

Programme Manual

for coordination of macro-regional
cooperation (specific-objective 4.2)

for the period 2014 to 2020

version 1.0, endorsed by the Joint Programming Committee
on 25 November 2014

edited by the Managing Authority/Joint Secretariat
Rostock, Germany, 2014

Programme Manual for coordination of macro-regional cooperation (specific-objective 4.2) of Interreg Baltic Sea Region, a Transnational European Territorial Cooperation Programme, for the period 2014 to 2020, part-financed by the European Regional Development Fund (ERDF).



Endorsed by the Programme's Joint Programming Committee on 25 November 2014, Warsaw, Poland. This manual is subject to final approval by the Monitoring Committee to be established once the Cooperation Programme has been adopted by the European Commission.

Published by the Programme's Managing Authority/Joint Secretariat, Rostock, Germany. The Managing Authority/Joint Secretariat is hosted by Investitionsbank Schleswig-Holstein (IB.SH).

IB.SH
Ihre **Förderbank**

Electronic document, available for download at interreg-baltic.eu.

Table of Contents

A	Summary	1
	List of abbreviations	3
	Glossary	4
B	General information about the Interreg Baltic Sea Region	7
B.1	General objectives	7
B.2	EU Strategy for the Baltic Sea Region and Programme's support to macro-regional cooperation	8
B.3	Programme area	9
B.4	Programme co-financing for the support of macro-regional cooperation	9
B.5	Horizontal principles	10
B.6	Legal framework	10
B.7	Programme implementation structure	12
B.8	Use of English.....	12
C	Support to coordination of macro-regional cooperation	14
C.1	Support to the Priority Area Coordinators (PACs) and Horizontal Action Leaders (HALs) 14	
C.1.1	Objectives, results and project activities	15
C.1.2	Eligibility of the organisations and composition of the partnership.....	17
C.1.3	Duration.....	18
C.1.4	Amount of Programme co-financing and co-financing rate.....	19
C.1.5	Calls for applications	19
C.2	Targeted support and communication activities related to implementation of the Strategy (incl. Strategy Forums)	19
C.2.1	Eligibility of the organisations and composition of the partnership.....	20
C.2.2	Programme support and co-financing rate	20
C.2.3	Calls for applications	20
D	Application procedure.....	22
D.1	Application	22
D.2	Assessment of applications	22
D.2.1	Admissibility check	22

D.2.2	Quality assessment.....	23
D.3	Support to development of applications.....	26
E	Approval and contracting.....	27
E.1	Monitoring Committee decision.....	27
E.2	Contracting of approved applications	27
E.3	Subsidy Contract	27
F	Project budget and eligibility rules	29
F.1	Horizontal rules applicable to all budget lines	29
F.1.1	Legal background and hierarchy of rules	29
F.1.2	General principles of eligibility	29
F.1.3	Procurement procedures	31
F.1.4	State aid rules	37
F.1.5	Use of Euro/Exchange rate.....	37
F.1.6	Value added tax and other financial charges	38
F.1.7	Cash inflows.....	38
F.1.8	Visibility rules.....	41
F.2	Overview on project phases and related costs	43
F.3	Budget lines	45
F.3.1	Budget line 1 – Staff costs	45
F.3.2	Budget line 2 – Office and administration costs	54
F.3.3	Budget line 3 – Travel and accommodation costs	56
F.3.4	Budget line 4 – External expertise and services costs.....	57
F.3.5	Budget line 5 – Equipment costs	59
F.4	Activities financed by ERDF implemented outside the Union part of the Programme area	60
F.4.1	Definition and identification of activities outside the Union part of the Programme area	60
F.4.2	Financial threshold and monitoring	62
F.5	Financial planning and de-commitment.....	62
F.5.1	De-commitment: What projects might be affected?	63
F.5.2	Calculation of the de-commitment	63

G	Project implementation and progress reports	64
G.1	Programme support to project implementation	64
G.2	Getting started	64
G.3	Reporting	65
G.3.1	Reporting periods	65
G.3.2	Reporting on activities	66
G.3.3	Reporting on finances	66
G.3.4	Management toolkit	67
G.4	Changes in the project set-up	67
G.4.1	Minor changes and budget flexibility	68
G.4.2	Major changes	69
G.5	Responsibilities after the project closure	77
G.5.1	Durability and ownership of the project outputs	77
G.5.2	Availability of documents and accounting records	77
H	Payment of subsidies	79
H.1	Reimbursement principle	79
H.2	Payment rules for ERDF co-financing	80
I	Audit and control	81
I.1	The FLC system	81
I.2	Role of the first level controller	82
I.3	Responsibility of the lead partner	83
J	Further guidance	84

This document was endorsed by the joint programming committee on 25 November 2015. However, please note that it is still subject to final approval by the monitoring committee to be established within three months of the date of notification of the Commission decision adopting the cooperation programme.

A Summary

This Manual sets out the requirements for applicants and specifies rules for project implementation targeting specific objective 4.2 “Coordination of macro-regional cooperation”.

Together with the general Programme Manual (where indicated), it sets out rules which are mandatory and are the primary rules of the Programme. The defined rules are based on the relevant European Regulations and have been harmonised with a number of transnational Interreg programmes. The Programme rules can only be overruled by national legislation in exceptional cases, if a particular topic is not tackled and regulated by the Manuals. In all other cases the Programme rules have to be applied first.

The Manual is addressed to a number of stakeholders involved at different phases of a project. In the context of this Manual, the Priority Area Coordinators and Horizontal Action Leaders are considered as lead partners and project partners. Lead and project partners are the main target group of the document together with their first level controllers and the National Contact Points of the EU Strategy for the Baltic Sea Region (EUSBSR). However, the information presented in the various chapters might not be equally relevant for all.

Lead partners are expected to be familiar with the overall content of the Manual, they being responsible for all project phases from the development until the closure phases. Furthermore, lead partners should use the Manual for information purposes and distribute the information to the project partners to ensure smooth and correct implementation at all levels.

Chapters which are highly relevant for project partners are chapter B, chapter C, chapter F, chapter G, chapter H, chapter I and chapter K. The information addressed in these chapters should be understood by the whole partnership.

First level controllers (FLCs) are another important target group of the document. The successful implementation of projects does not only depend on well informed project partners but their FLCs have an equally important role in the interpretation and understanding of the Programme rules too. To achieve this, FLCs should at least be familiar with chapter F, chapter G and chapter I.

National Contact Points of the EUSBSR are equally important target group of this document. Acknowledging the key role of the National Contact Points in the strategic

leadership and governance of the Strategy, the Programme intends to build close cooperation with the National Contact Points. Information provided in chapter B and chapter C is, therefore, relevant for National Contact Points.

The above recommendation seeks to help users of the Manual with structured use and reading. However, the recommendations on the selected chapters can be extended according to the reader needs.

List of abbreviations

AA – Audit Authority

CP – Cooperation Programme

Co-PAC/HAL - organisation(s) sharing the leadership of a specific Priority Area/Horizontal Action

ERDF - European Regional Development Fund

EUSBSR - EU Strategy for the Baltic Sea Region

FLC – first level control(ler)

HA – Horizontal Action of the EU Strategy for the Baltic Sea Region

IB.SH – Investitionsbank Schleswig-Holstein

JS – Joint Secretariat

MA – Managing Authority

MS - Member State

MC – Monitoring Committee

NCP – National Contact Point

PA – Priority Area of the EU Strategy for the Baltic Sea Region

PAC/HAL – Priority Area Coordinator/Horizontal Action Leader

Programme – Interreg Baltic Sea Region Programme

SLA – second level audit(or)

Strategy - EU Strategy for the Baltic Sea Region

WP – work package

Glossary

Activity - a work package component which may or may not result in an output.

Amount declared - expenditure incurred and paid (or calculated based on simplified cost options) by a project partner in relation to the project implementation and presented to the Programme for reimbursement.

Amount verified - expenditure checked by the FLC and included in the FLC certificate.

Application package - all documents needed when applying for funding.

Audit trail - an adequate audit trail ensures that the accounting records maintained and the supporting documents held at the level of the Certifying Authority, Managing Authority, intermediate bodies and beneficiaries are adequate to trace expenditures. Detailed minimum requirements for the audit trail are outlined in draft FICHE 29, Section II, Article 26.

Co-financing - the programme's financial support provided to the project.

Co-financing rate - the percentage applied to the eligible expenditure of the project and each individual partner resulting in the amount of co-financing to be received.

Contribution – the equivalent part to programme co-financing secured by the partners.

Control - any measure taken to provide reasonable assurance regarding the effectiveness, efficiency and economy of projects. Furthermore, it should contribute to the reliability of reporting, the safeguarding of assets and information, the prevention and detection and correction of fraud and irregularities and their follow-up. Control should ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multi-annual character of programmes as well as the nature of the payments concerned. Controls may involve various checks.

Costs incurred - costs accumulated in relation to implementation of the project activities that are recorded as liabilities on a balance sheet of the partner organisation until they are discharged or paid. Incurred costs may include both direct and indirect costs.

Depreciation - a non-cash expenditure that reduces the value of an asset over time. The full purchase price of equipment is only eligible if the item is solely used for the project during its total economic and depreciable lifetime. Otherwise, depreciation may be eligible, provided it is calculated taking into account the degree of use of the item for the project and the project duration.

Durability - durability of project outputs and results refers to the long-lasting effect of a project's achievements beyond project duration.

Equivalent probative value - invoices and other documents equivalent to invoices used as supporting evidence for expenditure incurred (e.g. by project partners). Accounting

documents of equivalent probative value must be provided by project partners in case of expenditure for which there is no invoice available. For standard scales of unit costs, lump sums, flat rates (see CPR Article 67(1) and 68) and contributions in-kind (CPR Article 69(1)) no proof of expenditure needs to be provided.

General Programme Manual – the main Programme document which sets out the general rules of the Programme and specifies requirements for the operations implemented under Priorities 1-3 and Priority 4.1. Whenever indicated in the Programme Manual for Coordination of macro-regional cooperation, the general Programme Manual sets out rules which are mandatory and are the primary rules of the Programme.

Implementation period - a timeframe during which project expenditure should be incurred in order to qualify for reimbursement from the programme funds.

Lead partner - the Programme is based on the lead partner principle¹. This means that each project should appoint one organisation as a lead partner. The lead partner takes on the responsibility for management, communication, implementation and co-ordination of activities among the partners involved. The lead partner is also the contractual partner of MA.

Natural person - a person, human being, distinguished from a corporation and opposed to a legally generated juridical person which may be a private (i.e., business entity) or public (i.e., government) organization.

Partner country – Norway who will participate in the Programme with own funding; Belarus and Russia

Project - in the context of this manual, the term “project” refers to actions or a set of activities supporting the governance, coordination and the implementation of the EUSBSR, which are executed over a fixed period of time. Projects are selected by the Monitoring Committee of the Baltic Sea Region Programme and are subject to the general Programme rules.

Project specific objective - a concrete statement describing what the project is intending to achieve. It can be evaluated at the conclusion of a project to see whether it was achieved or not.

Real costs - expenditure actually incurred and paid, and supported by invoices or other documents of equivalent probative value.

Reporting period - a designated period of time during the project lifetime; activities carried out and expenditure incurred and paid (unless simplified cost options apply)

¹ See REGULATION (EC) No 1299/2013 Art. 13

during a reporting period are presented in a progress report and are subject to programme co-financing.

Simplified cost options - simplified cost options involve approximations of costs and are defined based on fair, equitable and verifiable calculation methods, or they are established by the Fund specific regulations. The application of simplified cost options signifies a departure from the approach of tracing every euro of co-financed expenditure to individual supporting documents.

Standard scale of unit costs – is one type of simplified cost option. A standard scale of unit costs composed of priori defined standard price that applies to a certain type of expenditure. The eligible expenditure is calculated by multiplying the standard cost by the units achieved. Standard scales of unit costs involve approximations of costs and are established based on fair, equitable and verifiable calculation methods.

Subsidy contract – is a grant agreement between the contracting authority (managing authority) and the lead partner.

Total budget - the total budget of a project is established based on the costs planned by all project partners in the application form.

Total eligible budget - total eligible budget indicates the total budget of a project subject to programme co-financing. In the application form, it is calculated based on the total budget, excluding the potential net revenue of the project.

Total expenditure - all expenditure incurred and paid (or calculated based on simplified cost options) by project partners in relation to implementation of the project activities.

Total eligible expenditure – is the sum of the total expenditure compliant with EU, programme and national rules and thus is eligible for co-financing from the programme. In the progress report, the total eligible expenditure is calculated based on the total expenditure, excluding net revenue generated by the project.

Union part of the programme area - part of the geographical area covered by the programme, which includes an EU territory. In some programmes, the programme area may also cover territories of third countries (e.g. Norway, Switzerland, etc.) and thus be outside the EU part of the programme area.

Value for money - term referring to a judgment on whether sufficient impact is being achieved for the money spent.

