



# INTERREG V A Italy – Croatia CBC Programme

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## Factsheet n. 3 Project Development

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**A. PROGRAMME AREA**

The Italy - Croatia area covers the coastal regions of the two countries along the Adriatic Sea including the NUTS III administrative units (province) of Teramo, Pescara, Chieti (Abruzzo), Campobasso (Molise), Brindisi, Lecce, Foggia, Bari, Barletta-Andria-Trani (Puglia), Venezia, Padova, Rovigo (Veneto), Pordenone, Udine, Gorizia, Trieste (Friuli Venezia Giulia), Ferrara, Ravenna, Forlì-Cesena, Rimini (Emilia Romagna), Pesaro e Urbino, Ancona, Macerata, Ascoli Piceno, Fermo (Marche) in Italy and the NUTS III administrative units (županija) of Primorsko-goranska, Ličko-senjska, Zadarska, Šibensko-kninska, Splitsko-dalmatinska, Istarska, Dubrovačko-neretvanska (Adriatic Croatia region), Karlovačka (Continental Croatia region) in Croatia.



**B. PARTNERSHIP**

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

- Be established under the national law of Italy or Croatia (Nationality will be determined on the basis of the organisation's statute/articles of incorporation which should demonstrate that it has been established by an instrument governed by the internal law of Italy or Croatia).





- Have their official seat and their seat of operations in the part of the country included in the Programme area (with the exceptions reported under “Assimilated partners”);
- Be endowed with legal personality.

“Legal Personality” is interpreted here as that the institution has the possibility to acquire rights and obligations (e.g. to conclude contracts, buy property), sue and be sued with no regard to the issue of registration. The bodies concerned are capable of entering into a contract and can be held liable in case of a breach of obligations.

In addition to what above, eligible partners shall be:

- **National, regional and local public bodies** (including EGTCs in the meaning of art. 2(16) of Regulation (EU) No 1303/2013 named Common Provision Regulation (CPR)- see the “European Grouping of Territorial Cooperation”) and associations formed by one or several of such public bodies;
- **Bodies governed by public law**, and associations constituted by one or several bodies governed by public law, as defined in Article 2(4) of Directive 2014/24/EU on public procurement, i.e. bodies that have all of the following characteristics:
  - They are established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
  - They have legal personality; and
  - They are financed, for the most part, by the State, regional or local authorities, or by other bodies governed by public law; or are subject to management supervision by those authorities or bodies; or have an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.
- **Private bodies**, including private companies, having legal personality and being operational from at least 2 fiscal years at the time of submission of the candidature; specific **restrictions** for the participation of private bodies to the 1<sup>st</sup> set of calls for proposals are established, please refer to section F of the “Calls announcement”.
- **International organisations** acting under the Italian or Croatian national law and being operational from at least 2 fiscal years at the time of submission of the candidature.

#### **Additional conditions for participation of private bodies**

In case of approval of the project proposal and if the Project requests the advance payment of 10% of total ERDF as described below, the LP of a project that includes private partners which ask for a share of the advance payment, shall require these private partners to provide a





financial guarantee for an amount corresponding to their respective share of ERDF contribution of the above mentioned advance payment.

### European Grouping of Territorial Cooperation - EGTC

According to art. 2(16) of CPR the category bodies governed by public law also frame “any European grouping of territorial cooperation (EGTC) established in accordance with Regulation (EC) No 1082/2006 of the European Parliament and of the Council, regardless of whether the EGTC is considered to be a public law body or a private law body under the relevant national implementing provisions”. EGTC can be a project partner on condition that it is governed by the law of the country where the EGTC has its registered office, which is located in part of Italy or Croatia participating to the Programme. The minimum number of members of an EGTC is the one reported in art. 3 a) of Regulation (EU) No 1302/2013 modifying Regulation 1082/2006. As far as the EGTC is concerned, and in accordance with art. 12(3) of ETC Regulation, an EGTC may be the sole beneficiary of an operation provided that it is set up by public authorities or bodies from at least two participating countries.

### Assimilated partners

In order to overcome to the Programme geographical constraints, institutions (**public bodies or bodies governed by public law** established under the national law of Italy or Croatia) that are competent in their scope of action for certain parts of the eligible area (e.g.: Ministries and Regional Governments, including their agencies, etc.) and are anyhow relevant for the eligible area but which are located outside of it are considered as Assimilated partners, with equal rights and obligations to applicants located within the Programme area.

**Competence** shall be understood as the quality possessed by an institution that has the legally delegated or invested authority, capacity, or power to perform a designated function. **Relevance** of assimilated partners shall be understood as their capacity to intervene and impact on policy, legislation, decision-making processes as well as to carry out concrete interventions for social, economic and territorial development with reference to the eligible Programme area. The attribution of the status of Assimilated partner shall be duly justified in the project application and will be further assessed in the selection process.

In case of Universities, they can be considered as Assimilated partners if they have a branch in the eligible area and the project activities are carried out by the branch.

In case of Croatian private no-profit bodies acting at National level, they can be considered as Assimilated partners given the centralisation of competences, interests and capacities which occurs in Croatia according to the legislation in force and provided that it is evident that they are nationally competent for a specific subject.





Competence and relevance of these bodies will also be carefully assessed according to National governance and shall be subject to prior confirmation by the competent Member State.

#### **Other indications regarding the eligibility of partners**

All applicants, irrespective their legal status, must ensure that:

- They have adequate human and technical resources to ensure a sound project implementation and management;
- Their administrative involvement in the project does not undermine their daily activities;
- Their financial commitment within the project is adequate to their size and capacity;
- They have the capacity of advancing payments for the implementation of project activities and eventual delays in reimbursement of EU contributions will not undermine their capacity of implementing the foreseen activities within the project.

