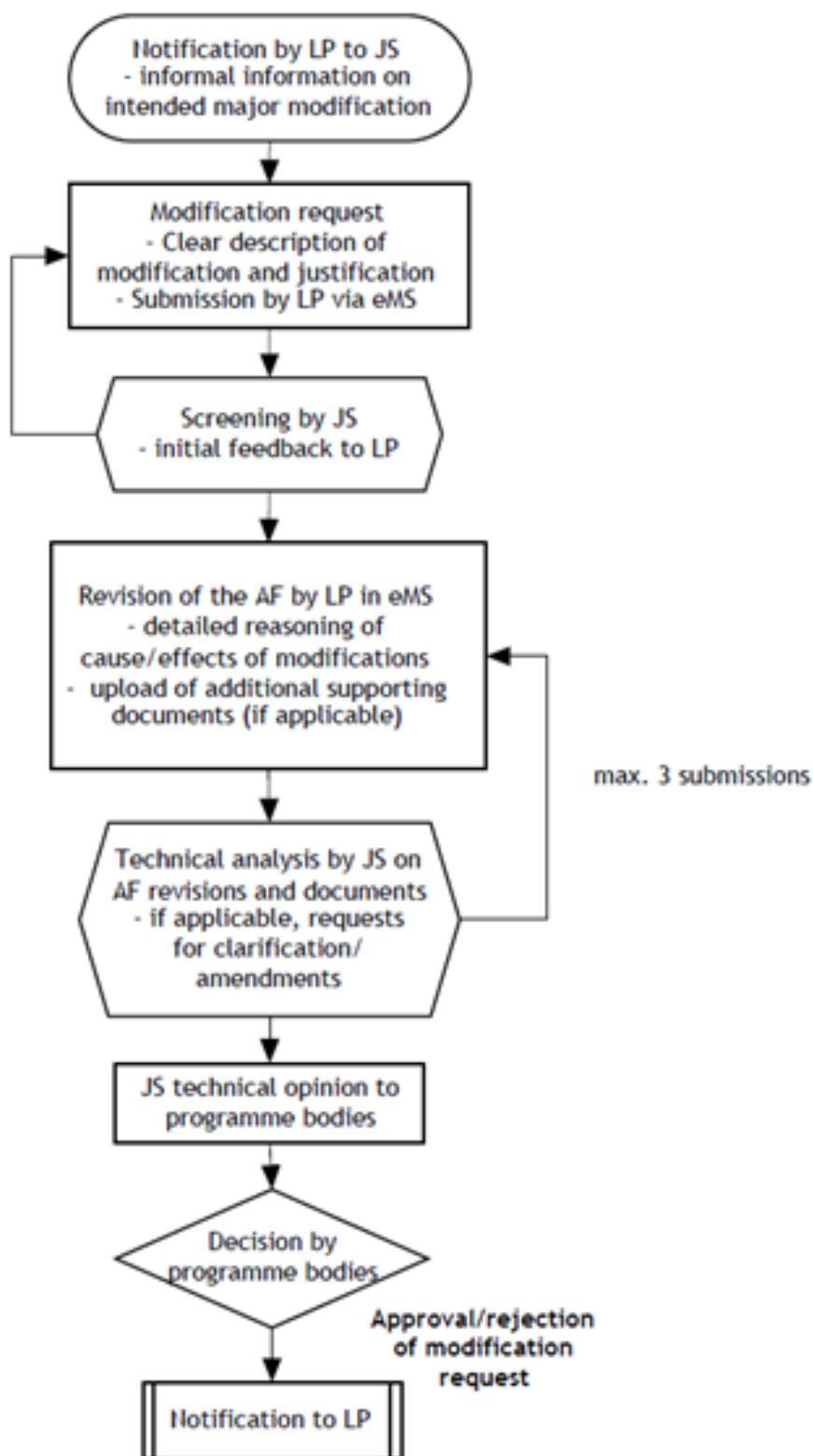
The LP will be notified by the JS on the decision taken by the relevant programme bodies after which the modification enters into force. In case of a partner change, an approval of such modification could be required on a retroactive basis. For all other types of modifications a retroactive approval is considered as exceptional and will be granted only in duly justified cases.

In case of rejection by the programme bodies, the same modification cannot be requested again by the LP.

A project modification might result in a revision of the subsidy contract and/or the partnership agreement in order to enter into force (e.g. in case of modifications in the partnership). In any case, the LP must inform the partnership on the approval of the modification request and of the consequent entry into force of the revised application form.