Verification - measures undertaken by the MA and/or the FLCs to ensure that co-financed products and services have been delivered and that expenditures declared have been paid, comply with applicable law, the Operational Programme and the conditions for support of the project (CPR 125 (4)(a) and ETC 23 (4)).

Work package - a group of related project activities aimed at producing project main outputs.

B General information about the Interreg Baltic Sea Region

B.1 General objectives

The **overall objective** of the Interreg Baltic Sea Region (the Programme) is to strengthen the integrated territorial development and cooperation for a more innovative, better accessible and sustainable Baltic Sea Region. The Programme promotes **transnational cooperation and integration** by projects addressing common key challenges and opportunities of the region. Its added value is the transnational dimension of the supported actions and investments. The Programme exploits opportunities and addresses issues which cannot (sufficiently) be dealt with by single countries but require a joint response by partners from several countries from the Baltic Sea Region.

The Programme supports the following priorities addressing the transnational key challenges and opportunities of the Baltic Sea Region:

1. Capacity for innovation;
2. Efficient management of natural resources; and
3. Sustainable transport.

A detailed description of the actions to be financed under Priorities 1–3 can be found in the Cooperation Programme. Further details are also provided in the general Programme Manual.

In addition, in this period, the Programme provides support to projects strengthening the implementation of the EU Strategy for the Baltic Sea Region (EUSBSR, also Strategy) as well as the implementation of common priorities of the EUSBSR and regional strategies of the partner countries². This support is provided within the framework of Priority 4 ‘Institutional capacity for macro-regional cooperation’.

The Priority has two specific objectives:

- Specific objective 4.1 “Seed Money” providing support to preparation of projects of strategic importance to the EU Strategy for the Baltic Sea Region (EUSBSR) to be financed by different funding sources available in the region. For more information, please see the general Programme Manual.
- Specific objective 4.2 “Coordination of macro-regional cooperation”.

² Applicants are encouraged to build cooperation with partner countries (Norway, Russia and Belarus) and to facilitate regional dialogue on joint priorities e.g., environmental questions, transport.

With its specific objective 4.2 “Coordination of macro-regional cooperation” the Programme aims at increasing the capacity of public administrations and pan-Baltic organisations for transnational coordination in implementing the EU Strategy for the Baltic Sea Region and facilitating the implementation of common priorities with the partner countries.

Under this specific objective the **Programme provides co-financing for the following macro-regional cooperation activities:**

- Support to the Priority Area Coordinators (PACs) and the Horizontal Action Leaders (HALs);
- Targeted support and communication activities related to the implementation of the Strategy.

B.2 EU Strategy for the Baltic Sea Region and Programme’s support to macro-regional cooperation

Since its adoption in 2009, the EU Strategy for the Baltic Sea Region (EUSBSR) facilitates cooperation between the Member States around the Baltic Sea and the partner countries³ tackling common challenges in the region. The Strategy helps formulate joint policy objectives and supports better coherence of EU policies in the region. It identifies joint flagship actions in the accompanying Action Plan.

Strategy implementation is driven by the EU Member States from the region, namely Sweden, Denmark, Estonia, Finland, Germany, Latvia, Lithuania and Poland. Member States ensure the political commitment for the Strategy implementation and have formed a group of National Contact Points which is responsible for the coordination and operational leadership of the Strategy.

The Strategy is divided into three objectives which represent the three key challenges identified in the Strategy: saving the sea, connecting the region and increasing prosperity. These objectives are further divided into specific Priority Areas (PAs). Each PA has a coordinator responsible for promoting positive development and cooperation in the particular priority area. Often this task is shared among several countries. In addition, horizontal issues which affect the development in the whole region are defined in the Strategy. Horizontal Action Leaders (HALs) have been appointed to facilitate the work within these Horizontal Actions (HAs)

³ The reference is made to the three Programme partner countries: **Norway** who will participate in the Programme with own funding; **Belarus and Russia**. Please also see chapter B.4 of the general Programme Manual.

For the funding period 2014-2020 the thematic priorities 1-3 of the Baltic Sea Region Programme have been very much aligned with the objectives of the Strategy to maximise the synergies and leverage effects on other financing sources in the programme areas. The Baltic Sea Region Programme offers support to the Strategy implementation for example by financing flagship projects and their preparation (seed money support, please see the general Programme Manual).

In addition, as mentioned above, in this period the Programme provides direct support to the coordination activities of macro-regional cooperation.

B.3 Programme area

The Programme area covers eleven countries. It comprises the EU Member States:

- Denmark: the whole country
- Estonia: the whole country
- Finland: the whole country
- Germany: the States (Länder) of Berlin, Brandenburg, Bremen, Hamburg, Mecklenburg–Vorpommern, Schleswig–Holstein and Niedersachsen (only NUTS II area Lüneburg region)
- Latvia: the whole country
- Lithuania: the whole country
- Poland: the whole country
- Sweden: the whole country

In addition, the Programme area covers three partner countries outside the EU: Belarus, Norway who will participate in the Programme with own funding and Russia.

Applicants are encouraged to involve partner countries, as far as possible, in the policy discussions covering topics of mutual interest (e.g., environment, innovation, transport, maritime safety, civil protection, public health or other relevant topics). Please also see chapter C.1 (Support to the Priority Area Coordinators (PACs) and Horizontal Action Leaders (HALs)) below.

B.4 Programme co-financing for the support of macro-regional cooperation

The total Programme co-financing for the support to coordination of macro-regional cooperation (specific objective 4.2) amounts to 10.2 million euros. For the overview of the total Programme budget and allocation to priorities, please consult the general

Programme Manual, chapters B.1 (General objectives) and B.5 (Programme budget and co-financing).

The programme co-financing amounts up to 85% of the eligible costs of an application. Partners have to provide 15% of the eligible costs as own contribution to receive Programme co-financing.

B.5 Horizontal principles

Sustainable development, equal opportunities and non-discrimination, and equality between men and women are three major horizontal principles that constitute an integral part of the EU policy and the Programme. The supported projects have to promote these principles whenever possible.

In practical terms, projects have to take into account the horizontal principles of sustainable development, equal opportunities and non-discrimination, and equality between men and women when planning their activities, outputs and results. The projects have to respect these principles in the day-to-day management and implementation of the project activities.

Projects are encouraged to describe in the application form which specific measures they plan to take on at the operational level (i.e. project coordination) to follow these principles.

Please find more details on horizontal principles in the general Programme Manual chapter B.6 (Horizontal principles).

B.6 Legal framework

The Programme has been designed under the territorial cooperation goal of the European Union. The Programme will be administered according to the ERDF structural funds rules.

In general, projects are guided by several layers of rules and requirements:

4. EU legislation, as referred to below,
5. Cooperation Programme, as referred to below,
6. Programme Manuals, application form and other guidance documents to projects,
7. National legislation,
8. Local and/or regional legislation, and
9. Institutional rules and regulations.

The hierarchy of rules sets out a priority of the EU legislation. Where no or no detailed provisions are stipulated in EU rules Programme rules can be set up accordingly. National, regional or local legislation and institutional rules only apply where specific issues are not regulated either by the EU legislation or the Programme rules.

The legal framework consists of:

- REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and on general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006,
- REGULATION (EU) No 1301/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006,
- REGULATION (EU) No 1299/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal,
- REGULATION (EU, Euratom) No 966/2012 of the EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002,
- Implementing acts and delegated acts adopted in accordance with the aforementioned Regulations,
- Directives of the European Parliament and of the Council public procurement,

- Cooperation Programme ‘Interreg Baltic Sea Region Programme 2014-2020’ (CCI No ...) – hereinafter referred to as ‘Programme’,
- Decision of the European Commission according to Article 29(4) CP Regulation approving the Programme (Decision No C(20..)... of [date].

The above lists names of the most relevant legislation but it is not an exhaustive one.

B.7 Programme implementation structure

The **Monitoring Committee (MC)** is the main decision making body of the Programme. It is composed of representatives of all eleven countries that participate in the Programme. The MC is responsible for ensuring the effectiveness and quality of the Programme as well as for selection of projects. The work of the MC is supported by the national sub-committees. The national sub-committees safeguard the information flow to regional and local authorities, economic and social partners and non-governmental organisations during the implementation of the Programme.

The **Managing Authority (MA)** is responsible for managing and implementing the Programme on behalf of the participating states in accordance with the relevant Community and national legislation. The participating countries have designated Investitionsbank Schleswig-Holstein (IB.SH) located in Kiel, Germany to fulfil this task. IB.SH, as MA, will also be responsible for carrying out the functions of the Certifying Authority.

Germany, as the Member State hosting the Managing Authority, has appointed the Ministry of Justice, Cultural and European Affairs of the state Schleswig-Holstein to act as **Audit Authority (AA)** of the Programme. The Audit Authority is responsible for verifying the effective functioning of the management and control system of the Programme. The AA is assisted by the Group of Auditors comprising one representative of each EU Member State and Norway as well as representatives of Belarus and Russia as observers.

The **Joint Secretariat (JS)** is responsible for providing all necessary information and management services to the project partners. Furthermore, the Joint Secretariat informs the wider public about the Programme. The JS also supports the MC, MA, and AA in meeting their tasks. The main office of the Joint Secretariat is located in Rostock, Germany, with a branch office located in Riga, Latvia.

B.8 Use of English

The official language of the Programme is English. Therefore, all communication between applicants, lead partners, project partners and the JS is carried out in English. Information in application forms, progress reports as well as official correspondence should be treated accordingly. Although guidance on the Programme might be available

in national languages, this can only be used as support when interpreting the Programme rules.



C Support to coordination of macro-regional cooperation

This chapter outlines the specific requirements, rules and general principles regarding project applications targeting 1) Support to the Priority Area Coordinators (PACs) and Horizontal Action Leaders (HALs), , as well as 2) Targeted support and communication activities related to implementation of the Strategy.

Joint procedures relevant for both types of the above mentioned activities are described in the sections starting from chapter D (Application procedure) below.

In the context of this manual, the term “project” refers to actions or a set of activities supporting the governance, coordination and the implementation of the EUSBSR, which are executed over a fixed period of time. Projects are selected by the Monitoring Committee of the Baltic Sea Region Programme and are subject to the general Programme rules.

C.1 Support to the Priority Area Coordinators (PACs) and Horizontal Action Leaders (HALs)

The Programme provides support to Priority Area Coordinators (PACs) and Horizontal Action Leaders (HALs) in carrying out tasks related to their role as a coordinator/leader of a thematic area set in the Action Plan of the EUSBSR.

The Programme co-financing has to bring value added; it aims at supporting implementation of coordination activities that would not have been possible without the Programme co-financing, and which are in line with the defined roles and responsibilities of PACs and HALs⁴. The co-financed activities may also relate to the implementation of common priorities with the partner countries (see also chapter B.3 (Programme area) above). PACs/HALs are encouraged to broaden the policy discussions in the region and cooperate with partners from the partner countries on the issues of mutual interest. In this case, this work and the policy discussions are organised by the PACs/HALs.

Organisations responsible for the Priority Area/Horizontal Action coordination are not allowed to use Programme co-financing to cover their regular duties and activities which are not related to the PAC/HAL tasks (please also see chapter F Project budget and eligibility rules below).

⁴ Action Plan for the European Union Strategy for the Baltic Sea Region, Brussels, SEC(2009)712/2; p. 14-15.

C.1.1 Objectives, results and project activities

C.1.1.1 Objectives and results

The Programme support aims to help the PACs/HALs to enable efficient and successful coordination of the Priority Area/Horizontal Action, thus helping to reach the targets set in the EUSBSR and the Action Plan.

When preparing an application the PACs/HALs have to identify the aims for the specific period covered by the application, and set objectives (e.g. what are the aims for the specific period; what are the main coordination related challenges that will be addressed; what improvements does the PAC/HAL want to achieve in the coordination of the Priority Area/Horizontal Action).

Furthermore, the PACs/HALs have to describe the expected results which should be achieved through the planned activities (e.g. improved cooperation with the sectoral ministries around the Baltic Sea area; improved dialogue with civil society groups in a given field). PACs/HALs are also asked to describe how the planned coordination activities will increase effectiveness, improve focus and bring added value to the implementation of the EUSBSR goals in their field.

C.1.1.2 Activities and work packages

Programme co-financing covers costs of PACs and HALs that are directly related to activities deriving from the tasks set for the PACs/HALs in the Action Plan. Example activities are detailed below:

- organisation of steering committee/coordination group meetings;
- meetings with civil society groups, local and regional organisations, national ministries and agencies;
- organisation of thematic seminars/ workshops/ conferences/ facilitation of policy discussion;
- organisation of work with partner countries on joint priorities;
- organisation of training sessions;
- carrying out thematic surveys;
- organising regional dialogue to review Priority Areas/Horizontal Actions' actions and flagship projects in EUSBSR Action Plan;
- communication activities.

Activities proposed by the PACs/HALs to achieve the defined results have to be organised in a work plan. The work plan provides a general outline of the planned activities

covering the implementation period. The work plan is composed of one or two work packages.