**Applicants should pay attention in evaluating their capacity to ensure a sound project management, taking into account also the number of applications submitted and projects implemented, preferring quality instead of quantity.**

Only legal entities eligible for funding and listed in the Application Form (AF) may report their costs. In order to ensure a proper audit trail the MA needs to know which organisations receive Programme funding and whether they are eligible according to the Programme rules. As a general principle, as far as the role covered by the partners within the project is concerned, private entities whose main scope of activities consists of project coordination, management, communication, knowledge management or other activities that are of a mere executive or supporting character (service providers) cannot be considered as eligible partners/beneficiaries. Compliance with this requirement will be checked during the quality assessment of project proposals which, on a case by case basis, could lead even to the exclusion of such partners.

Number of partners may considerably vary between projects, depending on their goals and activities. The project consortium should be comprised in a strategic manner and well adapted to its purpose. Please note that each partnership shall always consider that it is not the number of institutions listed in the proposal that makes the project partnership ideal, but rather their expertise to carry out the planned activities and deliver effective outputs and results, reaching out to their target groups. The topics addressed by the project determine the profile of the organisations that could be involved in the project activities.

Project partners should be involved already in the project drafting phase in order to incorporate ideas and contributions from all applicants and to ensure a high level of commitment to the project.





### **Partners' obligations**

All eligible partners shall be directly responsible for preparation and implementation of their share of project's activities within the partnership, not acting as an intermediary.

### **Lead partner responsibility**

According to art. 13 of the Regulation (EU) No 1299/2013 the Programme applies the lead partner principle.

The lead partner assumes the following responsibilities:

1. Is responsible for the coordination of the drafting of the project application and of its submission on behalf of the entire partnership. In case clarifications are necessary during the assessment phase (see factsheet n. 5 "Project Selection"), the Joint Secretariat (JS) will address to it;
2. Signs a subsidy contract on behalf of the entire partnership with the MA (a template for the subsidy contract is elaborated by the Programme and included in the Application Package);
3. Ensures arrangements with the other partners comprising provisions able to guarantee the sound financial management of the funds allocated to the project and arrangements for recovering the amounts unduly paid (a template for the partnership agreement is provided by the Programme during the contracting phase);
4. Assumes the responsibility for ensuring the implementation of the entire operation; in this respect it sets the coordination structure through the appointment of key figures (e.g.: a project manager, a financial manager and a communication manager) operating for the entire partnership;
5. Ensures that expenditure presented by each partner has been incurred in implementing the operation and corresponds to the activities agreed between all the beneficiaries, and is in accordance with the subsidy contract;
6. Ensures that the expenditure presented by all partners has been verified by the controllers appointed by the country where the partner is located according to the specificities of the national system;
7. Ensures that the promised outputs as in the approved application are delivered in accordance with the set timeline;





8. Receives the reimbursed amount from the Programme on behalf of the entire partnership and transfers the due amounts to its partners as soon as possible without deducting any amount or specific charge;
9. Guarantees the reimbursement of amounts unduly paid to the MA upon receiving a recovery order following the detection of an irregularity on behalf of the affected partner(s) (itself or project partner);
10. Ensures that all project documentation (e.g.: progress report etc.) shall be kept available for a period of four years following the project closure or otherwise required by the specific legislation (e.g.: State Aid). The time period referred to shall be interrupted either in the case of legal proceedings or by a duly justified request of the Commission;
11. Coordinates the communication flow towards the MA/JS with regard to the timely submission of the progress reports and requests for reimbursement;
12. Is responsible of the communication flow between the partnership and the Programme (mainly with the JS and the MA), it is in charge of spreading communication and information received by the Programme to its project partners, including the announcements to participate to seminars organized by the Programme;
13. Ensures prompt solutions of management problems (e.g.: change of partners, requests for revision of activities etc.).

#### **Project partner responsibility**

Each project partner carries out activities planned in the approved Application Form within the deadline agreed at Programme and partnership level. Each project partner shall:

1. Assume responsibility towards the lead partner of repaying the received undue amount and it assumes its responsibility in case of irregularities in the expenditure it has declared;
2. Carry out information and communication measures for the public about the project activities;
3. Ensure that all project documentation (e.g.: progress report etc.) shall be kept available for a period of four years following project closure or otherwise required by the specific legislation (e.g.: State Aid). The time period referred to shall be interrupted either in the case of legal proceedings or by a duly justified request of the Commission.

Obligations of the lead partners and project partners are laid down in the Subsidy Contract and in the Partnership Agreement respectively.







The Subsidy Contract determines the rights and responsibilities of the Lead Partner – according to the lead partner principle - the conditions for the project implementation, requirements for reporting, financial controls, litigation etc. The Partnership Agreement transfers rights and responsibilities from the Lead Partner to the project partners.

### C. HOW TO BUILD THE WORK PLAN

Project activities within the frame of the Programme shall be organised around **work packages (WPs)**, i.e.: a group of related project activities necessary to produce project deliverables and main outputs. The organisation of the activities in work packages ensures a shared knowledge about the project's structure and objectives among all partners; additionally, it increases the capacities of the Programme MA/JS to follow up the implementation of the expected activities and facilitates the procedures for reporting and accounting of expenditure.

Each work package, structured in activities, shall provide information on the partners involved, the description of the related deliverables and expected outputs, and the related budget.

More specifically, each work package is composed of defined activities and related deliverables and expected outputs:

- An **activity** is a specific task performed for which resources are used; the proposed activities shall have a logical sequence and be planned for the direct benefit of the area concerned by the authorities involved in the project; activities shall be included in the Application Form according to a progressive n. which shall be formed by the number of the WP (e.g. 1 for WP1) and the progressive n. of the activity (e.g. 1.1, 1.2, 1.3, etc.);
- A **deliverable** is a tangible or intangible object produced as a side-product of the project that contributes to the achievement of a project output. More than one deliverables can be necessary to produce one output; deliverables shall be included in the Application Form under each activity foreseen by the project;
- A main **output** is what has actually been produced as a result of the funding given to the project. It shall be captured by an output indicator and directly contributes to the achievement of project result(s) and project specific objectives.