The procedure for a major project modification is illustrated in the chart below:

Figure 8 - Overview of the procedure for project major modifications



D.3.2. Modification of partnership

The partnership is a core feature of a project and, as such, it is assessed in the application process and approved by the MC. Therefore, modifications of the partnership **should be avoided to the possible extent**, and any other possible solution should be explored before requesting a partnership modification. In any case a partnership modification requires the approval by the programme bodies. It should be noted that the concept of partnership modifications requiring the approval by the programme bodies refers to any change that has legal impacts on the legal relationship within the partnership. This could be the case if a partner institution leaves the partnership and its tasks are taken over by a separate or new legal entity.⁹⁷

In cases of institutional changes where according to national law the legal personality does not change and where all assets of the LP or a PP are taken over so that a deterioration of the financial capacity of the acquiring institution is not to be expected (i.e. in cases of universal succession), prior consent by the programme bodies is not necessary. The LP, however, must submit in due time related information to the MA/JS together with all documents that are necessary to analyse the legal case. If the MA/JS comes to the conclusion that the conditions as stated above are not fulfilled (e.g. in cases of a singular succession), the LP will be informed that a partnership modification procedure has to be initiated.

TIP

When searching for a partner replacement, the network of national contact points can help in this regards and should be contacted.

When a partner leaves the partnership, the following options exist:

1. The withdrawing partner is replaced by a new incoming institution/body

In case a partner located in the Interreg CE programme area withdraws from a project, the new partner should preferably be located in the same region/country of the withdrawing partner. In case of withdrawal of a partner located in an EU region outside the Interreg CE programme area, the incoming partner shall be located in the Interreg CE programme area or, if this not possible, it **must be located in the same Member State** and have the same national responsible authority/body⁹⁸ as the withdrawing partner.

The replacing institution/body must have the necessary experience and technical, organisational and financial capability to properly participate in the project.

In case the withdrawing partner has not yet started the implementation of its activities, tasks and the related budget can be fully taken over by the new partner. If the withdrawing partner has already partially carried out the planned activities and cannot continue in the project, only the remaining tasks and budget may be taken over by the new partner. It is nevertheless to be highlighted that funds of the withdrawing partner become available for the new partner only after approval of the replacement by the programme bodies.

During the modification process, relevant national authorities of the Member State where the new partner is located will have to perform a check on the legal status/eligibility of the new partner.

⁹⁷ Even if the withdrawing institution and the new one joining the partnership are coming from a same group of companies, a partnership modification procedure has to be launched in case the withdrawing partner and the new one constitute, within the group, separate entities in legal terms.

⁹⁸ I.e. relevant institution(s) which signed an agreement on the acceptance of management, control and audit responsibilities as well as on liabilities in case of irregularities, as provided for in chapter C.3.3.

2. The withdrawing partner is replaced within the existing partnership

This is the case when one or more of the existing partners partly or fully take over the role and activities of the withdrawing partner and no new institution/body is joining the partnership. As a consequence, this also means that the budget may be partly reallocated among the partners taking over tasks of the withdrawing partner.

3. No replacement

This is the case when no other institution/body (either from outside or within the partnership) is taking over the implementation of activities of the withdrawing partner. In this case the activities in the work plan referring to the withdrawing partner (and the respective budget) have to be excluded from the revised application form. However, this option is only possible if the concerned activities and the role of the withdrawing partner are not crucial for the project implementation and their exclusion do not have an impact on reaching the project results as planned in the application form initially approved for funding. If this cannot be demonstrated, the MA has the right to terminate the project and demand repayment of funds.

In addition, a combination of the above three types of partnership modifications is possible, e.g. only part of the activities are taken over by a newly incoming PP and other activities (and related budget) are either excluded or distributed within the partnership.

In cases, in which the replacing partner (either a new partner or from the existing partnership) benefits from a higher co-financing rate than the withdrawing one, the initial total ERDF granted to the project as in the subsidy contract cannot be exceeded.

ATTENTION

Obligations deriving from the subsidy contract and the partnership agreement in terms of audits, retention of supporting documents and durability of outputs remain applicable to the withdrawing beneficiary institution even if only part of the originally foreseen budget was spent.

In the framework of a request for partnership modification, supplementary documents have to be enclosed to the **signed modification request**. These are listed in the following table.