Work package 1 is devoted to coordination activities of Priority Area/Horizontal Action. Whereas work package 2 is dedicated to additional activities that reach beyond the coordination and involve broader target groups.

Work package 1 is the core element of the application. It is mandatory for all projects. Work package 1 is dedicated to the Priority Area/Horizontal Action coordination. Here applicants can describe the strategic management of the Priority Area/Horizontal Action. This would include for example a description of how the cooperation with the steering committee/coordination group or other relevant bodies will be organised as well as the meetings that are planned. It also covers planned measures to increase the effectiveness of the Priority Area/Horizontal Action coordination, as well as measures to secure and increase added value of the Priority Area/Horizontal Action activities. Moreover, this work package covers daily management issue such as internal communication, reporting on and the review of the targets of the Priority Area/Horizontal Action set in the Action Plan of the EUSBSR, as well as facilitation and development of flagship projects.

In the Priority Areas and Horizontal Actions, where different organisations share the responsibility of the coordination of the specific Priority Area/Horizontal Action, applicants have to describe how they plan to cooperate within their specific area.

Furthermore, in work package 1 PACs/HALs are asked to describe how the organisations responsible for Priority Area/Horizontal Action coordination will provide the necessary resources for the management of the Priority Area/Horizontal Action (e.g. allocation of personnel, travel costs, communication support, general administrative support such as accountancy support, office support).

Work package 2 is voluntary. Applicants may use this work package to describe specific content related events or activities. These can be, for example, conferences, policy discussions, meetings with partner countries, specific studies, developing policy recommendations, conveying the results and recommendations of Flagship Projects to the policy level.

Work package 2 is composed of block(s) of activities. Each block may lead to an output (e.g. policy conference; transnational meetings with stakeholders; policy documents produced).

As a general rule, the PACs/HALs have to also prepare a more detailed 12 month work plan. The 12 month work plans describe the activities planned to be carried out in the following year (please also see chapter G Project implementation and progress reports). However, the detailed work plan might not be requested for projects with shorter duration.

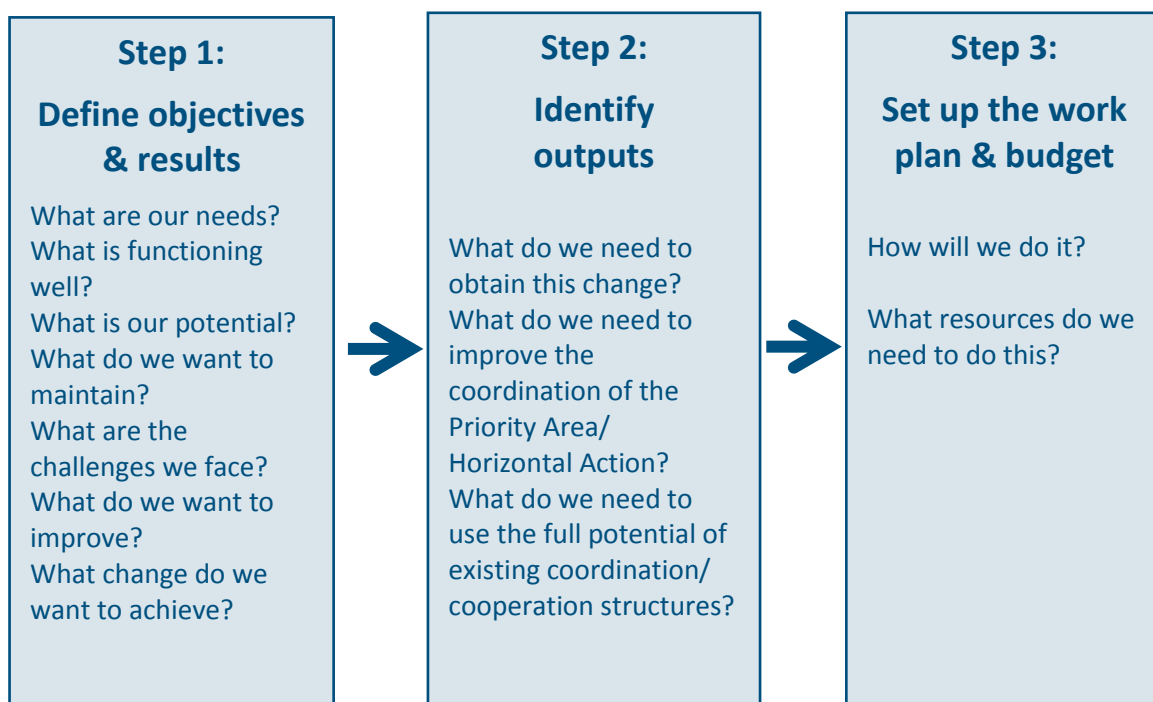


Figure 1: Steps to prepare an application

C.1.2 Eligibility of the organisations and composition of the partnership

Organisations responsible for the coordination of the specific Priority Area/Horizontal Action of the EUSBSR Action Plan as listed on the EUSBSR website (www.balticsea-region.eu) are eligible to apply for the Programme's support to PACs and HALs.

In order to be eligible for the Programme's co-financing, the organisations responsible for the coordination of the specific Priority Area/Horizontal Action have to show a clear commitment to the PAC/HAL tasks. This may be expressed by, e.g., allocating sufficient staff resources to the task, covering travel costs, communication support, ensuring general administrative support such as accountancy services or office supplies (see also chapter C.1.1.2 Activities and work packages Work plan).

Each Priority Area or Horizontal Action can be **represented in only one application**. The following approaches are possible:

- 1) The organisation(s) sharing the leadership of a specific Priority Area/Horizontal Action (co-PACs/HALs) can submit an application (e.g., if a Priority Area coordination is shared by a Ministry in Sweden and a Ministry in Poland, institutions submit a joint application).

- 2) PACs/HALs from different Priority Areas/Horizontal Actions can combine their efforts and submit a joint application (e.g. coordinators of, e.g., Innovation, SMEs and Education can agree to form one joint application). Moreover, in this case, the co-PACs/HALs have to be represented in the same application.

When forming the partnerships, the PACs/HALs have to ensure **that at least two partners are involved from at least two countries**. Organisations that have been established by public authorities or bodies from at least two BSR countries can act as a single applicant⁵. Also in this case the applicants have to ensure that the PA/HA is represented in only one application.

The co-PACs/HALs of a Priority Area/Horizontal Action (PA/HA) can also agree that support will be applied for by only one co-PAC/HAL (e.g. in cooperation with PACs/HALs from different PAs/HAs). In this case, the co-PACs/HALs not applying for Programme co-financing are required to submit a declaration confirming their support to the application of the applying PAC/HAL. Furthermore, the co-PACs/HALs have to confirm that they will not apply for the Programme co-financing themselves. Even if not applying for funding the co-PAC/HAL has to be involved in the strategic management of the Priority Area/Horizontal Action (e.g. in the work of the steering committee/coordination group), and this has to be properly described in work package 1 (see also chapter C.1.1.2 Activities and work packages).

Of the PACs/HALs, one organisation/institution has to be appointed as a lead partner for the application. The lead partner acts as a link between the partnership and the Joint Secretariat (JS). The lead partner takes on the responsibilities for management, communication, and co-ordination of the activities among the partners⁶.

C.1.3 Duration

The project duration consists of three phases: a contracting phase, an implementation phase and a project closure phase. The contracting phase lasts two months and starts on the day after the Monitoring Committee decision. The duration of the implementation

⁵ Regulation (EU) No 1299/2013 Art 12(2) and Art 12(3)

⁶ The definition of the lead partner is provided in chapter A (Glossary) above. Further details are also provided in chapter C.2.1 (Main responsibilities of the lead partner) of the general Programme Manual

phase is set in the call announcements. As a general rule, the duration varies between 12 and 36 months. The closure phase cannot exceed a three month period. However, the PACs/HALs are encouraged to carry out the closure activities as soon as possible (please also see chapters F.2 Overview on project phases and related costs).

At the end of the Programme period, all projects have to be finalised in due time enabling the Programme closure. Therefore, the implementation of projects must end no later than June 2021, while the duration must end no later than September 2021.

C.1.4 Amount of Programme co-financing and co-financing rate

An indicative amount of 8 million euros of the European Regional Development Funds are earmarked for the support to PACs/HALs. The maximum Programme co-financing amount per Priority Area/Horizontal action are set in the call announcement notes.

The Programme's maximum **co-financing rate** is 85% of the total eligible costs. Project partners have to provide own contribution of 15% to receive Programme co-financing.

C.1.5 Calls for applications

The Programme expects at least two calls dedicated to the support to coordination activities of the PACs and HALs during the Programme period. Further details are provided in chapter D (Application procedure).

The timing and duration of the calls will be set by the Monitoring Committee and specified in the call announcements.

C.2 Targeted support and communication activities related to implementation of the Strategy (incl. Strategy Forums)

In addition to the Support to the PACs/HALs, the Programme provides co-financing for the targeted support and communication activities related to implementation of the Strategy. This includes for example:

Strategy Forums

Strategy Forums are events which aim at shaping the debates among decision-makers from businesses, politics, international organisations and civil society from across the Baltic Sea Region. They are important platforms that ensure visibility of the Strategy and strengthen cooperation in the region. Strategy Forums of the EUSBSR have been organised every year since 2010 with an increasing number of participants, reaching some 600-900 people during the last few years.

Also in the future, the Strategy Forums should provide a platform for the involvement of civil society and all relevant governance levels, and for stimulating a parliamentary debate in the region. Furthermore, the Strategy Forums should facilitate closer dialogue on joint priorities with the partner countries.

Information and data gathering, data analysis, promotion of flagship project results or other related activities

These activities facilitate the efficient execution of Strategy objectives and provide targeted support to key implementers of the Strategy. Activities related to implementation of the EUSBSR may help, for example, to ensure the visibility of the EUSBSR; bring the results of the flagship projects to the policy level; exploit innovative approaches to networking and discussions.

C.2.1 Eligibility of the organisations and composition of the partnership

The eligibility of partners and requirements for the partnerships depends on the focus of each call. These will be specified in the call announcements, which will be published on the Programme website/sent to potential applicants. If not otherwise specified, the partnerships have to submit joint applications involving at least two countries of the region.

As a general rule, in order to be eligible for the Programme support, the applicants have to obtain support from the group of National Contact Points of the EUSBSR. This is expressed in a letter of support. The same principle applies in case a National Contact Point acts as an applicant. However, call announcements may set different requirements.

C.2.2 Programme support and co-financing rate

An indicative amount of 2.2 million euros of the European Regional Development Funds are earmarked for the targeted support and communication activities related to implementation of the Strategy.

The Programme's maximum **co-financing rate** is 85% of the total eligible costs. Project partners have to provide own contribution of 15% to receive Programme co-financing.

The Programme's maximum co-financing to support a **Strategy Forum** is EUR 255,000 equal to up to 85% of the total eligible costs.

C.2.3 Calls for applications

The Programme expects five calls for applications dedicated to the targeted support and communication activities related to the implementation of the Strategy during the Programme period.

The needs for the targeted support and communication activities related to the implementation of the Strategy are identified by the National Contact Points of the EUSBSR.

The National Contact Points collect and coordinate requests for the targeted support and communication activities from the Member States and the PACs/HALs. This also includes the initiatives for the Strategy Forums. National Contact Points inform the Managing Authority/Joint Secretariat (MA/JS) of the Programme about the identified needs. MA/JS informs the Monitoring Committee who decides on opening a call for applications.

The Member States interested in hosting the Strategy Forum, have to express their interest to the National Contact Points⁷. The National Contact Points, in close cooperation with the European Commission, evaluate the received request(s) and issue a letter of support.

As the support will be provided upon the requests of the National Contact Points, the **specific requirements** for the proposals, funding, partnerships and other relevant details of the call will be **set out in the call announcements**. The call announcements will be published on the Programme's website and communicated to the potential applicants. Call announcements will also set out the application procedure.

The timing and duration of the calls will be set by the Monitoring Committee and will be specified in the call announcements.

⁷ The list of National Contact Points is available on the EUSBSR website: www.balticsea-region.eu

D Application procedure

D.1 Application

The calls will be open for a period of approximately 1-3 months.

The basic documents needed for an application can be found in the Application Package. It is updated for each call for applications and will be published on the Programme website. The Application Package consists of:

- Announcement of the call for applications including a guidance note to applicants;
- Application form including relevant attachments (e.g. model partner declarations; letter of support etc.)

At the application stage all documents are required in digital form only. In the event of approval of the application paper versions will be requested subsequently.

D.2 Assessment of applications

D.2.1 Admissibility check

The purpose of the admissibility check is to verify if the application fulfils the minimum technical requirements of the Programme. The admissibility criteria are applicable to all submitted applications. The JS carries out the admissibility check upon submission and registration of applications. The criteria are detailed in Table 1.