The partnership can structure its project proposal according to a maximum number of work packages (6); some of them are, however, compulsory:





- a) WP 1 - Project management and coordination of activities;
- b) WP 2 - Communication;
- c) WP3/WP4/WP5 - Project implementation – which can be organised in maximum 3 work packages of which at least one is compulsory.

### **WP 1 - Project management and coordination of activities**

In this work package the activities aim at ensuring a sound management and coordination of the project. The overall project management and all aspects linked to the financial management must be clearly described. Proof on how the work within the partners involved is organized and distributed shall also be provided. The coordination and management activities shall result in the successful implementation of the project as well as in the production and submission of the administrative documents for accounting of expenditure and reporting on the activities implemented.

Structure, responsibilities, and procedures for the day-to-day management and coordination (including whether it is foreseen the externalisation of the management), the reporting and evaluation procedures, risk and quality management shall also be included in this work package.

The work package shall also include the activities related to the project closure that have to be finalized within 3 months after the official end date of the project: they include the submission of the required final administrative documents - the final progress report – the final payment claim and the eventual reconciliation with the initial granted amount, if necessary.

### **WP 2 - Communication activities**

#### **Project communication approach**

Each project must present its communication approach in the related field of the Application Form (section G of the Application Form, Work Plan, WP2); for this purpose, the communication elements to be defined in the application are as follows:

- the communication objectives: what do you want to achieve with the communication?
- the main target groups: whom do you have to target with communication activities in order to achieve the aims?
- the tactics selected to interact with target groups





- the activities for each of the tactics selected which have to be chosen among the following: start-up activities (mandatory), media relation and publications, digital activities (including projects' web-platform and social media management), events.

**Minimum required communication activities/deliverables to be included in projects' activity planning:**

- Projects should place a poster (of minimum A3 size) at a location readily visible to the public, such as an entrance area of a building, stating the financial support by the European Union. The Programme shall provide the projects with the graphic design and the projects shall edit, print and display according to the needs;
- Start-up activities: organization of the project kick-off meeting
- Regular project website (available on the Programme webplatform) updates;
- At least one high level event (involving relevant policy makers, presence of ESI funds MA and ETC Program MA and Macroregional strategies governing board);
- At least one printed publication on relevant EU paper magazines;
- Social media communication of/for project and active participation in Programme social media communication;
- Publication of at least one short portrait of the project – adapted to main target group(s) (printed publication such as flyer or audio-visual such as video);
- Communication Strategy (for “Standard+” projects only a capitalisation strategy is required).

**Resources to be foreseen**

Each project should allocate resources for its own communication activities and in order to establish a regular work relationship with the Programme. The partnership should assign communication responsibilities to a single partner, whereas a contact person should be designated to act as liaison with the Programme. There is no need to allocate resources for website development and the creation of a logo for the project, as those are going to be provided by the Programme.

**Projects will be provided with their logo and with design templates** for publications (event invitations, project leaflets, etc.) and promotional materials, which can be easily adapted and implemented. However, specific branding could still be foreseen as an output of the communication work package for event campaigns, activities, products or services that are expected to sustain beyond the project duration.





Similar to the approach in project branding, **project websites will be integrated and hosted on the Programme website** thus, for creating and maintaining the project website there will be no fixed costs.

Evaluation of communication activities should also be included in the overall project evaluation.

### **WP3/ WP4/ WP5 - Project implementation**

The project implementation is the heart of the project and describes what the partnership intends to implement to reach the foreseen goals.

One up to three work packages can be devoted to describe the project implementation; it refers to a group of related project activities necessary for the realization of the described project outputs and goals.

The realisation of pilot actions (demonstration activities or small scale investments) shall be included in one of these work packages.

**Each project proposal shall contribute to the realisation of Programme outputs; project outputs must contribute to feed Programme output indicators.**

### ***Non-compulsory work packages***

#### **WPO – Project preparation**

The approved projects which have successfully signed the Subsidy Contract and the Partnership Agreement are entitled to receive reimbursement of their preparation costs in the form of a lump-sum of max EUR 15.000,00 (ERDF+co-financing) per project.

In case projects carried out activities related to the preparation of the project proposal and choose to have preparation costs reimbursed by the Programme, they have to envisage WPO and attribute the respective share of costs to all PPs involved.

Preparation costs will then be reimbursed with no need to produce invoices or other supporting documents for the incurred costs.

The reimbursement of preparation costs will follow the principles specified hereunder:





- Any preparatory costs incurred by the partnership must be indicated in the Application Form, under the budget line “Preparation Costs” and included under the budget of the concerned partners;
- The amount of actual ERDF reimbursement will result from applying the co-financing rate applicable (equal to 85%) to the respective preparatory cost budget of the concerned partners (e.g. to which the lump sum is allocated), as indicated in the Application Form;
- The lump sum will be reimbursed to the Lead Partner; it will be its duty to transfer to its partners their respective shares, according to the approved budget;

Under the Work Package Preparation costs only the “Preparation Costs” budget line can be budgeted.

#### **D. IMPORTANT PRINCIPLES RELATED TO BUDGETING**

The system of financing is a budget-based grant (eligible costs). The grants are financed through reimbursement of eligible costs and will be calculated on the basis of a detailed estimated budget, indicating clearly the costs that are eligible for ERDF funding. Eligible partners shall secure stable and sufficient sources of finance to ensure both project implementation and the continuity of the organisation activities throughout the lifespan of the project. The EU grant should not have the purpose or effect of producing a profit for the beneficiaries (profit is defined as a surplus of receipts over eligible costs incurred by the beneficiaries). The budget of the project must be drafted following the real cost principle, fully accomplishing the principles of adequacy of costs and sound financial management. As provided under chapter 7 of the Regulation (EU, Euratom) No 966/2012 the principle of sound financial management builds on the following three principles:

- The principle of economy: it 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: it concerns the best relationship between resources employed and results achieved;
- The principle of effectiveness: it concerns the attainment of the specific objectives set and the achievement of the intended results.