MODIFICATIONS OF PARTNERSHIP

| MODIFICATION | SUPPLEMENTARY DOCUMENTS |
|---|---|
| Partner withdrawal with replacement by new partner | <ul style="list-style-type: none"> > Withdrawal letter of the concerned partner > In case of a withdrawing partner that already received funds: a declaration concerning the observation of obligations deriving from the subsidy contract and partnership agreement > Partner declaration of the incoming partner > Acknowledgement of partnership (e.g. minutes of project steering committee meeting, email confirmations etc.) |
| Partner withdrawal with replacement by existing partner(s) | <ul style="list-style-type: none"> > Withdrawal letter of the concerned partner > In case of a withdrawing partner that already received funds: a declaration concerning the observation of obligations deriving from the subsidy contract and partnership agreement > Updated partner declaration of partner(s) taking over activities and budget of the withdrawing partner > Acknowledgement of partnership (e.g. minutes of project steering committee meeting, email confirmations etc.) |
| Partner withdrawal without any replacement | <ul style="list-style-type: none"> > Withdrawal letter of the concerned partner > In case of a withdrawing partner that already received funds: a declaration concerning the observation of obligations deriving from the subsidy contract and partnership agreement > Acknowledgement of partnership (e.g. minutes of project steering committee meeting, email confirmations etc.) |
| Structural or legal status change of partner institution (e.g. legal succession) | <ul style="list-style-type: none"> > Official document stating the structural/legal change of institution > In case of already received funds, a declaration from the changed partner institution concerning the observation of obligations also related to the previous partner institution deriving from the subsidy contract and partnership agreement > Updated partner declaration |

In case of replacement of a withdrawing partner, additional information might be requested for assessing the State aid compliance of the institution taking over activities of the withdrawing partner. This may result in specific State aid contractual conditions applicable to the new incoming partner (or the partner within the partnership taking over the activities of the withdrawing partner).⁹⁹

⁹⁹ For more information on State aid assessment performed by the programme and linked contractual conditions please see chapter C.1.5.2.



D.3.3. Modification of activities/deliverables/outputs

If project activities need to be modified going beyond a mere adjustment of the work plan (as presented in chapter D.2.2), a formal approval by the programme bodies is required.

This type of major modifications may concern the following aspects:

- Modification of project approach having an impact on project objectives and results;
- Modification of activities, deliverables, outputs and/or their characteristics including output indicator targets (quantitative and qualitative changes);

Modifications of outputs might also lead to a revision of the indicator targets as set in the approved application form.

Any modification of activities considered as State aid relevant within the project selection procedure needs to be previously approved by the relevant programme bodies (as mentioned in chapter D.2.2). Furthermore, modifications of activities may affect the State aid relevance of a project, which was initially considered as not State aid relevant. All these cases may result in specific contractual conditions applicable to the concerned partners⁹⁹.

Requests for modifications of activities/deliverables/outputs have to include an exhaustive justification and shall be submitted **at the latest one month before the activities** are to take place according to the work plan. The signed modification request has to be accompanied by a document demonstrating that the whole partnership acknowledges the modification (e.g. minutes of project steering committee meeting, emailed confirmations of partners).¹⁰⁰

A retroactive approval may be granted only in exceptional and duly justified cases.

It is to be reminded that major activity, deliverable or output modifications (as well as any other major modification) can only be requested after the project mid-term review (chapter B.5).

¹⁰⁰ Ibid.



EXAMPLE

- 1. Modification of project approach having an impact on project objectives and results. The project partnership intends to modify one out of its three project specific objectives in order to better match the needs of the involved urban areas. More in detail, due to changed framework conditions the project intends to address companies in order to establish more resource-efficient production processes instead of increasing the skills of policy makers on resource efficiency (as originally planned in the approved application form).*
- 2. Quantitative and/or qualitative modification of outputs and/or their characteristics (including output indicator targets). The project partnership intends to reduce the number of planned local strategies on cultural and creative industry support measures due to limited interest of involved stakeholders or missing policy support. More in detail, instead of four local strategies as originally planned in the approved application form, only two would be developed and implemented. Resources made available following this change would be used for implementing trainings addressing the relevant policy makers on the importance of cultural and creative industries.*
- 3. Modifications of investments. A project originally intended to carry out a pilot investment for the energy-efficient refurbishment of historical buildings. Due to changed national legislation on the monument protection policy, the respective investment cannot be realised for such type of building. The partnership therefore intends to implement such pilot investment on a different type of historical building not subject to the newly introduced limitations. This includes also an adaptation of the necessary technical investment specifications.*

In case of modification of project activities and outputs potentially leading to State aid relevance of the project, additional information may be requested to the partnership.