Table 1: Admissibility criteria for application form under specific objective 4.2 'Coordination of macro-regional cooperation'

No	Admissibility criteria - application form under specific objective 4.2 'Coordination of macro-regional cooperation'
1	Digital application form (AF) sent before deadline
2	AF submitted in English
3	AF completely filled in
4	The requested compulsory attachments submitted (if applicable)
5	All partners incl. lead partner have a clearly defined role as a Priority Area Coordinator (PAC) or Horizontal Action Leader (HAL) in most recent Action Plan of the EU Strategy for the Baltic Sea Region (EUSBSR) (if applicable)
6	The letter of support from the National Contact Points submitted (if applicable)

7	Legal status of project partners incl. lead partner in line with Programme requirements
8	Geographical eligibility of lead partner and project partner(s) in line with the Programme requirements (if applicable)
9	All partner declarations submitted and correct:
9.1	✓ No modification in the content
9.2	✓ Project name/acronym correct
9.3	✓ Name of lead partner/project partners correct
9.4	✓ Total budgets of lead partner/project partners correspond to AF
9.5	✓ Total lead partner/project partner contributions correspond to AF
9.6	✓ Selections under point 1 done and correct
9.7	✓ Application round number correct
9.8	✓ Numbers of project partners correct
9.9	✓ VAT statements correspond to AF
9.10	✓ Names of the signing lead partner/project partners representatives are given
9.11	✓ Declarations are duly signed

If a proposal does not fulfil the technical admissibility criteria, the JS will inform the lead applicant about the deficiencies by email. The applicant may complete the application and send the revised documents and/or an amended application form in the time frame given by JS. Only applications that have passed the admissibility check will proceed to the quality assessment.

D.2.2 Quality assessment

The quality assessment covers verification of the relevance of the proposed activities in relation to the implementation of the Strategy. Quality assessment also covers operational aspects of the application. The Joint Secretariat carries out the quality assessment of the applications according to the quality assessment criteria. The assessment criteria are detailed in Table 2.

Table 2: Quality assessment criteria for applications applying for the Programme's support to coordination of macro-regional cooperation

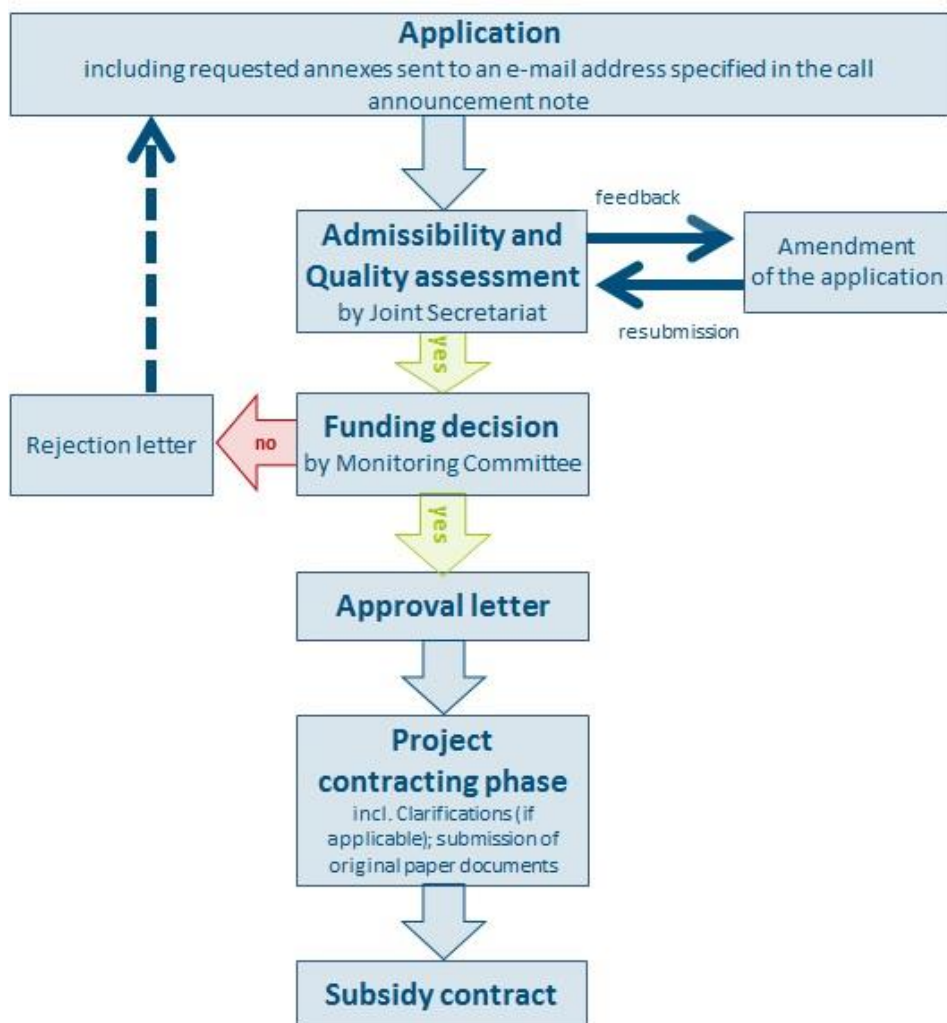
Please note that specific additional criteria may be defined in the call announcement notes.

I. Relevance of the application	
Criteria	Guiding questions
1. The application is in line with the EU Strategy for the Baltic Sea Region	<p>Are the proposed activities well justified and aimed at supporting the implementation/coordination of the EUSBSR?</p> <p>Is the application in line with the specific terms of the call?</p> <p>Does the application enable involvement of civil society and all relevant governance levels (applicable to targeted support only)?</p> <p>Does the application contribute to the common actions with the partner countries?</p>
2. The application demonstrates added value.	<p>Are the planned activities additional to regular duties and activities of the hosting institutions, which are not related to PAC/HAL function (applicable to PAC/HAL support only)?</p>
II. Coherence of the application and quality of approach	
3. There is coherence between the expected results and the proposed approach.	<p>Are the objectives and planned activities of the application clearly described and logically inter-related? Can the expected results described in the application be achieved through the proposed activities?</p> <p>Is the work plan clearly described and realistic?</p> <p>Are the required annexes clear (if applicable)? Is the information provided in a coherent way?</p>
III. Partnership (applicable to targeted support and communication activities related to implementation of the Strategy only)	
4. The partnership has sufficient potential to realise the planned activities and deliver the expected outputs and results.	<p>Do the partners have the necessary competences to realise the planned activities and deliver the expected outputs and results?</p>

5. The partners have clear roles in the project.	Are the roles of different partners clearly described?
IV. Budget and management	
6. The project budget is adequate in comparison with the planned activities, outputs, results, and involvement of partners.	Is the budget adequate in relation to planned activities, outputs, results and involvement of partners? Does the application demonstrate good value for money (budget versus activities and results)? Is the spending plan coherent/realistic?
7. The project activities and planned expenditure are eligible from the financial point of view.	Are the budget line specifications (external services and equipment) precise, clear and justified? Are there any indications of ineligible costs in the work plan/activities?

Applications will be categorised either as “insufficient” or “sufficient”. Applications where deficiencies were identified will receive clarification requests and recommendations. The lead applicant needs to address the clarifications and revise the application form accordingly within the time frame stipulated by the JS. The outcome of the quality assessment will be presented to the Monitoring Committee.

Figure 2: Application procedure



D.3 Support to development of applications

The Programme provides tools and may organise events to support the applicants in the development of the projects.

When the call for applications is open, the Joint Secretariat provides written feedback to questions received as well as arranging consultations, in its offices (Rostock and Riga) and via telephone/Skype.

All the Programme documents necessary for submitting an application are available on the Programme website.

E Approval and contracting

E.1 Monitoring Committee decision

The Monitoring Committee takes the funding decision based on the quality assessment.

The Monitoring Committee may include in its decision certain requirements which should be addressed by the applicant during the contracting process or together with the first progress report, if not otherwise specified.

The Monitoring Committee has three options in decision-making:

- To approve the application;
- To approve the application with certain requirements, or
- To reject the application.

E.2 Contracting of approved applications

The contracting phase covers two months and starts at the day after the Monitoring Committee decision. In general, the length of the contracting phase is the same for all projects. Within this phase the subsidy contract is expected to be concluded. The end of the contracting phase is directly followed by the start of the implementation phase even if a subsidy contract could not be signed by this time. Costs occurred and related to the project implementation during the contracting phase are eligible and can be reported in the first Progress Report.

Before the subsidy contract can be concluded, the lead partner may be asked to clarify any outstanding aspects of the approved application, e.g. based on comments from the Monitoring Committee and/or Managing Authority. At this stage the lead partner is also asked to submit the paper versions of the original documents (e.g. partner declarations).

Within two weeks following the Monitoring Committee meeting, the Joint Secretariat informs the lead applicant about the Monitoring Committee decision. The approval/rejection letters sent to the approved/non-approved projects contain the justification for approval/rejection. The lead applicant is responsible for communicating the Monitoring Committee decision to other project partners.

E.3 Subsidy Contract

The subsidy contract is signed between Investitionsbank Schleswig-Holstein (Managing Authority of the Programme) and the lead partner of the approved project. The contract sets out the obligations and rights of the contracting parties and constitutes the main agreement between the project and the Programme. The subsidy contract confirms the final commitment of the Programme co-financing to each project and forms a legal and financial framework for the implementation of project activities.

A template of the subsidy contract for Baltic Sea Region Programme projects can be downloaded from the Programme's website.

The lead partner has to return the signed contract to the Joint Secretariat within four weeks of receiving it. If the subsidy contract is not sent back in the given time, the funds committed to the coordination of macro-regional cooperation projects may be used to finance other proposals.

F Project budget and eligibility rules

F.1 Horizontal rules applicable to all budget lines

The eligibility of project expenditure depends on the project phase. As a general principle costs for implementation become eligible in the contracting phase, i.e. the day following the approval decision of the MC for the particular call. After this date expenditure under all budget lines is considered eligible and can be reported accordingly. Specific rules of eligibility for particular project phases are explained under chapter F.2.

F.1.1 Legal background and hierarchy of rules

The budget lines and related eligibility rules of the Programme are structured according to the requirements of the applicable EU regulations, in particular the Regulation (EU) No 1299/2013 and the Commission Delegated Regulation (EU) No 481/2014. This Delegated Act sets a common basis for all territorial cooperation programmes and aims to introduce simplification in the set-up and running of these programmes.

The eligibility rules presented below are applicable to all project partners.

The eligibility rules laid down in the Manual cannot be overruled by the national or institutional legislation. Together with the Regulation (EU) No 1303/2013, Regulation (EU) No 1301/2013 and Regulation (EU), No 1299/2013 they are the primary rules of eligibility and should be applied accordingly. Only for matters of eligibility not covered by this Manual and the applicable EU regulations, the relevant national rules of the Programme country in which the expenditure is incurred shall apply⁸.

F.1.2 General principles of eligibility

The main preconditions for eligibility of all expenditure incurred by the projects are the following:

- all expenditure is essential for the project's implementation and would not have been incurred if the project had not been carried out (value added);
- all expenditure must comply with the principles of efficiency, economy and effectiveness;
- expenditure must comply with the principle of real costs except specific cases such as in-kind contribution (in the specific objective 4.2

⁸ See Regulation (EU) No 1299/2013, Art 18.3

(Coordination of macro-regional cooperation) in-kind contribution is eligible only in projects under targeted support and communication activities related to implementation of the Strategy (incl. Strategy Forums)), simplified cost options and depreciation costs explained under the respective budget lines;

- all expenditure is generated and paid by the respective project partner during the eligible project phase, i.e. contracting, implementing and closure phase;
- project partners are not allowed to contract each other to carry out project activities or any related services;
- all expenditure is supported by invoices or other equivalent accounting documents directly attributable to the project or project staff or by other documents specified under the relevant budget lines. In specific cases such as in-kind contribution or simplified cost options no proof of payment has to be provided.
- For goods, services and works, public procurement procedures set by the relevant legislation and the 'bid-at-three' rule are observed.

F.1.2.1 Principles of economy, efficiency and effectiveness

The project budget has to be used in accordance with the principles of economy, efficiency and effectiveness.⁹

The principle of economy concerns minimising the costs of resources. The resources used by the institution for the pursuit of its activities should be made available in due time, in appropriate quantity and quality and at the best price.¹⁰

The principle of efficiency concerns getting the most from the available resources. It is concerned with the relationship between resources employed and outputs delivered in terms of quantity, quality and timing.¹¹

⁹ REGULATION (EU, EURATOM) No 966/2012, Art 30

¹⁰ Ibid

¹¹ Ibid

The principle of effectiveness concerns meeting the objectives and achieving the intended results¹².

F.1.2.2 Principle of real costs

The principle of real costs means that only those costs are eligible, which are **incurred** and **paid** by the project partners, accounted for and proved by delivery of works, services or supplies.