### Location of activities

In line with the requirements for the geographical location of partners, and as a basic principle, the INTERREG V A Italy-Croatia CBC Programme supports project activities taking place in the Programme area.

Assimilated Partners have equal rights and obligations to applicants located within the Programme area and their budget should be developed following the same principles and constraints applicable to Lead Partners and Project Partners.

All activities implemented by the Lead Partners and partners of the Programme area (and assimilated partners) outside the Programme area - **including the participation in missions, study visits and events** – can be accepted only in exceptional and duly justified cases.

The following requirements must be respected:

- They are for the benefit of the regions of the Programme area;
- They are essential for the implementation of the project;

They are explicitly foreseen in the Application Form or, if not, have been previously authorized by the MA/JS. **It is warmly recommended to limit as much as possible the organisation of the project's meetings, events and seminars outside the Programme area, as they have to be under the ceiling of 20%ERDF of the Project's budget.**

Such activities and their related project expenditures should be detailed in a dedicated field of the Application Form on the web-based electronic management and monitoring system – SIU.

According to article 20 of Regulation (EU) No 1299/2013 and to the INTERREG V A Italy-Croatia CBC Programme, the MA/JS must closely monitor all activities located outside the Union part of the Programme area, both at the application and at the implementation phase.

Costs related to such activities must be incurred by a Lead partner, a Partner located in the programme area or an Assimilated partner.

Please note that provisions in this paragraph **do not have to be confused** with those concerning **institutions located in EU regions outside the programme area** participating in projects under the geographical flexibility rule of art. 20 Reg. 1299/2013, **which is not made available by the Programme for the 1<sup>st</sup> Set of Calls for Proposals. Therefore Institutions located in EU regions outside the Programme area other than Assimilated Partners cannot participate as Lead/Project Partners in a Project Proposal submitted in the frame of the 1<sup>st</sup> Set of Call for Proposals.**





Lastly, it shall be underlined that for assimilated partners core thematic activities, including small scale infrastructures, must be implemented in the Programme area as they are meant to take part in the project for the benefit of the Programme area.

### Use of Euro

The budget must be drawn up in Euro. Croatian applicants are advised to draft their budget share using the exchange rate published on the Official Journal of the EU on the date of the publication of the Call for proposals on the Programme website, keeping in mind that reimbursement – based on actually incurred expenditure - will have to be converted into Euro by the beneficiaries using the monthly accounting exchange rate of the Commission in the month during which such expenditure will be submitted for verification to the FLC.

The exchange rate used for accounting expenditure might be different from the one used for the purpose of drafting the budget. Costs related to fluctuation of foreign exchange rate are not eligible.

### Hierarchy of rules on eligibility of expenditure

Eligibility of expenditure is to be considered through different levels of rules:

- the European level: EU regulations
- the Programme level: specific rules decided for the Italy – Croatia Programme
- the National level: National rules applicable in each Member State
- the partner institutional level: internal rules applicable to each partner organisation

Generally speaking, to be eligible at project level, costs must:

- relate to activities foreseen in the Application Form, be necessary for carrying out these activities and achieve the project's outputs and results, and be included in the estimated budget;
- be reasonable, justified, consistent with the applicable internal rules of the partner, National, Programme and EU rules and in accordance with the principles of sound financial management;
- be identifiable, verifiable, plausible and determined in accordance with the relevant accounting principles;





- be incurred and paid by the partner organisation, debited from its bank account no later than 30 days after the project end date, be substantiated by proper evidence allowing identification and checking.

In case of expenditure being reimbursed on the basis of a lump sum or flat rate the latter two principles do not apply.

Simplification is at the core of the legislative package proposed by the European Commission (EC) for 2014-2020. This is to make access to EU funding easier and quicker for all beneficiaries. At the same time, it should lighten the administration linked to the management and audit of EU funding Programmes.

In CPR, the EC promotes a wider use of **simplified cost options**, as an alternative to the reimbursement based on real costs. **Harmonisation** is also a key aspect. In the past, project partners involved in different Interreg Programmes faced different rules, different formats to be used and even different wording to describe similar things.

The Italy – Croatia Programme has as much as possible tried to streamline its processes and rules with other Interreg Programmes in line with the principles of simplification and harmonisation.

Finally, the practice of **shared costs shall not be allowed**, i.e.: the costs incurred for activities carried out by one partner - or under its responsibility by a sub-contractor – and covered by more than one project partner (the practice of splitting cost items paid by one partner among project partners), even in cases where such activity is for the benefit of the whole project partnership. The budget allocated to a project partner shall fully reflect the activities actually implemented by that specific partner.

In accordance with the scope of support of the Regulation (EU) No 1301/2013 the following activities **shall not be supported**:

- a) The decommissioning or the construction of nuclear power stations;
- b) Investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC;
- c) The manufacturing, processing and marketing of tobacco and tobacco products;
- d) Undertakings in difficulty, as defined under Union State aid rules;
- e) Investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact.