D.3.4. Modification of budget

Major budget modifications occur if the needed budget reallocation exceeds the level of flexibility presented in chapter D.2.3. For such modification an approval by the programme bodies is required. Projects should be aware that only once in the project lifetime (notably after the project mid-term review as presented in chapter B.5) a major budget modification can be requested.

Financial implications of a partnership modification are not considered as budget modification (e.g. reallocation of tasks and budget within the partnership), but rather as a consequence of the partner modification.

When requesting a budget modification, supplementary documents have to be enclosed to the signed modification request, as listed in the following table.

| MODIFICATIONS OF BUDGET | |
|--|---|
| MODIFICATION | SUPPLEMENTARY DOCUMENTS |
| Increase of budget above 20 % or EUR 30.000 (whichever is higher) compared to the latest version of the approved application form in the following two cases: a. Increase of budget in any budget line b. Increase of budget in any work package | > None |
| Increase of budget above 10 % or EUR 20.000 (whichever is higher) compared to the latest version of the approved application form in case of Increase of budget of the LP or any PP ¹⁰¹ | > Updated partner declaration of partner(s) having a higher ERDF allocation > Acknowledgement of partner(s) with reduced ERDF budget |
| If applicable, budget reductions following the mid-term project review or programme decommitment | > Acknowledgement of partner(s) with reduced ERDF budget |

For examples of budget modifications requiring prior approval by programme bodies please refer to chapter D.2.3.

It is to be noted that following the approval of a major budget modification, the new budget can still benefit from the budget flexibility rules (as described in chapter D.2.3) in order to perform minor modifications.

¹⁰¹ Please note that State aid contractual conditions setting thresholds to the budget granted to beneficiaries may limit the budget increase of the concerned partners. For more information on State aid assessment performed by the programme and linked contractual conditions please see chapter C.1.5.2.

D.3.5. Extension of project duration

Overall, partnerships should strive to timely implement planned activities according to the work plan schedule as in the latest version of the approved application form. The JS will closely monitor progress of activities, deliverables and outputs through the periodic progress reports, as well as through regular contacts with the LP. Furthermore, as presented in chapter B.5, the respect of the time plan of the project is one of the key aspects assessed within the project mid-term review.

In exceptional and well justified cases partnerships can request a modification of the project duration, which then needs to be approved by the programme bodies. One example would be, if without an extension of the project duration it would not be possible to achieve the set project objectives.

Some limitations apply to the extension of project duration:

- The extension of the project duration cannot exceed **6 months**;
- The maximum duration of a project, including extensions, cannot be longer than 48 months;
- Notwithstanding the above bullet point, the latest end date for a project is 31 December 2021 and no extension of duration beyond this date shall be granted.

A request for prolongation can be submitted only after the conclusion of the mid-term review (see chapter B.5) and **before the project end date** (as in the latest version of the approved application form). Any extension request submitted after the end of the project implementation period will be rejected.

In order to ensure a proper planning and implementation of activities in the final phase of the project, it is strongly recommended to timely identify any potential need for prolongation and to submit the respective request for extension of project duration at least 2-3 months prior to the original project end date.

When requesting an extension of the project duration, the signed modification request shall be accompanied by an acknowledgement of the whole partnership (e.g. minutes of project steering committee meeting, emailed confirmations of partners).



E. HOW TO CLOSE THE PROJECT

E.1. The project closure process

(Developed at a later stage)

E.2. Durability and ownership

Ownership of outputs having the character of investments in infrastructure or productive investments realised within the project must remain with the concerned beneficiaries either for at least five years following the final payment to the beneficiary, or, where applicable, within the period of time set out in state aid rules. The occurrence of any of the following situations would result in a violation of rules concerning durability:

- Cessation or relocation of a productive activity to outside the programme area;¹⁰²
- Change in the ownership of an infrastructure item which gives a firm or a public body an undue advantage;
- Substantial change affecting the nature, objectives or implementation conditions of the investment, which would result in undermining its original objectives.

Should any of the above conditions not be met at a certain point of time, the MA/JS must be immediately informed by the concerned beneficiary. The MA will recover the unduly paid ERDF contribution in proportion to the period for which the requirements have not been fulfilled.

¹⁰² This requirement is to be observed for 10 years following the final payment to the beneficiary (unless the beneficiary is a SME) or for the applicable timeframe according to state aid rules in case of grant released under state aid conditions.