

**Interreg**



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MANUAL FOR BENEFICIARIES FOR STANDARD PROJECTS

**PART 4 –**

**ELIGIBILITY OF EXPENDITURE**

Version 1, November 2024



# **Manual for Beneficiaries for Standard Projects**

## **PART 4: ELIGIBILITY OF EXPENDITURE**



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# 1 INTRODUCTION

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## 1.1 PREAMBLE

This part of the Manual for Beneficiaries is intended to provide project applicants and Project Partners with information and guidance in the phase of application and reporting aimed to ensure that project costs are incurred by Project Partners in compliance with the legal framework for the eligibility of expenditure applicable to the Interreg Programme Slovenia – Croatia 2021-2027 (IP SI-HR)<sup>1</sup>.

## 1.2 LEGAL FRAMEWORK AND HIERARCHY OF RULES

### 1.2.1 Legal framework

As the IP SI-HR is co-financed from the European Regional Development Fund (ERDF), all general rules concerning the Structural and Investment Funds are applicable. The following shall be considered (list not exhaustive):

- Regulation (EU) 2021/1060 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (Common Provisions Regulation - CPR);
- Regulation (EU) 2021/1058 on the European Regional Development Fund and on the Cohesion Fund (ERDF Regulation);
- Regulation (EU) 2021/1059 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (Interreg Regulation);
- Implementing and delegated acts adopted in accordance with the aforementioned regulations;
- Other regulations, guidelines and directives applicable to the implementation of projects co-funded by the ERDF (some of them mentioned in the text);
- The Interreg Programme SI-HR 2021-2027 adopted by the European Commission on 9 January 2024 with Decision No C(2024) 228.

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<sup>1</sup> These guidelines are applicable for standard projects. The specifics for small-scale projects are determined in a separate document.



## 1.2.2 Hierarchy of rules on eligibility of expenditure

A clear hierarchy of eligibility rules applicable to projects funded within the European Territorial Cooperation goal (Interreg) is defined in Article 37 of Regulation (EU) No. 2021/1059 as follows:

1. EU rules on eligibility:
  - Regulation (EU) No 2021/1060 or Common Provisions Regulation (CPR), Articles 63 to 68 set out specific provisions on eligibility of expenditure;
  - Regulation (EU) No 2021/1058 or ERDF Regulation, Articles 5 and 7 set out specific provisions on the eligibility of activities under the ERDF;
  - Regulation (EU) No 2021/1059 or Interreg Regulation, where Articles 37 to 44 set out specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal (Interreg).
2. Programme eligibility rules: i.e. additional rules on eligibility of expenditure for the Interreg Programme as a whole, as outlined in this part of the programme eligibility rules.
3. National (including institutional) eligibility rules: which apply to public procurement and to matters not covered by eligibility rules laid down in the abovementioned EU and programme rules.

Please note that in case national rules are stricter than Programme rules Project Partners have to respect and follow the national rules.

## 2 ELIGIBILITY PROVISIONS

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### 2.1 GENERAL ELIGIBILITY PROVISIONS

#### 2.1.1 General eligibility requirements

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

- It relates to the costs of implementing a project in the latest valid Application Form;
- It relates to project relevant activities that did not receive support from other EU Funds or other contributions from third parties;
- It is essential for the achievement of the project objectives/outputs and it would not be incurred if the project was not carried out;
- It complies with the principle of real costs except for costs calculated as simplified cost option<sup>2</sup>;

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<sup>2</sup> Simplified cost options (SCOs) can take the form of flat rate financing and lump sums.



- It has been incurred and paid (except for costs calculated as simplified cost option) by a Project Partner for activities specified in the latest valid Application Form, in the period between the project start and end date as set in the ERDF Subsidy Contract. Payments of incurred costs in the last reporting period must take place at the latest within 30 days after the project end date as set in the ERDF Subsidy Contract;
- It is registered in the Project Partner's accounts through a separate accounting record and/or an adequate accounting code set in place specifically for the project (with exception of costs calculated as simplified cost option);
- It is not in contradiction with any specific eligibility criterion applicable to the respective cost category;
- Invoices and supporting documents are provided in scanned version in the Jems. Original invoices and e-invoices can be checked on the spot;
- It complies with public procurement principles which apply for all Project Partners regardless of their legal status (see Chapter 3);
- It has been validated by National Controller.

Please note that the cost has to comply with the **principles of sound financial management** (principles of economy, efficiency and effectiveness<sup>3</sup>:

- a) The principle of economy requires that the resources used in the pursuit of a project partner's activities will be made available in due time, in appropriate quantity and quality, and at the best price.
- b) The principle of efficiency means project partners have to ensure the best relationship between the resources employed, the activities undertaken and the achievement of objectives.
- c) The principle of effectiveness means how the objectives that the project partners pursued are achieved through the activities undertaken.

### 2.1.2 Ineligible costs

The following costs are not eligible:

- Sponsorships;
- In-kind contributions, as defined in Article 67(1) of Regulation (EU) 2021/1060;
- Fines, financial penalties and expenditure on legal disputes and litigation;
- Value added tax (VAT) of a state aid relevant activity, based on Article 7 (1) of Regulation (EU) 651/2014;
- Costs of gifts;
- Costs related to fluctuation of foreign exchange rate;
- Interest on debts;
- Purchase of land<sup>4</sup> and other real estate;

<sup>3</sup> Within the meaning of Regulation (EU, Euratom) 2018/1046.