Without prejudice to the specific Programme rules defined in the next paragraph, the following expenditure is considered **as not eligible** (reference to art. 69 of Regulation (EU) No 1303/2013 and art. 2 of Delegated Regulation (EU) No 481/2014):

- In kind contributions (in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made)
- Costs for gifts, except those below the amount of 50€ per item and related to promotion, communication, publicity or information;
- Costs related to fluctuation of foreign exchange rate;
- Charges for national financial transactions.
- Interest on debt;
- Value added tax (VAT), except where it is not recoverable under national VAT legislation;
- Fines, financial penalties and expenditure on legal disputes and litigation;

#### E. BUDGET LINES AND ELIGIBLE COSTS

The following articles of EU regulations are the legal basis to be taken into account:

##### Regulation (EU) No 1303/2013 (CPR):

- Article 65: eligibility period
- Article 67: simplified costs options
- Article 68: flat rate for indirect costs
- Article 69: contributions in kind; depreciation; land purchase; VAT
- Article 70: location of operations
- Article 71: durability of operations
- Article 120: co-financing rate (maximum 85% for ETC)

##### Regulation (EU) No 1299/2013 (ETC Regulation):

- Article 18: legal basis for the Commission Delegated Regulation (EU) No 481/2014
- Article 19: staff costs (possibility to use a flat rate of 20% of the total direct costs)





- Article 28: exchange rate

Delegated Regulation (EU) No 481/2014:

- Specific rules on eligibility of expenditure for cooperation Programmes

Delegated Regulation (EU) No 480/2014:

- Article 16: determination of revenues

Projects applying to the Italy – Croatia Programme shall structure their budgets in all or part of the following seven budget lines:

- 1. Preparation costs**
- 2. Staff costs**
- 3. Office and administration**
- 4. Travel and accommodation**
- 5. External expertise and services**
- 6. Equipment**
- 7. Small scale infrastructure and construction works**

The information provided herewith is intended to help applicants to properly allocate costs to each budget line during the application phase. Detailed guidance on how to report such costs, together with specific information on the national first level control systems in place in each country, will be provided in the factsheet n. 6 “Project Implementation”.

Applicants can find here below the key principles and instructions necessary for building up a project budget.

### **1. Preparation costs**

It is important that projects consider financial issues from the very beginning. This approach requires the involvement of all partners in the preparatory work and planning meetings during the development phase of the project application. Time invested prior to the submission of the application results in strong partnerships with clear responsibilities and well justified budget allocations. Good preparation is fundamental to ensuring a prompt start of project activities after approval, as well as smooth project implementation thereafter.

This budget line is available only for those projects that envisage WPO – Preparation.





Further information on this WP and budget line are provided in factsheet n. 4 “Project Application”.

Under the Italy - Croatia Programme, preparation costs are reimbursed, only to projects selected for funding, as a lump sum of a total (ERDF + co-financing) maximum amount of 15.000 €.

## 2. Staff costs

Staff costs consist of costs for staff members employed by the partner organisation and working full time or part time on the project implementation.

Overheads and any other office and administrative expenditure cannot be included in this budget line.

Staff costs shall have a legal basis (contracts or other legal documents). The contract is subscribed according to current legal provision on the matter. Payments shall be ineligible without legal basis.

Activities shall be supplementary to those implemented in the institutional scope of the organisation. This criteria is automatically met if the staff is employed for the sole scope of implementing the project. Costs for institutional/ordinary activities not strictly related to the project are not eligible.

Staff costs shall be budgeted and reimbursed according to one of the following two options:

1. real costs;
2. flat rate of 20% of direct costs other than staff costs (travel and accommodation costs, external expertise and services costs, equipment costs, small scale infrastructure and construction works).

**The choice is made at project level during the application phase and cannot be changed during project implementation.**

### Staff costs reimbursed based on real costs

Eligible expenditure under this budget line is limited to:

**Salary payments** related to the activities which the entity would not carry out if the operation concerned was not undertaken, fixed in an employment document (employment contract or appointment decision) or by law, relating to responsibilities specified in the job description of the staff member concerned.





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 costs are eligible under staff costs only when the following conditions are met:

- 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;
- The costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

If those conditions are not met, this expenditure must be allocated under budget line External expertise and services costs.

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) N 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.

Methods for calculating the eligible staff cost vary according to the type of assignment to any individual staff member, as specified below:

- **full time:** an employee dedicated 100% of his/her working time to the project. The full-time assignment to the project must be included in the employment/work contract or in a specific statement/order issued by the partner structure. No registration of the working time (e.g. time sheets) is required. In such cases the total of the gross employment cost is eligible.
- **part-time with a fixed percentage of time worked per month:** an employee dedicated to the project by a fixed percentage of his/her working time. This percentage is set out in a document issued by the partner at the beginning of the project, and/or in the same employment/work contract. No registration of the working time (e.g. time sheets) is required. In such cases the fixed percentage of the gross employment cost is eligible.
- **part-time with a flexible number of hours worked per month:** an employee dedicated to the project by a flexible percentage of his/her working time. In such case the hourly rate shall be calculated according to the following:





- hourly rate = latest documented annual gross employment cost/1720 (standard annual working time fixed by art. 68.2 of Regulation (EU) No 1303/2013).
- Eligible staff cost shall result by multiplying the hourly rate by the number of hours actually worked on the project by each concerned staff, as resulting from the working time registration system (e.g. time sheets) covering 100% of the actual working time of the individual concerned.
- **contracted on an hourly basis:** an employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project. The staff costs are calculated on the basis of the hourly rate fixed in the employment/work contract. Data from the working time registration system (e.g. time sheets) providing information on the number of hours spent per month on the project are required. Eligible staff cost shall result by multiplying the hourly rate – as calculated above – by the number of hours actually worked on the project by each concerned individual.

#### Staff costs reimbursed according to the flat rate

Staff costs of partners of projects choosing this option will be reimbursed for an amount equal to 20% of the sum of costs under all other budget lines, except “preparation costs”, “staff” and “office and administration”, without the need of submitting any employment/work contract, any invoice or document having equivalent value nor any proof of payment.

### **3. Office and administration expenditure**

This expenditure category shall be limited to the following elements:

- office rent;
- insurance and taxes related to buildings where the staff is located and to the equipment of the office (e.g., fire and theft insurance);
- utilities (e.g. electricity, heating, water);
- office supplies (except costs reported under equipment);
- general accounting provided inside the beneficiary organization;
- archives;
- maintenance, cleaning and repairs;
- security;
- IT systems (except costs reported under equipment);





- communication (e.g. telephone, fax, Internet, postal services, business cards);
- bank charges for opening and administering account/s whether project implementation requires a separate account to be opened;
- charges for transnational financial transactions.