Ineligible costs¹³

The following costs are not eligible for reimbursement by the Programme under all budget lines:

- fines, financial penalties, and expenditure on legal disputes and litigation;
- costs of gifts, except those not exceeding EUR 50 per gift and when related to the project promotion, communication, publicity or information; and
- costs related to the fluctuation of foreign exchange rates.

F.1.3 Procurement procedures

F.1.3.1 General provisions

Public procurement is a process used by organisations and companies receiving public funds for choosing and contracting providers of goods, services and works by ensuring transparency and equal treatment of the potential providers. Independent from their legal status, all project partners implementing projects in the framework of the Programme must **comply with the relevant public procurement** legislation. The public procurement rules aim at a more efficient and transparent use of public funds as well as at increasing competitiveness. The main principles to be followed when procuring goods, services or works are the principles of **transparency**, **non-discrimination** and **equal treatment**. Compliance with the procurement requirements is vital for the projects, as it ensures the eligibility of the reported costs of the particular goods, services and works.

¹² Ibid

¹³ Regulation (EU) No 481/2014 Art 2

Besides the rules detailed in the Manual, project partners are advised to become familiar with the requirements for procurement set in Directives 2014/24/EU¹⁴ and 2014/25/EU¹⁵ and the relevant national legislation.

F.1.3.2 Applying the appropriate procurement rules

Choosing the appropriate procurement applicable for each individual case is based on the planned estimate of the **contract value** and the general **needs of the contractor**. The estimated value of the contract also determines the **range of the publicity required** for the respective procurement – an **EU wide tender**, a **national level tender** and/or a **smaller national/regional level tender**.

There are specific **value thresholds** set by the European Commission in DIRECTIVE 2014/24/EU Art 4 and DIRECTIVE 2014/25/EU Art 15. For the contracts where the estimated value is below the thresholds indicated in the EC regulations a corresponding procedure set in national legislation and at the Programme level (e.g. “Bid-at-three” rule) should be used.

In order to ensure an appropriate **audit trail** as well as **transparency** of the **procurement process** and **decision making** the procurement procedure has to be **thoroughly documented**. Furthermore, records of the procurement procedures carried out have to be kept at least until the deadline set by the Programme in chapter G.5.2 (Availability of documents and accounting records).

Contractors should carefully analyse their planned procurement and opt for the required procedure. It has to be made sure that no less stringent procedure than is required by the Programme rules, EU directives or the national legislation is chosen.

Project **partners** are **not allowed to contract each other** to carry out project activities.

Conflict of interest

As a general definition a conflict of interest exists where the impartial and objective exercise of the functions of a financial actor or other person, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a recipient. Each project partner is responsible to ensure that the appropriate measures are taken to minimise any risk of conflict of interest during the procurement process. Although the character of the conflict of interest is diverse depending on the parties, types of the relationships and interests involved the common matter to be ensured is transparency of the decision making process and fair treatment

¹⁴ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC

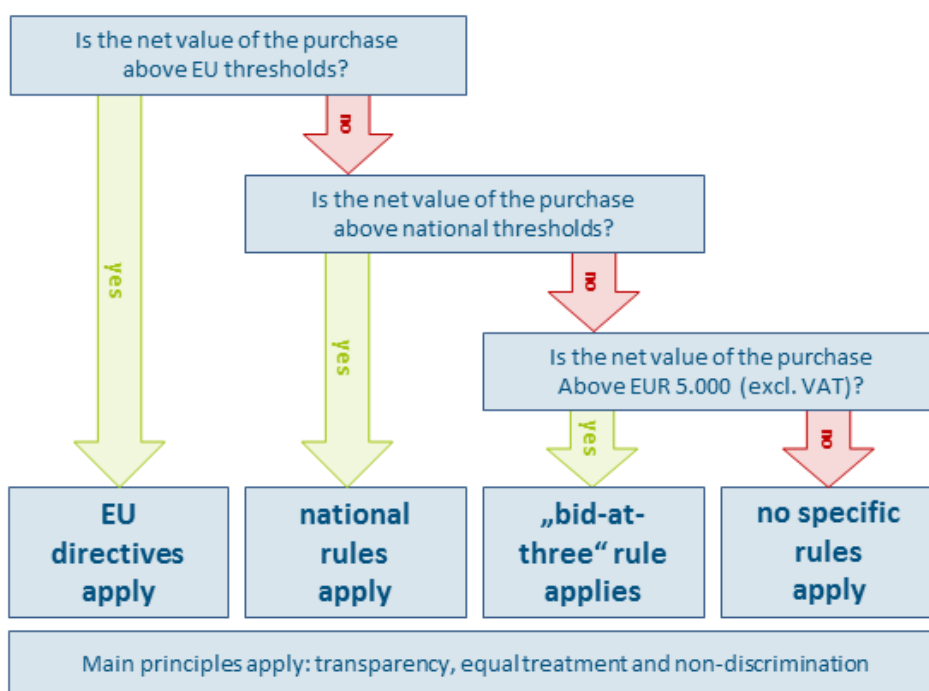
¹⁵ Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC

for all tenderers. Special attention should be paid in cases where project staff is also 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. For specific requirements the national legislation should be consulted.

In case a conflict of interest is detected in the procurement procedure financial implications might be set.

The flowchart below shows the main questions that need to be answered in order to choose the applicable procurement rule:

Figure 3: Decision scheme regarding public procurement rules



F.1.3.3 Steps and documentation of the procurement process

Depending on the estimated contract value and the applicable procurement procedure required by the relevant legislations, the following parts of the process are vital for successful contracting:

- 1) **Terms of reference** – All the information about the subject and the tendering process are included in this document. The terms of reference, based on the required procurement procedure, should include at least the following sections:

- a) **General provisions** – contains a brief description of the general framework;
 - b) **Subject of the procurement** – consists of a detailed description of works, services and goods required and stating the complete list of the requirements for the subject. Based on the needs, a separate part – technical specification – can be included or attached as an annex to the Terms of Reference;
 - c) **Timeframe** – sets out specific conditions on the timeline for delivery of the goods and/or providing the services and works;
 - d) **Price and/or other limitations** – describes all the specific limitations related to the contracting procedure (e.g. price, time limitations);
 - e) **Eligibility criteria** – sets out the specific requirements that companies have to fulfil in order to be eligible to submit an offer. The criteria have to be **objective, non-discriminating** and **relevant** to the particular subject of the procurement procedure;
 - f) **Assessment criteria** – in this part the criteria for assessment of the submitted offers are set out. The criteria have to be **objective, non-discriminating** and **relevant** to the particular subject of the procurement procedure;
 - g) **Contracting and payment** – contains details on the contracting procedures as well as payment details in the context of the contract to be signed;
 - h) **Information/formal requirements** – describes proceedings within the procurement procedure (e.g. details of the submission of the offers, formal requirements as regards the compilation of the offers).
- 2) **Publication of the notice** – depending on the procurement procedure, its size and location, as well as the level of publicity to be reached, specific requirements for the publication of a tender might apply. The specific

requirements for the publication of the procurement notice have to be observed.

- 3) **Registrations of the offers – the offers received have** to be carefully documented to ensure the transparency and equal treatment of all the tenderers.
- 4) **Assessment and decision making** – the submitted offers have to be assessed according to the same criteria which were set out in the terms of reference, with no additional criteria being added to the assessment process. Furthermore, the assessment of the offers has to be well documented.
- 5) **Contracting** – at this stage a contract with the successful tenderer is signed.

The above described requirements represent the minimum necessary for a correct procurement procedure. However, they should be applied without prejudice to any other requirements specified in the EU or national legislations.

F.1.3.4 Principles of sustainability

The Programme encourages a green and sustainable approach of tendering, whenever legally possible.

F.1.3.5 “Bid-at-three” rule

When purchasing goods or services with a value below the EU and national thresholds the Programme requires the implementation of a “bid-at-three” procedure. This procedure was introduced to ensure transparent selection procedures, equal treatment and cost efficiency for goods and services.

To comply with the rule, project partners must obtain at least three offers for all contracting amounts above **EUR 5,000 (excl. VAT)** and below the national and EU thresholds. In all cases, the selection and contracting procedure, as well as offers received from the tenderers, have to be well documented to ensure transparency of the process.

If it is not possible to obtain three offers, the activities undertaken to acquire the offers have to be documented. By doing so, it will thus be ensured that prices for similar goods, services or works have been compared and the selection procedure is transparent, as well as the appropriate audit trail being followed.

Please note that should stricter national or institutional rules exist these should be observed in order to avoid contradictions and possible rejection of costs on a national/institutional level.

F.1.3.6 Consequences in case of shortcomings

Failure to comply with the procurement requirements and the use of an appropriate procurement procedure set on a national or Community level, as well as the “bid-at-three” rule set for the Programme, can have **financial consequences**. Based on the type and significance of the non-compliance, a financial correction can be applied according to the guidelines developed by European Commission with the Decision No C (2013) 9527¹⁶.

F.1.3.7 Exceptions

The Programme provides a list with minimum possible exceptions to the above rules. Nevertheless, each partner has to consult with the applicable national/EU regulations on whether they permit such exceptions. This section highlights the minimum requirements and recommendations relating to some of these exceptions. If a partner intends to use any of the exceptions listed below, the Programme highly recommends consulting the national and the EU regulations applicable in each particular case, and, if necessary, with the FLC.

“In-house” contracting refers to the situations when a public authority contracts another organisation, which is fully owned and/or controlled by the contractor (e.g. inter-departmental arrangements) to provide certain goods, services or works. In such cases, the contractor might not decide to follow public procurement procedures provided that:

- a) there is no private ownership involved;
- b) the subsidiary company carries out 90% or more of its activities for the contracting authority; and
- c) the parent company exercises control over the subsidiary company in a similar manner as to its own departments.

To ensure transparency and efficiency, the sub-contractors will follow the public procurement rules when procuring goods, services and works from the third parties.

¹⁶ Commission’s Decision No. C(2013) 9527 of 19.12.2013

Framework contracts

Framework contracts are umbrella agreements which set out all or some of the terms for which the parties of the agreement will enter into contracts ("call-offs") in the future. Where a project partner organisation has **already procured** a provider of goods and services **according to the relevant public procurement rules** outside the project, the goods and services provided within the framework contracts for the project's purposes can be eligible for Programme co-financing.

F.1.4 State aid rules

In sub-objective 4.2 no state aid is granted by the Programme and state aid regulations which determine exemptions will not be applied. All project partners are expected to be familiar with the relevant state aid rules to ensure that their activities do not constitute state aid.

F.1.5 Use of Euro/Exchange rate

All expenditure reported in the progress reports must be denominated in Euro.

All project partners whose national currency is not Euro must convert the expenditure, which was incurred and paid in the national currency, into Euro. The conversion will be done by the project partner using the monthly exchange rate of the Commission **in the month during which the partner report will be submitted to the first level controller**. The conversion will be verified by the controller of the participating country in which the project partner is located. Thus, the same exchange rate will be applied for a complete reporting period to all expenditure regardless of their payment or invoice dates.

Example:

A reporting period runs during July 2016 – June 2017. The partner submits the report to the FLC in July 2017. As a consequence the exchange rate of July 2017 will be used to convert the costs of the progress report from national currency into Euro.

The European Commission publishes the monthly exchange rates on the first day of the month under:

http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.rcfm.

Any exchange risk and loss has to be borne by the project partners.

F.1.6 Value added tax and other financial charges

Value added tax (VAT) which is recoverable, by whatever means, is not eligible.

Only non-recoverable VAT borne by the project partners that may not be refunded or offset by the tax authorities, or by any other means, may be included in the progress reports.¹⁷

Furthermore, debit interests are ineligible and have to be borne by the project partners.

F.1.7 Cash inflows

F.1.7.1 Revenues and other cash inflows

The Programme differentiates between two types of cash inflows:

- **Revenues** are cash inflows directly paid by users for the goods or services provided by a project, such as charges borne directly by users for the use of infrastructure, sale or rent of buildings, or payments for services.
- **Net revenues are understood as revenues above** minus any operating costs and replacement costs of short-life equipment incurred during the corresponding period. Operating cost-savings generated by the project shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies;¹⁸
- **Other cash inflows** are private and public contributions and/or financial gains that do not stem from tariffs, tolls, fees, rents or any other form of charge directly borne by the users.

Examples:

Revenues:

- Service fees, e.g. fees paid by users of training curricula and material, which cover workshops, sales revenue of project studies;
- Conference fees.

Other cash inflows:

¹⁷ Art. 69.3 Regulation (EU) No. 1303/2013

¹⁸ Regulation (EU) No 1303/2013 Art 61

- Government contributions towards construction and/or operating costs, etc.
- Contribution of public bodies or private donors, e.g. to the construction and/or operating costs of a building.

Contribution of private equity to the development and/or implementation of training courses.

F.1.7.2 Treatment of revenues

If a project is identified as revenue generating the revenues have to be deducted from its total eligible expenditure fully or on a pro-rata basis and shall consequently reduce the ERDF contribution to it.¹⁹

Revenues generated by the project are monitored and treated by the Programme as follows:

Project application stage

Projects which expect their activities to generate revenues have to plan their budgets accordingly and the revenues must be offset with the planned expenditure.