<sup>4</sup> The purchase of land for an amount exceeding 10 % of the total eligible expenditure for the project. For derelict sites and for those formerly in industrial use which comprise buildings, that limit is 15 %.



- Costs of Building Permits;
- Tips;
- Cost sharing among Project Partners<sup>5</sup>;
- 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 Project Partners of the same project;
- Financial retentions regardless if they were paid and regardless if the bank guarantee was issued;
- Stand-alone project websites outside [www.si-hr.eu](http://www.si-hr.eu)<sup>6</sup>;
- Project logos or stand-alone brands<sup>7</sup>.

Expenses not listed above are not automatically to be considered as eligible.

### 2.1.3 Expenditure supported by financial contributions from third parties and prevention of double-funding

In order to prevent double funding, any project expenditure financed fully (in 100%) by financial contributions from third parties is not eligible in the framework of IP SI-HR. Similarly, financial contributions from third parties specifically earmarked for financing eligible costs of the project fully (in 100%) are ineligible. Third parties refer to national, regional or local sources.

In case of partial financial contributions (co-financing) of third parties specifically earmarked for financing eligible costs of the project or any of its actions, the related costs shall be considered as eligible only if the financial contribution does not exceed the share of Project Partner's contribution to that expenditure (min. 20 %). If such financial contribution exceeds the share of Project Partner's contribution, the ERDF contribution from the programme shall be reduced by the amount exceeding the share of Project Partner's contribution to the expenditure.

### 2.1.4 Period of eligibility of expenditure

In general, costs are eligible at the earliest as from the day of the approval of the project by the MC. However, the costs for the implementation<sup>8</sup> of an approved project are eligible from its start date until its end date as set in the ERDF Subsidy Contract.

The project start date shall not be earlier than the date of the approval of the project by the Monitoring Committee and the end date shall not be later than **30 November 2028**.

Expenditure related to activities foreseen in the approved Application Form and in line with the programme rules are eligible provided that they have been incurred, invoiced and paid within the project period defined by the starting date and end date of the project according to the approved

<sup>5</sup> Cost sharing is defined as a pro rata allocation of certain project expenditure incurred by one project partner and allocated to various other project partners.

<sup>6</sup> Unless the website is intended to build content-related platforms or databases as parts of solutions and exceeds the project duration.

<sup>7</sup> Project logos are based on programme logos and are provided by the programme to the projects. However, specific logos (if needed e.g. for the development and marketing of a brand during the project timeframe) might be eligible if approved by the MC or JS.

<sup>8</sup> With exemption of preparation costs.



Application Form with the exception of preparation costs and costs incurred in last reporting period as set out below.

**All project activities must be concluded until the project end date.** In the **last reporting period** issuing of invoices<sup>9</sup> and payments of the costs incurred in the last reporting period must take place at the latest within 30 days after the project end date as set in the ERDF Subsidy Contract.

## 2.2 SPECIFIC COST CATEGORY PROVISIONS

Six cost categories can be applied in the IP SI-HR. This chapter gives specific provisions regarding the eligibility, form of reimbursement as well as audit trail for each of these 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

The Interreg Programme SI-HR applies a number of simplified cost options (SCO's). More information is provided in the Chapters 2.2.1-2.2.7.

The table 1 below provides an overview of the possible combinations of Simplified Cost Options (SCOs) that can be selected by Project Partners:

*Table 1: Possible combinations of Simplified Cost Options*

| Preparation costs                     | Lump sum for preparation costs      |                                     |                                     |
|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                       | Option 1                            | Option 2                            | Option 3                            |
| Staff costs                           | Real costs                          | 20% flat rate of direct costs       | Real costs                          |
| Office and administrative costs       | 15% flat rate of direct staff costs | 15% flat rate of direct staff costs | 40% flat rate of direct staff costs |
| Travel and accommodation costs        | 5% flat rate of direct staff costs  | 5% flat rate of direct staff costs  |                                     |
| External expertise and services costs | Real costs                          | Real costs                          |                                     |
| Equipment costs                       | Real costs                          | Real costs                          |                                     |
| Costs for infrastructure and works    | Real costs                          | Real costs                          |                                     |

<sup>9</sup> The invoiced activities must be completed by the end of the project duration.



When choosing **Option 2**, direct costs for the purpose of the calculation of the 20% flat rate financing of staff costs include external expertise and services costs, equipment costs and costs for infrastructure and works.

## 2.2.1 Staff costs

### 2.2.1.1 Definition

Expenditure on staff costs shall consist of gross employment costs of staff **employed** by the Project Partner organisation who work on the project. Staff members shall either be already employed by the Project Partner or newly employed for the project.

Staff shall be employed by the Project Partner to work on the project in one of the following ways:

1. **Full-time work** on the project (i.e. employee works 100% of her/his time on the project),
2. **Part-time work** on the project with a fixed percentage of time worked on the project per month.