Office and administration expenses in line with the delegated Regulation (EU) No 481/2014, with the exception of management support services, can **be eligible only at a flat rate of 15% of eligible direct staff costs** (article 68 (1) (b) of CPR). In the event that staff costs are calculated on a flat rate basis in line with art. 19 of ETC Regulation, office and administration expenditures are calculated as 15% of the staff costs.

Office and administration expenses will thus be reimbursed without the need of submitting any contract, invoice or document having equivalent value nor any proof of payment.

The above list is exhaustive and all listed items are to be paid applying the flat rate under the "office and administration" budget line and accordingly cannot be claimed and reimbursed under any other budget line.

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

#### 4. Travel and accommodation

Expenditure under this budget line refers to the costs incurred by the partner organisation for travels and accommodation of its own staff necessary for the delivery of the project.

The following items are eligible under this budget line:

- Travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll, and parking fees);
- Meals costs;
- Accommodation costs;
- Visa costs;
- Daily allowances.

The following principles apply:

- a. Travel and accommodation costs must be clearly linked to any project activities and be essential for their effective delivery;





- b. Costs must be definitely borne by the beneficiary organisation (direct payment by a staff member of the partner organisation must be supported by a proof of reimbursement from the employer);
- c. The principle of sound financial management should guide to the choice of transport and accommodation. In line with the result-oriented policy approach, effectiveness should be the leading principle. In the second instance, cost-efficiency should be ensured, taking into account the entire cost of the mission (travel cost, staff costs related to the travel, etc.). In particular:
- Beneficiaries must always choose the most economical modes of transport. Exceptions from this principle must be duly justified in each case;
  - Accommodation costs can be accepted if they are in the middle price range, while higher price ranges must be duly justified in each case;
  - Beneficiaries must respect either their ordinary internal rules for travel and accommodation costs (if any), or respect any maximum ceiling for travel and hotel costs established at National level, whichever is stricter;
  - In the absence of internal and/or National rules, maximum ceilings for travel and accommodation established by the Commission and applicable throughout the programme area shall apply. They shall be considered as maximum ceilings ([http://ec.europa.eu/research/participants/data/ref/fp7/89566/flat-rates-subsistence\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/fp7/89566/flat-rates-subsistence_en.pdf)). The amounts exceeding such values shall be in any case considered not eligible;
- d. Any expenditure item defined as travel costs, accommodation costs, costs of meals or visa costs that is already covered by a daily allowance, cannot be accounted for and reimbursed in addition to the daily allowance, i.e. no double funding is allowed (ref: art. 65(11) of CPR). Beneficiaries shall choose the accounting method (daily allowance or direct costs) which is closer to their ordinary practice and/or internal rules.

Travel and accommodation costs of external experts and service providers including speakers, chairpersons, trainers, etc. shall be reimbursed under the “external expertise and services” budget line.

Costs for travel and accommodation for attending Programme meetings and events shall be considered as eligible: it is advisable that some additional budget is allocated to attend these events.

## 5. External expertise and services

External expertise and service costs include expenditure paid on the basis of contracts or written agreements and against invoices or requests for reimbursement to external service





providers who are subcontracted to carry out certain tasks/activities linked to the delivery of the project.

External expertise and service costs are connected to the implementation of certain project tasks that cannot be carried out by the project partners themselves (mainly due to the lack of internal resources or capacities) and therefore are outsourced to external service providers. The work of external service providers must be necessary for the project.

Expenditure of external expertise and service costs shall be limited to the following:

- Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- Training (e.g. venue and trainers);
- Translations;
- IT systems, modifications and updates (e.g. setting-up and/or update of a project IT system);
- Promotion, communication, publicity or information;
- Project and financial management;
- Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- Participation in events (e.g. registration fees);
- Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- Intellectual property rights;
- Verification and validation of expenditure carried out by authorized controllers (in case of partners located in Italy. For the purpose of developing the budget an indicative amount of 700,00€ to 1.000,00€ VAT excluded per Certification should be foreseen by Italian Partners);
- Provision of guarantees by a bank or other financial institution where required by the Programme;
- Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- Other specific expertise and services needed for the project.







Eventual costs for **promotional material** (e.g.: gadgets) must be allocated under this budget line and will be considered as eligible only if below the amount of 50€ per item (according to Reg. 481/2014) and it is demonstrated its efficacy in reaching one or more target groups.

External expertise and services have to be duly specified in the full Application Form by describing at least the nature and quantity of the expertise/service, the link to the relevant deliverable or output as listed in the work plan and the related budget of the concerned project partner.

Costs referring to project-related tasks sub-contracted by the beneficiary to **in-house bodies** (including staff and travel and accommodation costs) are eligible under “external expertise and services” budget line on condition that the following is met:

- Costs incurred by the in-house body are charged on a real costs basis without any profit margin;
- The sub-contracting to the in-house body of project related tasks complies with national and institutional public procurement provisions in force.

## 6. Equipment

Costs under this budget line refer to equipment purchased, rented or leased by a beneficiary which is essential for the implementation of the project. Eligible cost items under this budget line are (exhaustive list):

- Office equipment;
- IT hardware and software;
- Furniture and fittings;
- Laboratory equipment;
- Machines and instruments;
- Tools or devices;
- Vehicles;
- Other specific equipment needed for the project.

All equipment items have to be duly specified in the application form by describing at least the nature and quantity of the equipment to be purchased, the link with the relevant deliverable or output as listed in the work plan and the related budget of the concerned project partner.





During project implementation, purchase of any equipment not explicitly mentioned in the application form will have to be subject to prior approval by the JS.

