



PROGRAMME MANUAL ON ELIGIBILITY

1st MC meeting
4-5 April 2023, Vinkovci



Eligibility of Expenditures

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BASIC CONDITIONS OF THE ELIGIBILITY OF EXPENDITURE

- a. incurred by the LP/PPs of a grant and paid solely by LP/PPs, with the exception of costs calculated as flat rates or lump sums;
- a. incurred during the implementation period of the Operation, with the exception of preparatory and contracting costs and closure costs;
- b. indicated in the estimated overall budget of the operation;
- c. necessary for the implementation of the Operation which is the subject of the grant;



- e. identifiable, verifiable and documented (e.g. contract, invoice, order form), in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is located and according to the usual cost accounting practices of the beneficiary;
- f. comply with the requirements of applicable tax and social security legislation;
- g. reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency;



- h. incurred in accordance with the relevant EU legislation, Programme rules, and when applicable national legislation;
- i. not listed as an ineligible expenditure;
- j. not double funded (i.e. they are not financed from other sources under the Union Funds or other (national) Funds);
- k. one expenditure item (e.g., one cost) cannot be declared twice;



- l. in case when one expenditure/invoice/procurement contains more items, they can be reported under different cost categories/budget lines, depending on the type of item;
- m. amounts declared in Partner Progress Report do not exceed amounts in the latest approved Application (in line with the provisions of the Subsidy Contract/Addendum/accepted modifications);
- n. co-financing rate (as stipulated in the Subsidy Contract/Application) is applied to each eligible expenditure under all cost categories (including preparatory and contracting and closure costs).



GEOGRAPHICAL ELIGIBILITY

- Operations have to be located in the Programme area comprising the part of the territory of the PCs as defined in the Interreg Programme. The Programme area includes 4 counties on the Croatian side and 5 districts on the Serbian side.
- the MA may accept that all or part of an operation is implemented outside the Programme area when the following conditions are satisfied:
 - a) the operation contributes to the Programme objectives;
 - b) justification is provided within the Application.



ELIGIBILITY PERIOD

- from 1 January 2021 until 31 December 2029
- Operation preparatory and contracting period
- Operation implementation period
- Operation closure period



SIMPLIFIED COST OPTIONS

Option 1		Option 2	
Cost category	Form of reimbursement	Cost category	Form of reimbursement
Staff costs	up to 20 % flat rate of direct costs (real costs)	Staff costs	Real costs
Office and administrative costs	up to 15 % flat rate of staff costs	Other costs	up to 40 % flat rate of staff costs for all other costs
Travel and accommodation costs	up to 15% flat rate of staff costs		
External expertise and services costs	Real costs		
Equipment costs	Real costs		
Costs of infrastructure and works	Real costs		



ELIGIBLE COST CATEGORIES

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



INELIGIBLE COSTS

- a. interest on debt;
- b. VAT except when the total cost of operation is below EUR 5,000,000.00.
- c. the purchase of land exceeding 10% of the total eligible expenditure for the operation concerned. For derelict sites and for sites formerly in industrial use which comprise buildings, this limit shall be increased to 15%.
- d. Fines, financial penalties and expenditure on legal disputes and litigation;
- e. Costs of gifts;
- f. Costs related to fluctuation of foreign exchange rate.



INELIGIBLE COSTS

Examples of other ineligible expenditures as defined by the Programme:

- consultant fees between partners for services and work carried out within the operation;
- contracting of employees (staff) of the beneficiary and partner organisations as external experts (e.g. as freelancers, translators, IT experts, etc.);
- unjustified ad-hoc salary bonuses that are not directly linked to operation activities;
- purchases of equipment not indicated in the Application or specifically approved during operation implementation by the JS/MA;
- equipment purchased from another PP;



INELIGIBLE COSTS

- cost for infrastructure and works outside the Programme area;
- charges for national financial transactions;
- discounts not considered when claiming the costs (only the discounted amount is to be regarded as eligible);
- costs of audits and evaluations at operation level.

This list is not exhaustive. Costs not listed are therefore not automatically to be considered as eligible.



OTHER FINANCIAL PROVISIONS

Value Added Tax (VAT)

In line with Article 64 of CPR, VAT shall not be supported by the Programme, except:

- a) For operations the total cost of which is below EUR 5,000,000.00 (including VAT);
- b) For operations the total cost of which is at least EUR 5,000,000.00 (including VAT) and VAT is non-recoverable under national legislation.

In those cases, VAT is eligible, if:

- a) it is established that it is borne by the beneficiary;
- b) it is clearly identified in the invoice.