It is important to note 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 Project Partner institution but is working only part of her/his time on an IP SI-HR project. This employee is to be included in the category “part-time on the project” and not “full-time on the project”. An employee working in the Project Partner institution on the basis of a reduced working time contract (e.g. 20 hours per week) but working all her/his time on an IP SI-HR project is to be included in the category “full-time on the project”.

Expenditure included under this cost category shall be limited to the following:

1. Salary payments related to the activities which the Project Partner would not carry out if the project concerned was not undertaken, fixed in an employment document, either in the form of an employment or work contract or an appointment decision, or by law, and relating to responsibilities specified in the job description of the staff member concerned.
2. Any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security, including pensions, as set out in Regulation (EC) No 883/2004 on condition 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 or the organisation where the individual staff member is working or both; and
  - ✓ not recoverable by the employer.



### 2.2.1.2 *Forms of reimbursement*

Staff costs of the Project Partner organisation can be reimbursed on the basis of one of the following two options:

- a) **Real costs**, where the Project Partner must document that expenditure has been incurred and paid out (as provided for in the following sections); or
- b) **Flat rate** of 20 % of the direct costs other than staff costs, where the Project Partner does not need to document that the expenditure has been incurred and paid out. For partners who plan their budgets costs only in the cost category infrastructure and works (no other direct costs) it is not possible to choose the flat rate option for staff costs.

Each Project Partner shall choose a reimbursement option already in the Application Form. The same reimbursement option shall apply to all staff members of the Project Partner organisation working on the project and it shall be set for the entire project duration.

The option chosen by a Lead Partner and/or Project Partner when submitting the Application Form cannot be changed during the project implementation. However, different partners in the same project may choose different options for reimbursing staff costs.

#### **A. Real costs**

##### **I. The following shall apply to staff costs calculated on a real cost basis:**

- The adequacy of staff costs must always be ensured;
- Ad hoc salary increases are not allowed, as well unjustified bonuses for the project purpose are not allowed;
- Staff costs must be calculated individually for each staff member allocated to the project;
- Where foreseen by the employment document, overtime is eligible, if it is in conformity with the national legislation and the standard practice of the Project Partner organisation. Overtime of an employee working part-time in the project can only be eligible if transparently allocated to the project;
- It is not possible to claim the cost of working on a project for an employee solely on the basis of increased workload (only applicable for Slovenian Project Partners).

Please note that recoverable amounts to the employer (e.g. long-term absence from work due to illness, “waiting for work”, maternity leave, taxes and salary contributions reimbursed by the state) are not eligible.

##### **II. Calculation of costs and audit trail of staff working full-time in the project:**

For individuals employed by the Project Partner 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 and the additional eligibility requirements provided for staff costs determined on a real-cost basis (point I. above). The fact that the individual works full-time on the project has to be clearly stated in the employment document itself and/or in a task assignment document.



### **III. Calculation of costs and audit trail of staff working part-time with a fixed percentage of time per month dedicated to the project per month:**

For individuals employed by the Project Partner 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 an official assignment of the employee to the project) to the monthly gross employment cost. The percentage of the assignment has to reflect the employee's related tasks, responsibilities and functions to be performed in the project and shall be individually fixed for each employee.

Gross employment costs incurred by the employer shall be considered as eligible as far as they are in line with the general provisions on eligibility and the additional eligibility requirements applicable to staff costs determined on a real-cost basis (point I. above). The fact that the individual works part-time on the project has to be clearly stated in the employment document itself and/or in a task assignment document.

**In principle, the same percentage should be applied throughout the whole project duration**, but this percentage may also change in exceptional cases duly justified. The percentage shall remain the same for an entire financial reporting period and can only change in between the periods. Consequently, the employer must issue an amendment to the document setting out the fixed percentage of time worked on the project (or amend the employment contract directly if the percentage is indicated therein).

### **IV. Task Assignment Document**

The Task Assignment Document is crucial for calculating costs of staff working part-time on the project. **It might either be part of the employment document or a separate document** (the sample is published on the programme website). In both cases, the task assignment document shall at least (see Annex 1 to these guidelines):

- a) Be issued individually for each employee and each project;
- b) Contain basic information on the project (project name, project acronym, partner name, name of the employee);
- c) Indicate from when the assignment document is applicable and its version number;
- d) Contain a self-declaration of absence of double financing of staff costs (where an employee is involved in other EU or publicly funded projects);
- e) Provide a description of tasks of the employee in the project, with a proportionate level of detail reflecting the indicated percentage;
- f) Provide the percentage of working time of the employee on the project per month;
- g) Be signed by the employer (supervisor etc.) and the employee.



### Documents for the audit trail

The following documents<sup>10</sup> shall be provided to the National Controller for each employee:

- ✓ Employment document (e.g. employment contract, any relevant annexes and appointment decisions or other equivalent documents);
- ✓ A Task Assignment Document;
- ✓ Payslips and other documents of equivalent probative value which allow proof of payment of gross employment costs (e.g. confirmation of tax authority, bank statement);
- ✓ For staff working full-time or part-time in the project with a fixed percentage of time per month, no working time registration system (time sheet) is required;
- ✓ Extract from accounting system of the Project Partner.