When drafting the proposal, the above equipment items shall be categorised within the following two categories:

1. Equipment for general (office) use as computers, office furniture, etc. which is necessary for the implementation of the project, which is used for project purposes only and which is not already included under the “office and administration” budget line. The full cost of new 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 shall be considered as not eligible, since it is already covered by the flat rate of the “office and administration” 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. Equipment is here considered as thematic and functional to the implementation of project activities. It can be a tool or a device that remains in use by the target group after the completion of the project. Thematic equipment can be reimbursed in full. For thematic equipment, costs of equipment already in possession of the beneficiary organisation and used to carry out project activities are eligible and shall be reimbursed as depreciable asset in compliance with national accounting rules and internal accounting policies of the beneficiary. 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 its use in the project.

Purchase cost of second hand thematic equipment is eligible provided that the following conditions are met:

- no assistance has been received for it from the ESI Funds;
- its price does not exceed the generally accepted price on the market in question;
- the equipment has technical characteristics necessary for the project and complies with applicable norms and standards.





### 7. Small-scale infrastructure and construction works

This budget line covers costs related to investments in small scale infrastructure that do not fall into the scope of other budget lines. This includes costs necessary for the implementation of infrastructure works.

This budget line includes:

- Cost of labour;
- Building material;
- Purchase of land ,within the limits set by Article 69.3(b) of CPR;
- Building permits;
- Installation, delivery, handling;
- Specific interventions: soil remediation, site preparation, etc.

Infrastructure and construction works located outside the Programme area are not eligible.

Article 2(1) of the Directive 2014/24/EU 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 (available at the following link <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014L0024&from=EN>) provides a detailed list of all elements that are eligible under this budget line.

Infrastructure and construction works shall be:

- the result of cross-border cooperation actions specifically directed at improving the development of the Programme area in line with the additionality principle. The cross-border dimension and added value must be evident;
- financed only if crucial for the achievement of the project outputs and results, and if they are described in one or more work packages of the Application Form;
- compliant with applicable European, National and internal procurement rules, including e.g. feasibility studies, environmental impact assessments, building permissions, etc. As a general rule, the above mentioned authorisations have to be possessed at the moment of the application. Partners in charge of the infrastructure and construction works are responsible for ensuring that these rules are respected. For “Standard” proposals, in case authorisations are not available and the project is selected for funding, the Lead partner bears the full responsibility to timely collect from all concerned partners the necessary authorisations and provide them within three





months from the receipt of the official communication on the funding decision by the Monitoring Committee and in any case before the signature of the Subsidy Contract. For “Standard +” proposals the general rule applies thus concerned partners will have to possess all the necessary authorisations already when submitting the application.

In addition, the full cost of infrastructure and construction works can be reported in this budget line as far as it is fully justified in the framework of the project activities (no depreciation shall be applied).

The Italy – Croatia Programme will not finance road infrastructures.

Ownership of infrastructures realised within the project must remain with the concerned beneficiaries either for at least five years following the final payment to the beneficiary or for a different period of time if required by a specific legislation (e.g.: State Aid).

The occurrence of any of the following situations would result in a violation of rules concerning durability:

- Cessation or relocation of an infrastructure to outside the Programme area;
- 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 infrastructure, which would result in undermining its original objectives.

Should any of the above conditions occur 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.

## F. HORIZONTAL TOPICS RELATED TO FINANCES

### Co-financing rate

Under the Italy – Croatia Programme, **the project activities are co-financed from the ERDF at 85%** (fixed rate). As a general rule, the other 15% has to be provided by the partners themselves.

The sources of the partners’ own contribution can be manifold:

- a) Public funding: public co-financing provided by other central or local public bodies;





b) Own resources of International Organizations: they may be considered as public co-financing, depending on the decision by the National Authorities of the Member State where such organisation is located;

c) Private funding: refers to the amount of own funds provided by private institutions through their involvement, or to the provision of funds from private sources external to the partnerships.

For public bodies and bodies governed by public law located in Italy, the 15% is ensured by the State (Fondo di Rotazione).

The Republic of Croatia does not ensure 15% co-financing; co-financing is a responsibility of each individual Croatian project partner.

One organisation that is partner in a project cannot be source of contribution of another organisation that is partner in the same project.

**It has to be noted that in-kind contributions are not eligible within the Programme, therefore their use of as a source of co-financing source is not permitted.**

#### **Advance payment**

It is possible for approved projects to receive an advance payment from the ERDF up to 10% of the overall contribution. Advance payment will be allocated according to the availability of funds by the Programme. Additional information is available in factsheet n. 6 "Project Implementation". The conditions to receive the advance payment, will be further detailed in the Subsidy Contract.

#### **Eligibility in time and duration**

The duration of the project implementation is ruled in the "Call announcement". Applicants shall indicate the start and end date in the AF, taking into account the necessary time for the assessment process and contracting procedures. The starting date indicated in the Application Form of approved operations could be modified in agreement with the beneficiary before the signature of the Subsidy Contract if deemed necessary by the Managing Authority. The preparatory phase for the elaboration of the project proposal and the time needed for project administrative and financial closure shall be separately considered, i.e. added to the implementation period.

Operations that have started the implementation of activities before the application is submitted will not be funded, irrespective of whether related payments have not been made by the beneficiaries.





Projects planned activities shall be implemented within the project start and end date indicated in the Application Form.

The project closure phase refers to the finalization of all the legal and administrative obligations related to the granted activities and to incurred expenditure. It includes the preparation of the last progress report, the final report and the reconciliation with the initial granted amount, if necessary. These activities take place after the project official end of activities reported in the AF and cannot last more than three months.

### **Public procurement**

Public procurement refers to the process by which public authorities, such as government departments or local authorities, purchase work, goods or services from companies.

All applicable rules on public procurement (EU, National, Programme and internal rules) must be respected by public bodies and bodies governed by public law and it should be noted that the strictest of the applicable procurement rules always applies.