Project implementation phase

Project partners are responsible for keeping account of all the revenues and to have the required documentation available (e.g. for control purposes).

The revenues, if not deducted at the application stage, must be stated in the progress report and must be deducted from the eligible expenditure (i.e. the reported amounts cannot include any revenues). Project partners have to provide their first level controller with information on the revenues generated in the reporting period and to support this with the accounting or equivalent documents.

When compiling the project progress reports, the lead partners have to indicate the expenditure and revenues as confirmed by the partners' FLC. The Joint Secretariat carries out a plausibility check of these indications during the clarification of the progress reports.

After the project closure

If a project expects to have any revenues after the project closure and within three years after the closure of the Programme the respective net revenues have to be reported to the MA/JS and have to be deducted from the final payment request of the Programme submitted to the EU Commission.

¹⁹ Regulation (EU) No 1303/2013 Art 61

Consequently, the total expenditure declared to the Commission by the closure of the Programme has to have all revenues offset.



F.1.7.3 Treatment of other cash inflows

Treatment of public cash inflows

Costs which were already co-financed from other EU funds, or were fully covered by other international, national, regional and/or local funds are not eligible for co-financing from the Programme.

Co-financing received from international (e.g. UNESCO), national, regional and/or local funds are only eligible provided that

- the international, national, regional or and/or local subsidy does not exceed the partner's own financial contribution (15%), **and**
- National, regional and/or local funds come from the project partner's country.

Treatment of private cash inflows

Private cash inflows are regarded as donations and sponsoring, and thus are not-eligible for co-financing from the Programme.

Example:

Aa business partner pays a contribution (donation/sponsoring) for an event which was organised by the project.

F.1.8 Visibility rules

F.1.8.1 General provisions

Projects usually arrange various information and communication measures, such as events (e.g. conferences, seminars, press conferences, briefings, training), websites, documents (presentations, invitations), publications (e.g. brochures, flyers), promotional materials (e.g. T-shirts, bags, cups, umbrellas), press releases, newsletters, billboards, posters and others.

When arranging the information and communication measures, the projects have to display the support from the Programme and the EU funds as follows:

- a) the European Union emblem in accordance with the technical characteristics specified in the Commission Implementation Regulation²⁰, together with a reference to the European Union;
- b) a reference to the EU funding source(s). The reference shall read as follows: European Union (European Regional Development Fund) in English or respective national language;
- c) the Programme logo (in accordance with the technical characteristics in the Visual Identity manual for the Baltic Sea Region Programme).

In order to comply with the technical requirements of the information and communication measures, regarding instructions for creating the union emblem and a definition of the standard colours project partners should consult Art (3), (4), (5) of Regulation (EU) No 821/2014. Furthermore, it is strongly recommended that project partners become familiar with the requirements of Art (115), (116), (117) of Regulation (EU) No 1303/2013 as well Annex XII of the same document. The above mentioned legal documents provide vital details for the implementation of communication and promotional activities.

In addition to displaying information on the Programme and EU support as described above, activities financed under this specific objective are encouraged to promote the EUSBSR. Thus all stakeholders are invited to use the Strategy logo, available on the Strategy website (www.balticsea-region.eu) in all written and audiovisual EUSBSR-related material (websites, publications, exhibition material etc.).

Special provisions and exceptions

When a project partner (i.e. institution, organisation) or a project maintains a website, this website should include a short description of the project, proportionate to the level of support, including its aims and results, and highlighting the financial support from the Programme/European Union.²¹ The same rule applies for printed and digital publications. For small promotional objects (e.g. pens) the obligation to make reference to the fund does not apply.

²⁰ COMMISSION IMPLEMENTING REGULATION (EU) 821/2014 of 28 July 2014 laying down rules for the application of Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards detailed arrangements for the transfer and management of programme contributions, the reporting on financial instruments, technical characteristics of information and communication measures for operations and the system to record and store data. Available online at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.223.01.0007.01.ENG.

²¹ Regulation (EU) No 1303/2013 Annex XII

F.1.8.2 Compliance and financial corrections

All projects have to ensure compliance with the visibility rules. Projects should keep samples of promotional items (e.g. USB sticks, pens). These should be sent on request to the FLC and the MA/JS. In cases of posters, exhibition stands, and in particular when the event is organised by third parties, and where only a few items of each kind are produced, a digital picture is considered sufficient proof.

Failure to comply with the visibility requirements set out in this Programme Manual can have financial consequences, such as cutting of costs. However, such financial cuts would be balanced by taking the successful achievements of the project objectives into account.

F.2 Overview on project phases and related costs

The project duration is divided into several phases as described for example in chapter C.1.3 (Duration) above. During these phases, project partners and the lead partner have a number of obligations. Moreover, the eligibility of costs depends on the project phase. Below you will find a summary of what has to be done and observed before, during and after the project implementation phase.

The **contracting phase** starts on the day following the date of the project approval by the MC and lasts at least 2 full months.

The **project implementation phase** will always start on the first day of a calendar month and finishes on the last day of a calendar month.

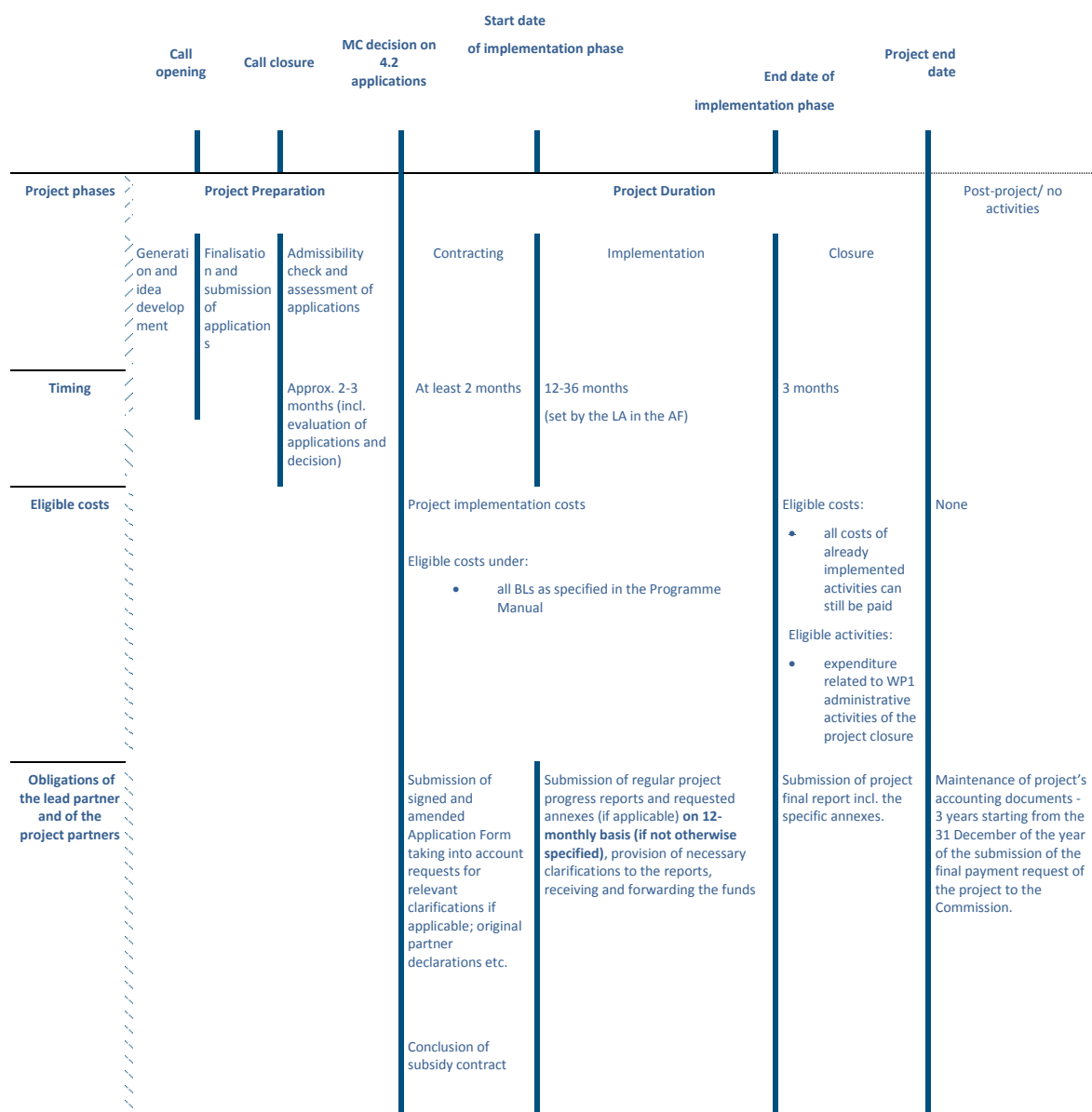
In addition, projects have three months reserved under what is known as the **closure period** for the preparation and certification of the final report.

Project related expenditure generated and paid during the contracting, implementation and closure phases are eligible for co-financing. However, projects have to finalise the implementation of activities and outputs before the end of the implementation period.

The closure phase is reserved for compiling and certifying the final progress report only and no content implementation can take place during this period. Experience shows that the final administrative duties related to reporting and certification take up the full three months of closure. Therefore, projects should plan carefully to make sure that there is sufficient time for the compilation of the final progress reports. The last day of the closure period is the submission dead-line of the final report.

Project costs generated or paid after the end of the closure period are not eligible for Programme co-financing.

Figure 4: Tasks during the project phases



F.3 Budget lines

The Programme has set up the following budget lines for expenditure generated by projects:

- Budget line 1 - Staff costs,
- Budget line 2 - Office and administrative expenditure,
- Budget line 3 - Travel and accommodation costs,
- Budget line 4 - External expertise and service costs and
- Budget line 5 - Equipment expenditure.

The five budget lines above and the related rules are based on the requirements of the Commission Delegated Regulation (EU) No 481/2014.

F.3.1 Budget line 1 – Staff costs

Under this budget line the eligible costs are the gross employment costs of staff, who are employed by the project partner organisations and are formally engaged in the project activities.

Project staff can be hired by the project partners in one of the following ways:

- Full time – an individual dedicates 100% of his/her working time to the project²².
- Part-time – only a part of the contractual hours is spent on the project activities:
 - with a fixed percentage of time worked per month;
 - with a flexible number of hours worked per month;
 - on an hourly basis.

Below you will find a description of the general principles of eligibility for this budget line, the eligible staff cost components as well as the calculation methods.

F.3.1.1 General principles of eligibility

Expenditure on staff costs is eligible under the following conditions:

²² The understanding of the Programme of a full time employee, is one who dedicates all his/her contracted hours to the project activities. In this sense, the number of hours contracted can be less than the maximum legal monthly threshold of the respective country. As long as all worked hours are allocated to the project, the employee is considered to be a full time worker.

- salary payments are related to the project activities which the entity would not carry out if the operation concerned was not undertaken (the Programme co-financing has to bring value added);
- salaries are fixed in an employment/work contract, an appointment decision (both hereinafter referred to as 'employment document') or by law, relating to responsibilities specified in the job description of the staff member concerned.

Payments to natural persons working for the project partner under a contract other than an employment/work contract but which is equivalent to such a contract may be reported as salary payments. The conditions under which a natural person can work under such a contract should be clarified by the project partners and communicated to the first level controllers. Taking into account that the national regulation regarding this issue might be different from country to country the Programme does not provide a generally applicable definition of the term. Instead, project partners are required to clarify this on the level of national law and their institutional regulations as well as with their first level controllers.

Please note that all contracts not being equivalent to the employment contract must follow the rules of public procurement and should be included under the respective budget line.

F.3.1.2 Eligible staff cost components

The following gross employment costs of project staff are eligible:

- salary payments fixed in the employment/work contract, an appointment decision,²³ or by law, relating to responsibilities specified in the job description of the staff member concerned;
- 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 the Regulation (EC) No 883/2004 of the European Parliament and of the Council provided that they are:

²³ With regard to natural persons working for the partner organisation under a contract other than an employment/work contract, their payment may be assimilated to salary payments with such a contract being considered as an employment document.

- 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 organisation where a staff member is employed; and
- Not recoverable by the employer.

F.3.1.3 Calculation of staff costs

Full time employees will allocate 100% of their gross employment costs to the project. No additional calculation is necessary.

Staff costs of the part-time employees, who are dedicating only a part of their total working time to the project, have to be calculated according to either of the following methods:

- (1) a fixed percentage of the gross employment cost, in line with a fixed percentage of time worked on the project, with no obligation to establish a separate working time registration system; or
- (2) a flexible share of the gross employment cost, in line with the number of hours, which can vary from one month to the other, on the project, based on a time registration system covering 100% of the total working time of the employee.