### **B. Flat rate of 20 % of direct costs other than staff costs**

Project Partner may decide to calculate their staff costs on a flat rate financing basis. The flat rate applicable to the programme is 20 % of the Project Partner's direct costs incurred in the reporting period. All costs incurred by the Project Partner and validated by the National Controller under the following cost categories shall be regarded as direct costs for the purposes of the calculation of the flat rate financing for staff costs:

- External expertise and services costs;
- Equipment costs;
- Costs for infrastructure and works.

Direct costs, which have to be documented to form the basis for the staff costs calculation shall be incurred and paid by the Project Partner organisation as real costs and shall not include any indirect costs that cannot be directly assigned to the project. In case that direct costs used as calculation basis for determining staff costs are found ineligible, the determined staff costs will be automatically re-calculated and reduced accordingly.

Given that office and administrative costs and travel and accommodation costs are calculated as a flat rate of staff costs, this type of expenditure is not included in the calculation of the 20 % flat rate of direct costs.

Project Partners who plan costs only in the cost category infrastructure and works (no other direct costs) shall not be able to choose the flat rate option for staff costs.

<sup>10</sup> The documents under first two bullets shall be provided to the National Controller in Jems with the first report and, additionally, if any changes to the documents occur. All other documents shall be provided to the National Controller in each reporting period.



### Documents for the audit trail

For staff costs calculated on a flat rate basis no documentation on staff costs is required to be provided to the National Controller.

However, the Project Partner has to demonstrate that it has **at least one employee** through a **self-declaration** issued by the Project Partner's legal representative (or delegated person).

## **2.2.2 Office and administrative costs**

### **2.2.2.1 Definition**

Office and administrative costs cover operating and administrative expenses of the Project Partner organisation necessary for the implementation of the project. Given that office and administrative costs are calculated on a flat rate basis, no distinction can be made between direct and indirect in this cost category.

Office and administrative costs 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 insurance);
- c) Utilities (e.g. electricity, heating, water);
- d) Office supplies;
- e) Accounting;
- 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 a project requires a separate account to be opened;
- l) Charges for transnational financial transactions.

All listed items shall be considered as covered by flat rate. Accordingly, cost items declared under the office and administrative cost category shall not be claimed and reimbursed under any other cost category.

### **2.2.2.2 Forms of reimbursement**

Office and administrative costs shall be reimbursed by the programme as a **flat rate of 15 % of the eligible direct staff costs (cost category staff costs)**.



Office and administrative costs shall be calculated as flat rate regardless of the form of reimbursement used under the staff cost category.

In case the Project Partner applies a 40 % flat rate of eligible staff costs for the calculation of all other costs, the flat rate for office and administrative costs is already included.

#### *Documents for the audit trail*

No documentation concerning office and administrative costs is required to be provided to the National Controller or kept for further controls of Programme bodies.

If direct staff costs used as calculation basis for determining office and administrative costs are found ineligible, the determined amount of office and administrative costs will be automatically re-calculated and reduced accordingly.

## **2.2.3 Travel and accommodation costs**

### **2.2.3.1 Definition**

Travel and accommodation costs refer to the expenditure on travel and accommodation of the staff of the Project Partner organisation for missions that are necessary for the project implementation.

Travel and accommodation costs, regardless whether such costs are incurred and paid inside or outside the programme area, shall be limited to the following elements:

- a) Travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll, parking fees);
- b) Cost of meals;
- c) Accommodation costs;
- d) Visa costs;
- e) Daily allowances.

All listed items shall be considered as covered by the flat rate. Accordingly, cost items declared under the travel and accommodation cost category shall not be claimed and reimbursed under any other cost category.

Travel and accommodation costs of external experts and service providers shall be claimed and reimbursed under the external expertise and services costs.

### **2.2.3.2 Forms of reimbursement**

Travel and accommodation costs shall be reimbursed by the programme as a **flat rate of 5% of the eligible direct staff costs (cost category staff costs)**.

Travel and accommodation costs shall be calculated as a flat rate regardless of the form of reimbursement applied under the staff cost category.

If a Project Partner calculates staff costs using flat rate of 20% of direct costs, the resulting staff costs amount serves as the basis for the calculation of travel and accommodation costs.



In case the Project Partner applies a 40 % flat rate of eligible staff costs for the calculation of all other costs, the flat rate for travel and accommodation costs is already included.

#### Documents for the audit trail

No documentation concerning travel and accommodation costs is required to be provided to the National Controller or kept for further controls of Programme bodies.

If direct staff costs used as calculation basis for determining travel and accommodation costs are found ineligible, the determined amount of travel and accommodation costs will be automatically re-calculated and reduced accordingly.

## **2.2.4 External expertise and services costs**

### **2.2.4.1 Definition**

External expertise and services are provided by a public or private body or a natural person outside of the Project Partner organisation. External expertise and services are paid on the basis of contracts or written agreements and in line with invoices or requests for reimbursement to external experts and service providers who are subcontracted to carry out certain tasks or activities linked to the implementation of the project.