The artificial splitting of contracts for the purpose of remaining below a certain threshold is not admitted being against the law. More information on the relevant applicable EU rules on public procurement, including EU thresholds, can be found at [ec.europa.eu/internal\\_market/publicprocurement/index\\_en.htm](http://ec.europa.eu/internal_market/publicprocurement/index_en.htm)

Entities not falling under the scope of application of the public procurement laws (such is the case of private companies) have nevertheless to observe the basic principles on which the procurement rules are based, and to ensure the best value for money.

In particular, contracts with external providers must comply with the principles of transparency, non-discrimination, equal treatment and effective competition.

Private entities are also subject to Programme rules and are requested to carry out a competitive procedure similar to the applicable EU or national procurement norms for public partners in case the estimated value of the service is expected to exceed the applicable EU or national thresholds.

The Programme establishes its own rules on public procurement as follows:

- in case of contracts below EUR 5.000,00 (VAT excluded): beneficiaries must ensure adequacy of costs without additional requirements;
- in case of contracts above EUR 5.000,00 (VAT excluded) and up to the threshold defined at National level by the Member States where the beneficiaries have their legal seat: beneficiaries must perform and document the execution of adequate market researches (e.g. through collecting bids, using centralised e-procurement services, etc.).





Project partners cannot contract one another in the framework of the same project. This is due to the fact that the roles of project partner and service provider are different and not compatible.

### Revenues

The following documents represent the legal basis to be taken into account as far as revenues are concerned:

- Articles 61 and 65(8) and Annex V of CPR
- Articles 15 to 19 of Delegated Regulation (EU) No 480/2014

CPR makes a distinction between projects generating net revenue after completion (and possibly during implementation as well), which are covered by Article 61, and projects generating net revenue during their implementation and to which paragraphs 1 to 6 of Article 61 do not apply, and are instead covered by Article 65(8).

According to paragraph 1 of Article 61 of CPR, “net revenue” means cash in-flows directly paid by users for the goods or services provided by the project, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services less any operating costs and replacement costs of short-life equipment incurred during the corresponding period.

Revenues shall reduce the eligible expenditure and consequently the granted amount, with the exception of those operations whose total eligible budget does not exceed EUR 1.000.000.

Further information will be provided in factsheet n. 6 “Project Implementation”.

### State Aid

The basic rules on State Aid are set out in art. 107-109 of the Treaty on the Functioning of the European Union (TFEU). These rules have been complemented over the years by secondary legislation and decisions of the European Court of Justice.

State Aid rules are also relevant for European structural and investment funds (ESI) Programmes since the ESI-funds regulate that co-financed projects shall comply with applicable Union and national law (see article 6 of CPR).

Public support given to an undertaking in the framework of the INTERREG V A Italy-Croatia Programme is granted under the *de minimis* rule (Regulation (EU) No 1407/2013) by the Member State of Italy.





In order to be considered State Aid, a funded activity must fulfill all the following 5 criteria as inferable from the definition of State Aid provided in the Article 107(1) of the Treaty on the Functioning of the European Union:

1. The aid is provided by the Member State or through State resources (**transfer of public resources, including EU, National, regional or local public funds**): in case of Italy – Croatia Programme this criterion always occurs.
2. The aid measure gives an **advantage to the undertaking**. In case of Italy – Croatia Programme this aspect must be checked. Firstly, it shall be determined if the beneficiary is an undertaking. The European Court of Justice defines the term "undertaking" in a wide sense as any entity which exercises an activity of an economic nature and which offers goods and services on the market, regardless the legal form and the way of financing of this entity. Thus, not only private companies are subject to State Aid rules but also public authorities and bodies governed by public law as far as they carry out an economic activity on the market.

Secondly, it shall be considered if the undertaking (beneficiary) receives the advantage by participating in the project. State Aid is present when two conditions are met: when a beneficiary performs economic activities and the aid gives the beneficiary a selective advantage. The main focus of the analysis is the scope of the project and the activities therein, not the customary activities of the beneficiary.

3. The **economic advantage is selective**. State Aid is selective and thus affects the balance between certain companies/market operators and their competitors. Selectivity of the aid is satisfied for example if it is granted only to specific economic sectors or to undertakings belonging to a specific geographical area. This is the case of the INTERREG V A Italy-Croatia CBC Programme considering both types of selectivity, therefore this criterion always occurs. In fact the Programme as such is geographically selective as it promotes the interventions in only two countries of the EU and in some territories of Italy and Croatia and not in the whole countries interested by the Programme. In the same way, the measures are selective as well as they do not address all the undertakings, but according to the SOs of the project, they only focus on some specific sectors.
4. The **aid has a potential effect on competition and trade between EU Member States**: considering the Italy – Croatia is a ETC Programme and in particular the aid measures are intended not to be local, but cross-border, therefore this criterion always occurs.







5. The activities that are considered favoring certain undertakings or the production of certain goods **distort (or threat to distort) competition and has effect on trade and market**. If an undertaking receives a competitive advantage over its competitors such situation could usually potentially distort the competition: in the Italy – Croatia Programme this criterion always occurs if there is an advantage.

If one single criterion is not fulfilled, the assistance granted is not subject to the EU rules on State Aid.

The assessment on the State Aid compliance of the project proposal will be performed during the project evaluation phase, following the quality assessment. Only those project proposals having reached the minimum score to be recommended for funding will be subject to further check aimed at determining the respect of the State Aid discipline.

This assessment will be based on the self-declarations provided by applicants (LP and each PP) in the submitted application documents and more in depth on the basis of the information regarding the planned activities as described in the submitted application forms.

Further information on the assessment of State Aid within the INTERREG V A Italy-Croatia CBC Programme is included in factsheet n. 5 “Project Selection”.

## G. WHERE TO FIND ASSISTANCE

The Joint Secretariat (JS) is based in Venice, with two branch offices one in Zadar and one in Dubrovnik and can be contacted at any time by Lead Applicants for any queries related to project development.

Contact details of the JS are:

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