Modifications of the operations

- Modifications will be accepted only in duly justified cases
- Project modifications should not put into question the basic purpose of a project and the MC decision on selection of the project
- Each request for modification should be submitted officially in writing through Jems by the LP
- The procedure for the modifications is given in the PIM



Durability of the operations

Operation comprising investment in infrastructure or productive investment **shall repay** the EU contribution if, within **five years** of the final payment to the LP or within the period of time set out in State aid rules, where applicable, that operation is subject to any of the following:

- a. a cessation or transfer of a productive activity outside the NUTS 2/Programme area level which received support;
- b. a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
- c. a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

LP/PP in charge of investment is obliged to sign and submit the **Durability statement !**



Exchange rate

- All expenditure reported in the Progress Reports must be denominated in **Euro**
- Expenditure incurred and paid in currency other than Euro, shall be converted into Euro using the monthly accounting exchange rate of the Commission in the month during which that expenditure was submitted for verification to the FLC
- The LP will not make any deduction, retention or further specific charge from the amounts that must be transferred to the PP's bank accounts
- Costs related to fluctuation of foreign exchange rate are not eligible !



Public procurement

- Procurement procedures shall follow the provisions of **Article 58 of Interreg regulation** and/or **Articles 178 and 179** (and points 36 to 41 of Chapter 3 of Annex I) of the **Regulation (EU, Euratom) 2018/1046** of the European Parliament and of the Council of 18 July 2018 on the **financial rules applicable to the general budget of the Union** and Annex II Public procurement of Financing Agreement
- Detailed rules on public procurement procedures are described in PIM
- In case of non-compliance with the public procurement rules, **financial corrections** in line with **COCOF Guidelines** will be applied



In house contracting

In house contracting represents **an exemption from the public procurement procedure** if the following conditions given by the EU regulations are fulfilled:

- a) Contracting authority exercises over the in-house provider a control which is similar to that which it exercises over its own departments;
- b) More than 80% of the activities of the in-house provider are carried out in the performance of tasks entrusted to it by the controlling contracting authority or by other legal persons controlled by that contracting authority; and
- c) There is no direct private capital participation in the in-house provider 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 legal person.

- The intention of in-house contracting **must be planned in the Application !**

Operation state aid rules

- The applicants will be obliged to declare the State aid relevance in LP/PP Statement which is Annex of the Application, in order to assess whether the operation activities are considered as State aid.
- The applicants must report any de-minimis support granted over the past three fiscal years within the **De-minimis self-declaration** (self-declaration is a part of LP/PPs statements which are annexes of the Application).



Visibility

- General Programme rules on communication, information and visibility are provided in the Interreg Programme, whereas the detailed practical instructions on information, communication, promotion, and visibility for beneficiaries are given in PIM
- Each beneficiary is responsible to ensure that all information material distributed by the operation are properly labelled and contain all the necessary information about the operation co-financed under the Programme according to the rules.



Horizontal principles

- All funded operations have to demonstrate and explain how they intend to address horizontal principles in the Application, which will be taken into account in the assessment phase.
- Respecting all horizontal principles will be monitored during project implementation phase through reporting and monitoring visits.
- The operations shall mainstream the horizontal priorities of climate change, environmental protection, human rights and gender equality



Reporting process

- LP/PPs are obliged to report (via Jems) on their activities and expenditures (incurred and paid) for a given reporting period (reporting schedule is defined by the SC)
- Each LP/PP prepares and submits the Partner Report through Jems within **15 calendar days** from the end of each reporting period (or within 1 month in case of final reporting period)
- Within **15 calendar days** after all Partner Reports have been submitted to the FLC, the LP shall submit **Project Progress Report** to the JS/MA
- Project Progress Report can be approved by the JS/MA only after **FLC certificates are issued** for all partners (Partner Reports)
- After the Project Progress Report has been verified and approved by the JS/MA, the payment will be made to the LP



Description and retention of documents

- Documents shall be kept either in the form of the 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
- Each LP/PP shall preserve all supporting documents related to specific expenditure for a 5-year period from 31 December of the year in which the last payment by the MA to the LP is made
- The time period referred to above shall be interrupted either in the case of legal proceedings or by a request of the Commission



Types of Operations

The Programme will support:

- a) standard projects
 - b) small-scale projects and
 - c) operation of strategic importance (OSI)
- Standard operations and small-scale projects will be selected through the **Call for Proposals**
 - Small-scale projects are planned within **PA 1 SO 1.1**.
 - OSI is planned within **PA 2 SO 2.4**. and may be selected through the **strategic Call for Proposals** or directly approved by the MC (without launching the Call for Proposals)



Partnership requirements

- Partnership must consist of at least two (2) partners from different PCs
- The maximum number of partners in standard operation is five (5) including the LP
- For small-scaled projects in PA1/SO 1.1. the maximum number of partners is four (4) including the LP



Thank you for your attention!!!

Joint Secretariat

Sector for Managing Interreg Cooperation Programmes

Directorate for European Territorial Cooperation

Ministry of Regional Development and EU funds of the Republic of Croatia

Miramarska cesta 22, 10000 Zagreb, Croatia

Email: js-hr-rs@mrrfeu.hr