Expenditure under this cost category 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) Development, modifications and updates to IT systems and website<sup>11</sup>;
- e) Promotion, communication<sup>12</sup>, publicity, promotional items and activities or information linked to an project or to a programme as such;
- 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 (e.g. copyrights, patents, trademarks);
- k) The provisions of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the Monitoring Committee;
- l) Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers as part of services provided;

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<sup>11</sup> See point 2.1.2 for more details.

<sup>12</sup> See point 2.1.2 for more details.



m) Other specific expertise and services needed for the project.

Cost items declared under the external expertise and services cost category cannot be reimbursed under any other cost category.

#### **2.2.4.2 Forms of reimbursement**

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

In case the Project Partner applies a 40% flat rate of eligible staff costs for the calculation of all other costs, additional external expertise and service costs shall not be reimbursed on a real cost basis.

#### **2.2.4.3 Specifications, reporting and audit trail**

In addition to the general provisions on eligibility, the following shall apply:

- ✓ External expertise and services must be clearly and strictly linked to the project and 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 of transparency, non-discrimination and equal treatment (see Chapter 3);
- ✓ The expenditure must comply with the principles of sound financial management (principles of economy, efficiency and effectiveness);
- ✓ All external expertise and services costs have to be clearly mentioned in the Application Form or in approved modifications;
- ✓ Deliverables produced by experts/service providers must respect the relevant publicity requirements in accordance with information and communication guidelines (see Part 6 - Communication and Visibility);
- ✓ Complementary activities to events (e.g. visits) must have a 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 Project Partner and the expert/service provider, supported by receipted invoices (e.g. advance payment for an expert carrying out a study) are eligible but can be claimed and reimbursed only after the services have been properly delivered;
- ✓ Subcontracting between Project Partners of a same project is strictly forbidden (see Chapter 3.3).

#### **Documents for the audit trail**

In case the Project Partner selected the 40% »other cost« option no documentation on costs incurred need to be submitted to the National Controller.



In case the Project Partner selected the real cost reimbursement option, the following documents shall be provided to the National Controller:

- ✓ Evidence of the selection procedure, in line with EU, national or programme procurement rules;
- ✓ 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;
- ✓ Invoice or request for reimbursement has to provide 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 content 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.). All deliverables and outputs produced by experts/service providers must respect the relevant publicity requirements;
- ✓ Proof of payment (e.g. bank statement);
- ✓ Extract from accounting system of the Project Partner.

## 2.2.5 Equipment costs

### 2.2.5.1 *Definition*

This cost category shall include expenditure for the financing of equipment purchased, rented or leased by a Project Partner other than that covered by the cost category office and administration costs, which is necessary for the implementation of the project. The equipment must be necessary to achieve the objectives of the project. This applies also to the costs of equipment already in possession by the Project Partner and used to carry out project activities.

For the **equipment directly linked with project objectives** (or it is a project deliverable) and exclusively used for the project, the full purchase cost shall be considered eligible. In this case durability of purchased equipment has to be assured also after the project completion.

Total purchase value of **supporting/office equipment** is eligible only in case this equipment is used exclusively for the project and the depreciation period is equal or shorter than the project duration.

For the purchase of **supporting/office equipment** with an economic lifetime that is longer than the project duration, only the depreciation costs are eligible. The equipment must be purchased for the purpose of the project during its implementation unless it is already in possession of the Project Partner. The depreciation rate has to be in line with national rules.



For the **equipment that is already in possession of the Project Partner depreciation costs** are only eligible if the equipment has not already been fully depreciated and purchase itself has not already been co-financed by any other EU or public funds. The depreciation costs of depreciable assets shall be directly used for the project concerned and incurred during the period of project duration.

If the equipment is **used only partially for the purpose of the project, only a share of the actual cost (pro-rata) can be allocated to the project.** The share has to be calculated according to a fair, justified and equitable method. Furthermore, the equipment must be essential for the delivery of the project, used for that purpose and purchased during project duration.

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.

Cost items declared under the equipment cost category shall not be reimbursed under any other cost category.

Purchase costs of **second-hand equipment** may be eligible under the following conditions:

- ✓ no other assistance has been received for it from the Interreg funds or other EU funds;
- ✓ its price does not exceed the generally accepted price on the market in question;
- ✓ it has the technical characteristics necessary for the project and it complies with applicable norms and standards.

### **2.2.5.2 Forms of reimbursement**

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

In case the Project Partner applies a 40 % flat rate of eligible staff costs for the calculation of all other costs, additional equipment costs shall not be reimbursed on a real cost basis.