For part-time assignments under point (1) the employer has to issue a document for each employee setting out the percentage of time to be worked for the project.

For part-time assignments under point (2) the reimbursement of staff costs has to be calculated on an hourly rate basis determined either by:

- dividing the monthly gross employment costs by the monthly working time fixed in the employment document expressed in hours; or
- Dividing the latest documented annual gross employment costs by 1,720 hours²⁴.

²⁴ In accordance with Article 68(2) of Regulation (EU) No 1303/2013.

The hourly rate shall be multiplied by the number of hours actually worked for the project.

Staff costs relating to individuals who, according to the employment document, work on an hourly basis, will be eligible by applying the number of hours actually worked for the project and based on a working time registration system to the hourly rate agreed in the employment document.

F.3.1.4 Registration of working time

Employees working on a part-time basis, using any of the flexible shares of the gross employment schemes referred to under point (2) have to register the working hours spent on the project.

Full time working staff and staff with a fixed percentage of hours spent on projects do not need to register their working time spent on the project.

Where required, the hours worked by employees on various project activities should be well documented and available for the first level control and desk checks carried out by the MA/JS or the second level audit.

To support the project partners in this administrative task the MA/JS has developed a model time sheet which can be adopted and used by any project partner. If project partners have their own system for registering the working hours of employees, this system may be used for project purposes, as long as the following minimum requirements are fulfilled:

Time sheets or equivalent documents

- are completed for each employee individually;
- contain the amount of hours worked for the project on a daily basis;
- and
- are signed by the employee and his/her supervisor.

Additionally, part time project employees obliged to use a time sheet need to prepare a brief description of activities performed within the project as a monthly summary.

Project organisations should decide upon the calculation of staff costs for each employee before the project implementation starts. If considered necessary, employees within the same organisation can follow different calculation methods. As soon as the project partners have decided upon one or the other calculation method, it is recommended that this approach be followed throughout the whole project implementation. A single calculation method for each employee makes the audit trail, as well as the

documentation and monitoring of the relevant costs, more transparent and easier to follow.

Reimbursement of staff costs

Staff costs are only reimbursed according to one of the below listed calculation methods.

F.3.1.5 Overview: Calculation and documentation of staff costs

Type	Calculation	Registration of working hours	Documentation of staff costs
(A) Full Time employment			
	100% of the gross employment costs is allocated to the project (for details see above chapter 2.1.2).	No obligation regarding the use of time sheets.	<ol style="list-style-type: none"> 1. Employment/work contract or other equivalent document for each employee (see 2.1.1); 2. Job description specifying the project tasks; 3. Proof of payment of the gross employment costs on a monthly basis.
(B) Part time employment			
(B.1) With a fixed percentage of time worked per month			
	The percentage fixed in the employment/work contract or other equivalent document is multiplied by the monthly gross employment costs of the employee.	No obligation regarding the use of time sheets.	<ol style="list-style-type: none"> 1. Employment/work contract or other equivalent document (see 2.1.1) for each employee. The employment document has to specify the tasks and the percentage of the time worked per month for the project. Alternatively, a specific document can be issued by the employer for each employee setting out the percentage of time to be worked on the project (e.g. Job description); 2. Document stating the gross employment costs in the respective working month; 3. Overview on the monthly calculations for each reporting period; 4. Proof of payment of the gross employment costs.

(B.2) With a flexible number of hours worked per month, such as:			
(B.2.1.) On a contracted hourly rate basis	Number of hours actually worked for the project multiplied by the hourly rate set in the employment contract.	Time sheets signed by the employee and his/her supervisor indicating the hours worked for the project and the related tasks on a daily basis. The time registration system must cover 100% of the working time of the employee.	<ol style="list-style-type: none"> 1. Employment/work contract or other equivalent document (see 2.1.1) indicating the involvement of the employee in the project as well as the hourly rate; 2. Job description specifying the project tasks (can be included in the employment/work contract); 3. Calculation of the monthly salary based on the hours registered in the time sheet and the contracted hourly rate; 4. Proof of payment of the gross employment costs.
(B.2.2) Calculated with a monthly hourly rate	<p>Number of <i>hours actually worked for the project</i> multiplied by the <i>pre-calculated monthly hourly rate</i>.</p> <p>The monthly hourly rate is calculated by dividing the monthly gross employment cost by the monthly working time fixed in the employment/work document expressed in hours.</p>	Time sheets signed by the employee and his/her supervisor indicating the hours worked for the project and the related tasks on a daily basis. The time registration system must cover 100% of the working time of the employee.	<ol style="list-style-type: none"> 1. Employment/work contract or other equivalent document (see 2.1.1) indicating the involvement of the employee in the project; 2. Job description specifying the project tasks (can be included in the employment/work contract); 3. Calculation of the monthly gross employment costs of the project based on the hours registered in the time sheet and the pre-calculated hourly rate; 4. Accounting document stating the gross total salary in the respective working month.

	<p><i>Example calculation:</i></p> <ul style="list-style-type: none"> - total monthly working hours according to the contract: 168h, - gross total salary of January: EUR 5,000; divided by 168 hours → monthly hourly rate EUR 29.76 (=5000/168) - total monthly hours worked for the project: 100h - total project costs → 100h * EUR 29.76 = EUR 2,976 		
(B.2.3) Calculated with a yearly hourly rate	Number of hours actually worked for the project multiplied by the pre-calculated yearly hourly rate. This hourly rate is calculated by dividing the latest documented annual gross employment costs by 1,720 hours in accordance with Article 68(2) of Regulation (EU) No 1303/2013.	Time sheets signed by the employee and his/her supervisor indicating the hours worked for the project and the related tasks on a daily basis. The time registration system must cover 100 % of the working time of the employee.	<ol style="list-style-type: none"> 1. Employment/work contract or other equivalent document (see 2.1.1) indicating the involvement of the employee in the project; 2. Job description specifying the project tasks (can be included in the employment/work contract); 3. Calculation of the monthly gross employment costs of the project based on the hours registered in the time sheet and the pre-calculated hourly rate; 4. Accounting document stating the latest total annual gross employment costs of the previous year.
	<p><i>Example calculation:</i></p> <ul style="list-style-type: none"> - gross annual employment costs of the previous year EUR 45,000; divided by 1,720 hours → hourly rate EUR 26.16 (= 45,000 / 1,720) - total monthly hours worked for the project: 100h - total project costs → 100h * EUR 26.16 = EUR 2,616 		

F.3.1.6 Contribution in kind: unpaid voluntary work

Unpaid voluntary work is the only type of in-kind²⁵ contribution accepted within the Programme. If not otherwise specified in the subsidy contract, **unpaid voluntary work can be applied only in the targeted support and communication projects related to implementation of the Strategy (incl. Strategy Forums)**. As the PACs/HALs the organisations responsible for the coordination of the specific Priority Area/Horizontal Action have to show a clear commitment to the PAC/HAL tasks voluntary work is not applicable in the PACs/HALs projects.

Unpaid voluntary work is defined as work which is carried out for the benefit of the project, carried out on the basis of the volunteer's own will and without receiving any financial compensation for it. Voluntary work cannot be part of the paid assignments of the volunteers and should not be assigned to employees receiving remuneration from a project partner or any other organisation. Additionally, unpaid work cannot be assigned for statutory tasks of institutions and neither for project nor financial management. Instead, unpaid work should have a specific purpose and should be limited to a certain time period. The results of the unpaid work should be of added value to the project and contribute to the successful delivery of the project outputs.

Examples:

- A student volunteer supporting the Strategy Forum implementation.

In this case it only needs to be clarified whether the student receives remuneration (e.g. in the form of a scholarship from the university or other organisations). If yes, his/her contribution to the project cannot be accounted for as unpaid work.

- Activities of volunteers of an NGO carried out for the benefit of the project without receiving any remuneration for it.

²⁵ Art. 69 of the EC Regulation (EU) No. 1303/2013

Documentation of unpaid voluntary work

Unpaid workers must have the following documentation available:

- a signed agreement between the volunteer and the organisation specifying the duration and conditions of the unpaid work;
- signed time sheets indicating the hours undertaken by the volunteer to the project.

Calculation and reporting of unpaid voluntary work

When it comes to the calculation of unpaid voluntary work, project partners have to make sure that these have been objectively valued and that the hourly rates are similar but under no circumstances higher than the remuneration for equivalent work carried out in the region/country.

Furthermore, unpaid voluntary work can only be reported up to the amount of the individual partner contribution of each project partner, and is monitored with every progress report.

Additional costs of the host organisation that are essential and are incurred during the implementation of the activities and are carried out by unpaid workers, can be assigned to the project (e.g. travel costs, insurances, material costs).

F.3.1.7 Ineligible costs under budget line 1

The following costs are not eligible:

- overheads and any other office and administration costs cannot be included under this budget line;
- per diems and any other travel and accommodation costs cannot be included under this budget line.

F.3.2 Budget line 2 – Office and administration costs

Office and administration costs related to the project implementation will be calculated on a flat rate basis of 15% of the eligible direct staff costs.²⁶ Being covered by the flat rate, the expenditure categories listed below should not be included under any other budget line. Furthermore, and to avoid any double-financing, partners cannot report any

²⁶ Regulation (EU) No. 1303/2013 Art 68 (b)

cost item listed below in any other form than the flat rate set by the Programme (e.g. direct costs).

The following expenditure categories can be budgeted under budget line 2:

- office rent;
- insurance and taxes related to the buildings where the staff are located and to the equipment of the office (e.g. fire, theft insurances);
- utilities (e.g. electricity, heating, water);
- office supplies;
- general accounting provided in the beneficiary organisation;
- archives;
- maintenance, cleaning and repairs;
- security;
- IT systems;
- communication (e.g. telephone, fax, internet, postal services, business cards);
- bank charges for opening and administering the account or accounts where the implementation of a project requires a separate account to be opened; and
- transnational financial transaction charges.

Please note that any IT system support purchased or leased by the partner organisation to support the delivery of general project activities is eligible under the budget line Office and administrative expenditure. In situations where an external expert is contracted to carry out specific content related tasks concerning the development, modifications or updates of a specific project IT system or a website, such costs will be accepted under the budget line External expertise and services. The cost of IT software/hardware is eligible under the budget line Equipment.

Calculation and documentation

The calculations based on the flat rate for office and administrative costs will be done automatically in every progress report taking into account the amount of direct staff costs that have been reported. The expenditure covered under budget line 2 will not require any documentation from the project partners (i.e. invoices, payment proofs), and

the expenditure items should not be included in the cost itemisation lists of the progress reports. Any difference to the real costs is neither checked nor monitored. Furthermore, over or under-compensation of project partners resulting from the calculations are accepted and do not have to be balanced with real costs.

F.3.3 Budget line 3 – Travel and accommodation costs

Under this budget line only the travel and accommodation costs of **project staff** should be included. The travel and accommodation expenses of external experts, guests and service providers must be budgeted under the budget line 4 – External expertise and services costs.

As a general rule, travel must be relevant for the project activities, have a valuable contribution to the implementation of the project activities and the delivery of the project outputs.

List of eligible expenditure:

- travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll and parking fees);
- costs of meals (other than catering);
- accommodation costs;
- visa costs;
- daily allowances.

Where travel, meals, accommodation and visa costs are covered by the daily allowance, they will not be reimbursed as an addition but should be covered by the daily allowance.

When travel costs are directly paid by an employee of the project partner, the expenditure will be supported by proof of reimbursement to that employee.

As a **general principle**, the **most economical way of transport** will be used (e.g. using economy class instead of business class). Furthermore, and when possible, eco-friendliness of the method of transport should also be considered (e.g. if feasible, train travel could be chosen over flights).

Travel costs outside the Union part of the Programme area are eligible according to Delegated Regulation (EU) no 481/2014 Art 5. Detailed information regarding the requirements of such costs is presented in chapter F.4.1.

Documentation:

- invoices or equivalent accounting documents of travel costs;
- payment proof; and

- proof of reimbursement of costs to the employees where the employees made a direct payment for travel.

F.3.4 Budget line 4 – External expertise and services costs

Under this budget line, the costs of an external service provider, an expert or a consultant have to be budgeted.

The expenditure of external expertise and service will be limited to the services and expertise provided by bodies governed by public or private law other than project partner organisations, or to natural persons other than employees of the project partner organisation.

The following external expenditure is eligible under this budget line:

- studies or surveys (e.g. evaluations, strategies, specific studies, developing policy recommendations, conveying the results and recommendations of Flagship Projects to the policy level);
- training;
- translations;
- IT systems and website development, modifications and updates;
- promotion, communication, publicity or information linked to the project;
- 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;
- verifications (e.g. first level control costs)²⁷;
- certification and audit costs on programme level²⁸ ;

²⁷ Regulation (EU) No 1303/2013 Art 125(4)(a), and Regulation (EU) No 1299/2013 Art 23(4)

²⁸ Regulation (EU) No 1303/2013 Art (126), (127)

- the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee;
- travel and accommodation for external experts, external speakers, external participants in the steering/coordination group meetings; and
- other specific expertise and services needed for the projects.