### **2.2.5.3 Specifications, reporting and audit trail**

In addition to the general provisions on eligibility, 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 in approved project modifications;
- ✓ Eligibility of costs for equipment is subject to the full respect of EU, national (including institutional) and programme procurement rules and must comply with the basic principles of transparency, non-discrimination and equal treatment (see chapter 3);
- ✓ The expenditure must comply with the principles of sound financial management (principles of economy, efficiency and effectiveness);
- ✓ Full purchase cost of equipment that, according to national and internal accountancy rules is not depreciable (e.g. low-value asset) is eligible;
- ✓ Project Partner as the owner of equipment shall ensure that the equipment is functional and in use for the project purpose during the project implementation;
- ✓ Project Partner as the owner of equipment shall keep the equipment in possession and carry out maintenance works on equipment at least five years starting from the final payment to the PP or within the period time set out in State Aid rules, where applicable, and shall keep records of the investments made;
- ✓ Equipment expenditure cannot refer to items already financed by other EU or third party subsidies;
- ✓ Equipment items must not be already depreciated;
- ✓ Where applicable, equipment items must respect the relevant publicity requirements as provided (see Part 6 - Communication and Visibility);
- ✓ Contractual advances in accordance with the standard commercial law and practice, stipulated in a contract between the Project Partner 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 can be reimbursed only after the equipment has been properly delivered;
- ✓ Equipment cannot be purchased, rented or leased from another partner or staff of the partner within the project;
- ✓ Equipment has to be recorded in the fixed assets or inventory register.

#### Documents for the audit trail

In case the Project Partner selected the 40% »other cost« option no documentation on costs incurred need to be submitted to the National Controller.

In case the Project Partner selected the real cost reimbursement option, the following documents shall be provided to the National Controller:

- ✓ Evidence of the selection procedure, in line with EU, national (including institutional) or programme procurement rules;
- ✓ 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, like in case of depreciation) or request for reimbursement have to provide all relevant information in line with the applicable accountancy rules as well as 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 that are subject to depreciation, a calculation scheme of depreciation;
- ✓ In case equipment is only partially used and associated costs declared on a pro-rata basis, the method set for calculating that share;
- ✓ Proof of payment (e.g. bank statement);
- ✓ Extract from accounting system of the Project Partner;
- ✓ If applicable, proof that the equipment is recorded in the fixed assets register;
- ✓ Evidence of delivery and installation.

## **2.2.6 Costs for infrastructure and works**

### **2.2.6.1 Definition**

Costs for infrastructure and works may refer either to an object that will be newly constructed or to the adaptation of an already existing infrastructure. Whatever the case, these costs are only eligible if fulfilling programme requirements for investments.

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

- a) Purchase of land<sup>13</sup>;
- b) Building material;
- c) Labour;
- d) Specialised interventions (e.g. soil remediation, mine-clearing).

Cost items declared under the costs for infrastructure and works cannot be reimbursed under any other cost category.

All costs related to fulfilment of the compulsory requirements set by the EU and national legislation related to the respective investment in infrastructure (e.g. construction supervision) should be included in the external expertise and services cost category.

Costs of studies, environmental impact assessments, architectural or engineering activities and any other expertise needed for the realisation of the investment, shall be allocated under the cost

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<sup>13</sup> The purchase of land for an amount NOT exceeding 10 % of the total eligible expenditure for the project. For derelict sites and for those formerly in industrial use which comprise buildings, that limit is 15 %.



categories external expertise (if carried out by external experts) or staff costs (if carried out internally by the Project Partner).

#### **2.2.6.2 Forms of reimbursement**

Costs for infrastructure and works shall be reimbursed by the programme on a **real cost basis**.

In case the Project Partner applies a 40 % flat rate of the eligible staff costs for the calculation of all other costs, additional costs for infrastructure and works shall not be reimbursed on a real cost basis.

#### **2.2.6.3 Specifications, reporting and audit trail**

In addition to the general provisions on eligibility, the following applies:

- ✓ Costs for infrastructure and works must clearly link to the project and be essential for its effective implementation;
- ✓ Costs for infrastructure and works have to be duly described in the Application Form or in approved project modifications;
- ✓ Full cost for delivering infrastructure and works within the project is eligible as stated in the Application Form or as approved beforehand by Managing Authority/Joint Secretariat;
- ✓ Costs for infrastructure and works outside the programme area are not eligible;
- ✓ Eligibility of costs for infrastructure and works is subject to the full respect of EU, national (including institutional) and programme procurement rules and must comply with the basic principles of transparency, non-discrimination and equal treatment (see Chapter 3);
- ✓ The expenditure must comply with the principles of sound financial management (principles of economy, efficiency and effectiveness);
- ✓ Depending on the nature of the intervention to be carried out, all compulsory requirements set by EU and national legislation on environmental policies, must be fulfilled;
- ✓ If applicable, works must have been previously authorised by national/regional/local authorities and the necessary investment documentation must be submitted to the relevant programme body/ies upon request prior to signing the ERDF Subsidy Contract;
- ✓ The land and/or buildings where the works will be carried out must be in the ownership of the Project Partner or long-term legally binding arrangement has to exist (valid at least five years after the final payment to the Project Partner or within the period of time set out in State aid rules, where applicable). If the latter, rent and concession for the same property/land is not eligible. The necessary documentation must be submitted to the relevant programme body/ies upon request prior to signing the ERDF Subsidy Contract;
- ✓ The investment owner shall carry out maintenance works on the investment during project implementation and at least five years starting from the final payment to the PP or within the period time set out in State Aid rules, where applicable, and shall keep records of the investments made;
- ✓ Infrastructure and works expenditure cannot refer to items financed by other EU or third party subsidies;



- ✓ In case of infrastructure and works being part of a larger infrastructural investment funded by other sources, the part realised by the Interreg Programme SI-HR project must be clearly and univocally identifiable (e.g. project activities that are financed from the project, percentage of the total contract value);
- ✓ For the purchase of land an independent qualified professional or duly authorized official body shall provide a certificate confirming that the purchase price does not exceed the market value and that the land is free of all encumbrances, i.e. mortgages and other obligations;
- ✓ Where applicable, infrastructures and works realised by the project must respect the relevant publicity requirements (see Part 6 – Communication and Visibility, Chapter 3.5.1.2 – Billboards and plaques);
- ✓ Requirements concerning the durability shall apply to investment in infrastructure or productive investment funded within the project. This means that within 5 years of the final payment to the Project Partner or within the period time set out in State Aid rules, where applicable, the project cannot:
  - cease or transfer a productive activity outside the programme region in which it received support,
  - change ownership of an item of infrastructure which gives an undue advantage to a firm or a public body,
  - substantially change its nature, objectives or implementation conditions which would result in undermining its original objectives;
- ✓ Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the Project Partner and the provider and supported by receipted invoices (e.g. advance payment for the company selected for construction works) are eligible but can be claimed and reimbursed only after the infrastructure and works have been properly executed;
- ✓ Infrastructure and works have to be recorded in the fixed asset register.

Please note that final payment for the concerned infrastructure and works can be reimbursed by the IP SI-HR only after the infrastructure and works have been properly executed (e.g. obtained usage permit and fully functional investment) and outputs delivered.

#### Documents for the audit trail

In case the Project Partner selected the 40% »other cost« option no documentation on costs incurred need to be submitted to the National Controller.

In case the Project Partner selected the real cost reimbursement option, the following documents shall be provided to the National Controller:

- ✓ Legal documents specifying the ownership or a long-term legally binding arrangement of land and/or buildings where the works will be carried out;
- ✓ If 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 Project Partner;
- ✓ Contract or written agreement laying down the works, 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 must be forwarded together with the number of days/hours contracted and the total amount of the contract. For contracts including infrastructure and works being part of a larger infrastructural investment funded by other sources, the part realised by the Interreg Programme SI-HR project must be clearly defined/stated (e.g. project activities that are financed from the project, percentage of the total contract value). 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 infrastructure or works carried out in line with 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. For contracts including infrastructure and works being part of a larger infrastructural investment funded by other sources, the part realised by the Interreg Programme SI-HR project must be clearly defined/stated (e.g. project activities that are financed from the project, percentage/amount of the total contract value);
- ✓ Proof of payment (e.g. bank statement);
- ✓ Evidence of delivery and installation;
- ✓ Extract from accounting system of the Project Partner;
- ✓ Proof that the completed infrastructure and works is recorded in the fixed assets register;
- ✓ If applicable, the usage permit issued by the relevant authority must be provided after the completion of the works, but no later than with the final partner report.

### 2.2.7 40% flat rate for other costs

This flat rate is calculated as **40 % of the eligible direct staff costs** and shall cover all remaining project activities of the Project Partner.

Therefore, the budget of the Project Partner consists of only two cost categories:

a) staff costs and

b) other costs under this flat rate (office and administrative costs, travel and accommodation costs, external expertise and services costs, equipment costs, costs for infrastructure and works).

The suitability of this flat rate depends on the activity structure of the project/Project Partner. It is not suitable for projects/Project Partners with a high level of investment or with a low share of salary costs in project costing.

Only staff costs shall be reported in the reporting phase. Project activities and achievements of project results and outputs shall be reported in the activity part and closely monitored. The flat rate shall be directly linked to the staff costs and always calculated on the basis of eligible direct



staff costs. If staff costs are reduced by the National Controller or other programme bodies, the amount of other costs will be automatically reduced.

As the other costs are reimbursed on a flat rate basis and automatically calculated on the basis of direct staff costs (validated by the National Controller), Project Partners do not need to document that expenditure was incurred and paid or that the flat rate corresponds to the reality. Accordingly, no documentation for other costs is required to be provided to the National Controller or kept for further controls of Programme bodies. However, projects must still comply with all relevant European, programme, and national eligibility rules.

## 2.3 OTHER FINANCIAL PROVISIONS

### 2.3.1 Preparation costs

Approved projects may be entitled to the reimbursement of preparation costs in **the form of a lump sum**. The lump sum covers all costs linked to the preparation activities of the project (e.g. staff, external expertise and services) until the date of submission of the Application to the Joint Secretariat. This is also the date on which preparation activities end.

The ERDF amount reimbursed is **EUR 4.800** (corresponding to **EUR 6.000 of total eligible expenditure**).

The payment of the lump sum can take place if:

- a) The Project Partner(s) applied for it by including preparation costs in the Application Form **and**
- b) The ERDF Subsidy Contract with the Managing Authority is signed.

If the above conditions are fulfilled, the body performing accounting function (BAF) will transfer the lump sum to the bank account of the Lead Partner. If applicable, it is then the responsibility of the Lead Partner's to transfer the share of the lump sum to the respective Project Partners in accordance with the budget allocation for preparation costs indicated in the approved Application Form.

Project Partners do not need to document that the expenditure has been incurred and paid or that the expenditure corresponds to reality.

A Project Partner applying for and receiving the preparation lump sum (or part thereof) from the IP SI-HR, shall ensure not to receive funds from other public sources (e.g. national, regional) for activities covered by the lump sum.



## 3 PROCUREMENT RULES

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### 3.1 GENERAL PRINCIPLES

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 competition in the common market and shall be followed by the Project Partners when procuring the abovementioned services, works or supplies on the market.

Whenever purchases are made and contracts are awarded to external suppliers, Project Partner has to be in a position to demonstrate the good use of public funds. The principles of transparency, non-discrimination and equal treatment have to be respected and conditions of effective competition must be ensured.

The rules shall differ depending on the type of goods and/or services to be purchased, as well as the value of the purchase. They shall be set at the following levels:

1. EU rules set in the relevant applicable directives,
2. National rules,
3. Programme rules.

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

Failure to comply with the procurement rules set out at EU, national or programme level shall result in financial consequences in accordance with the *»Guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement<sup>14</sup>«* through the application of correction rates based on the type and level of the non-compliance.

It is strongly recommended to become familiar with the applicable procurement rules early enough before launching an award procedure.

Programme encourages Project Partners to follow the principles of Green Public Procurement (GPP) even if not mandatory according to National or EU rules.

### 3.2 PROGRAMME RULES ON PROCUREMENT

In order to reduce the administrative burden, simplify the project implementation and ensure a harmonised standard applied in procurement procedures across Member States the programme shall require from Project Partners the following:

a) **for contracts having a value below 10.000 EUR (excl. VAT)** or below the national threshold (if stricter than the programme rules), Project Partners shall not be required to provide to the

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<sup>14</sup> Annex to the Commission Decision C(2019) 3452 of 14 May 2019, with all the amendments.



National Controllers the documents relating to a specific selection procedure when submitting the partner report.

b) **for contract values of 10.000 EUR (excl. VAT) or above**, Project Partners shall provide evidence of adequate market research. This means that unless stricter national rules apply, Project Partners shall conduct and document adequate market research (e.g. at least three different offers requested). This shall allow Project Partners to collect sufficient information on the relevant market and perform a sound comparison of offers in terms of price or quality and a comprehensive assessment of the adequacy of the price.

Public bodies and other institutions falling under the scope of procurement laws (e.g. state, regional or local authorities, associations formed by such authorities, bodies governed by public law and their associations) must comply with the applicable public procurement rules and principles.

Institutions not falling under the scope of public procurement laws (e.g. private companies, NGOs or other associations of private bodies), also have to be able to prove how they awarded project-related contracts in compliance with the relevant national rules and the principles of sound financial management. Unless stricter rules apply, they shall provide evidence of adequate market research as described above.

Project Partners shall decide on the most appropriate procedure based on an accurate assessment of the value of the future contract, keeping in mind that the artificial splitting of contracts in order to remain below a certain threshold violates the procurement law. The estimated value of a 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.

### 3.3 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 direct or indirect personal interest<sup>15</sup>. Each Project Partner shall be responsible for ensuring that appropriate measures are taken to minimise any risk of conflict of interest.

Although the character of the conflict 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 shall be always ensured. Project staff must not be involved in external companies participating in the tenders organised by the respective Project Partner. However, in all cases measures need to be carefully analysed to minimise any possible risks of conflict of interest.

The relevant national legislation should be consulted for specific requirements (for example: conclusion of a contract between institutions that are represented by the same person(s) might be forbidden).

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<sup>15</sup> As defined in Financial Regulation (EU) 2018/1046, Article 61(3).



The programme does not allow that Project Partners (or employees of the Project Partner's organisations) 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 shall be reimbursed based on applicable eligibility rules laid down in this document.

Please note that findings related to conflict of interest in the procurement procedure may result in ineligible expenditure<sup>16</sup>.

### 3.4 EXEMPTION FROM PROCUREMENT RULES

In house contracting is considered as contracting of the bodies governed by public law (in house provider), which are controlled by the contracting authority (beneficiary) for the purchase of goods, services and works.

Please note that the intention of in-house contracting must be indicated in the Application Form.

For **in-house contracting** between entities within the public sector, the requirements from the latest national rules<sup>17</sup> and EU directive on public procurement<sup>18</sup> 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<sup>19</sup>;
- ✓ The value of the subject matter of the procurement is equal to or lower than the price of such subject matter on the market<sup>20</sup>.

When all the national and EU conditions for an in-house contracting are met, the in-house body can be contracted by the Project Partner through a direct award.

<sup>16</sup> In accordance with Guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement - Annex to the Commission Decision C(2019) 3452 of 14 May 2019, with all the amendments.

<sup>17</sup> Slovenian Public Procurement Act (ZJN – 3), Article 28; Croatian Public Procurement Act (Official Gazette no. 120/16, 114/2022), Article 33.

<sup>18</sup> Article 12 of Directive 2014/24/EU.

<sup>19</sup> With the exception of non-controlling and non-blocking forms of private capital participation required by national legislation provisions, in conformity with the Treaties, which do not exert a decisive influence on the controlled body.

<sup>20</sup> Only applicable for Slovenian Project Partners.