To be accepted for reimbursement by the Programme, the expenditure listed above has to fulfil the following conditions:

- the task is essential for the project;
- the price of the external service or expertise has been calculated reasonably and according to the standard rates of the country where the project partner concluding the contract is located;
- the Programme, relevant national legislation or community rules regarding public procurement have been applied; and
- the basic principles of transparency, non-discrimination and equal treatment laid down in the EC Treaty have been respected for all contracts.

Documentation:

- procurement documentation;
- invoices;
- proof of delivery of services or goods;
- payment proof.

Ineligible costs:

- basic courses (e.g. language, accounting, use of MS Office);
- external expertise or services of staff employed by the project partner (e.g. freelancers in parallel to employment); and
- external expertise or services provided by other project partners.

F.3.5 Budget line 5 – Equipment costs

In the context of this Manual equipment **needed and used for carrying out project activities** is budgeted under budget line 5. **Project equipment** are tools and devices purchased or already in the possession of a project partner which are necessary for the daily work of the project staff and/or needed for carrying out certain specific project activities (e.g. IT hard and software items, office furniture).

The purchase, rent or lease of the following items is eligible under this budget line:

- office equipment,
- IT hardware and software,
- furniture and fittings,
- other specific equipment needed for the projects.

Purchase costs of second-hand equipment can be eligible provided that:

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

General principles of eligibility:

- not financed from any other financial instrument (e.g. EU, national, international);
- the related equipment was not fully depreciated;
- is not included under any other budget line;
- the related equipment was not purchased from another project partner;
- was incurred during the eligible project duration (e.g. for equipment that was purchased before the project start, not fully depreciated before and used for the project purposes, only the depreciation for the relevant project period is eligible);
- purchased respecting the relevant public procurement procedures; and

- are essential for the project and their features and functions are in line with the project needs.

F.3.5.1 Eligible costs of project equipment

As a general principle, for all project equipment (purchased before or during the project lifetime) only depreciation costs should be allocated to the project. For equipment rented or leased for certain period during the project lifetime rental or leasing costs for the respective period are eligible.

The calculation of depreciation or equivalent division of shares of equipment should be done according to a justified and equitable method and be in line with the national or institutional regulations. Depreciation costs of equipment should be allocated to the time period when the equipment was used for the project purposes.

Example:

An equipment item was used from mid-January to mid-May. This would mean that the equipment was used throughout 5 calendar months for a period adding up to 4 months. The price was EUR 3,600, with annual depreciation of EUR 1,200. By dividing this annual depreciation further by 12 months, the monthly depreciation would equal 100 EUR. Although the project has effectively used the equipment for 4 months the depreciation costs should cover the full calendar months regardless of when the equipment was put in use in the respective month. In our example the project could report EUR 500 (=5 calendar months x EUR 100).

If according to the national legislation the equipment is not depreciable (e.g. low-value asset), the full costs of purchase, lease or rent could be allocated to the project.

Equipment falling under this category does not have to be used for project purposes after the end of the project. Moreover, after use the equipment does not have to remain in the ownership of the project partner that had reported the related costs.

F.4 Activities financed by ERDF implemented outside the Union part of the Programme area

F.4.1 Definition and identification of activities outside the Union part of the Programme area

As a general principle, project activities co- financed by the ERDF must be implemented on the part of the Programme area comprising European Union territory. However, the

scope of a project or PAC/HAL work might require cooperation and joint actions with organisations from countries on the European Union territory but outside the programme area (e.g., Belgium, France, Luxembourg), as well as in third countries (e.g. Iceland).

To facilitate the implementation of such actions the Managing Authority can accept that all or part of a project and its ERDF-financed activities are implemented outside the Union part of the Programme area.²⁹ This means that project partners located in Member States in the Programme area receiving ERDF co-financing can, in justified cases, implement activities in third countries or in Member States not taking part in the Programme. If activities (including travel) or events fall under this category the following basic requirements need to be fulfilled:

- the activity and/or event is for the benefit of the programme area;
- the activity and/or event is essential for the project implementation;
- the implementation and/or the relevance of the activity or the event has been approved by the Managing Authority ex-ante. Activities (including travel) or events implemented outside the European Union part of the Programme area but in Programme countries (Norway, Russia, and Belarus) do not require prior approval by the MA/JS.

Exceptions to the rule are activities and events with promotional and/or capacity building character implemented outside the Union part of the programme area (i.e., outside the Baltic Sea Region, for example, promotional event held in Brussels) as these do not need to be formally categorised as operations outside the programme area and do not need a prior approval from the MA/JS.³⁰ However, these events and activities should still present a clear benefit for the programme area and be essential for the project implementation.

Determining whether an activity falls in or outside the Union part of the Programme area:

The location of the activity is the decisive factor when determining whether the implementation of an activity is outside the Union part of the Programme area (e.g. whether the accommodation is located/the catering is delivered inside or outside the

²⁹ Regulation (EU) No 1299/2013 Art 20(2)

³⁰ Regulation (EU) No 1299/2013 Art 20(3)

Union part of the Programme area). For other activities, which are of a non-material nature, the determining factor is the location of the project partner that incurred the costs.

F.4.2 Financial threshold and monitoring

No more than 20% of the ERDF allocated to the Programme can be spent on the activities and events outside the Union part of the Programme area. Activities having a promotional and/or capacity building character will not be calculated under this threshold.

In order to be able to monitor the threshold the MA/JS will follow up the generation of expenditure outside the Union part of the Programme area on the project level in the regular progress report. In this respect, a section will be made available where the respective data can be introduced by the project partners.

F.5 Financial planning and de-commitment

Projects have to plan their budgets and spending plans carefully since underspending may result in de-commitment. If ERDF funds are not spent according to the defined schedule (known as the “N+3 rule”) the European Commission will de-commit the unspent funds from the Programme³¹. In such a situation, and if the de-commitment cannot be secured by other means, the commitments granted to projects will have to be reduced.

In order to avoid or to reduce the underspending of projects the MA/JA recommends the following:

- The spending rate of a project is usually lower at the beginning of the implementation phase. Therefore, projects are not recommended to plan too ambitious spending rates for the beginning of the project, unless they can assure a swift start; and
- The spending target of the overall project should derive from the targets on the partner level. Therefore, it is essential that every partner has its own realistic spending plan.

³¹ Art. 86-88 of the EC Regulation (EU)

F.5.1 De-commitment: What projects might be affected?

The decision on which projects are affected by the de-commitment will be based on an assessment of the project's spending plan as fixed in the subsidy contract and the actual spending rate of the projects.

Experience shows that project spending is delayed in the first months and that an underspending of 10% can be tolerated. Taking this into account, de-commitment will – in the first instance - only concern **projects whose implementation phase is half finished and their underspending equals or exceeds 10%** compared to the spending plan in the subsidy contract. In case the Programme's de-commitment amount in question cannot be compensated by the project budget cuts as outlined in the procedure above, the 10% threshold will be lowered and additional projects will be included in the de-commitment procedure.

F.5.2 Calculation of the de-commitment

The reference period for the calculation of the project funds to be de-committed starts with the project's first reporting period and ends with the most recent reporting period of the year, which is affected by the de-commitment.

For the reference period, the difference between the project's target (sum of planned payment requests) and actual requests for payments (sum of eligible payment requests and payments) - both cumulated until the end of the latest reporting period - is calculated in % and EUR.

The amount in excess of the 10% threshold is the maximum amount to be de-committed from the project's ERDF funding.

After official information is provided from the Commission about the amount to be de-committed from Programme funds of year N, the MA/JS calculates the amount to be de-committed from the project funds.

The assessment and calculation by the MA/JS is approved by the Monitoring Committee. As a result, the affected projects must lower the ERDF co-financing of the planned payment requests of the past reporting periods, starting with the first one. After reduction, the budget allocated to each reporting period must not be lower than the amount of the ERDF actually paid in that reporting period. The respective procedures will be communicated to the partners by the MA/JS, should such a situation occur.

G Project implementation and progress reports

G.1 Programme support to project implementation

The JS provides support to the project implementation. Project officers, finance officers and communication officers help the projects with questions related to the implementation of the project as well as in reporting on activities and expenditure. The Programme recommends that the projects make use of the support offered by the JS for successful project implementation.

Based on the needs of beneficiaries, the JS may organise targeted events to support the implementation of the projects. Other relevant events may be used to explain the Programme requirements and enable an exchange on the progress achieved.

Information on the website

All the Programme documents necessary for project implementation are available on the Programme website. (www.interreg-baltic.eu)

Project management toolbox

The project and financial managers can find templates in the toolbox for project implementation e.g. for partner reports, staff costs documentation/timesheets and other relevant documents. In addition, the toolbox includes an information toolkit containing templates for press releases, Programme messages and logo as well as basic information about the Programme such as fact sheets, presentations, and flyers.

Country-specific information

The website also contains country-specific sections with information in national languages or specific only for one country (e.g. national authorities, information on the first level control systems).

G.2 Getting started

Projects have to be ready to start the implementation of project activities as soon as possible after the decision of the Monitoring Committee. In any case, the implementation has to be started within a maximum of two months from the next working day following the Monitoring Committee decision.

The success of the project implementation often depends on good cooperation between the partners. In order to ensure high quality and fulfilment of project objectives it is recommended that consideration be given to signing a Partnership Agreement. The Partnership Agreement formalises the division of mutual responsibilities and rights of partners. For more information on Partnership Agreements, please see the general Programme Manual, chapter G.2.1 (Partnership agreement).

Accounting system of the projects

The lead partner and all project partners must maintain:

- a separate accounting system for the project expenditure, or
- an adequate accounting code.

All partners are obliged to maintain a cost itemisation list including all project expenditure and transactions in English (incl. payment day, VAT specification and a brief description of the cost item) without prejudice to the national accounting rules. For easier identification, the MA/JS also recommends using a special stamp with the project name or other adequate method for marking the invoices related to the project. In this way all project related expenditure and receipts should be clearly identified.

It is recommended that the lead partner and all project partners maintain a separate bank account or a sub-account for receiving the ERDF co-financing.

G.3 Reporting

According to the subsidy contract concluded between the lead partner and the Managing Authority the lead partner is responsible for the project management including monitoring of and reporting on the project's progress.

The subsidy contract and the project application and its annexes are the basis for monitoring the progress and achievements of the project.

The progress report includes both activity and financial information related to the project's implementation. It also includes the controller's confirmation of expenditure.

Data provided in a progress report is based on individual partner reports. The Programme will provide obligatory partner report forms.

G.3.1 Reporting periods

Project implementation is most commonly subdivided into twelve-month periods.

For each reporting period (e.g. 12 month reporting period for PAC/HAL support projects), a progress report has to be submitted to the Programme. For this purpose, an online system has been set up (e-monitoring). Each lead partner has access to this system through a confidential code sent by the JS. The full progress report has to be submitted as soon as possible to the JS electronically through the online system but within three months after the end of the reporting period at the latest.

The first report covers the contracting phase and the first twelve months of the implementation period (if not otherwise specified.). The last report covers the last months of the implementation period and the closure period.

Depending on the duration of the targeted general support and communication activities related to the implementation of the Strategy, different reporting periods may be set.

G.3.2 Reporting on activities

The progress report is a core document representing the main channel of information between the partners and the Programme.

The basic principle of activity monitoring implies that activities and outputs are monitored against what was originally planned in the project application and the detailed annual work plan (if applicable). The lead partners are asked to provide a narrative description of the progress in the project implementation during the given reporting period.

If relevant, the description has to provide information on the main challenges that occurred and how the project dealt with them or what actions were necessary to deal with them.

Beyond this minimum requirement, the aim is also to acquire qualitative information on the lessons learned and results achieved within the reporting period. The lead partners are encouraged to be as precise as possible in the information provided in the progress report.

In addition to the regular report on activities carried out, in the final report the partnership is expected to provide a description of overall achievements in relation to the defined strategic aims for the period covered by the project.

Specific requirements for the support to PACs/HALs:

The progress report also has to provide information on the results of the main coordination activities, for example, outcomes of the steering committee/coordination group, results of the cooperation with stakeholders, progress in achievements, policy aims etc.

In addition, together with the progress report, the PACs/HALs have to submit a detailed work plan for the following twelve month period (if not otherwise specified, please see chapter C.1.1.2 Activities and work packages).

G.3.3 Reporting on finances

The expenditures of all project partners are compiled in the joint financial report. All costs included in the financial report must be allocated under the correct budget line.

When filling in the data, the forms will alert the lead partner if any budget or budget flexibility limits were exceeded³².

The compilation of the reported expenditure is done by the lead partner based on partner reports. The obligatory templates for the partner reports will, among others,

³² Regarding budget flexibility rules please see chapter G.4.1. Minor changes

contain a full list of all partner expenditure and a certificate of the partner first level controller³³.

The financial report will be checked by the JS. Apart from the obligatory checks done for every report the JS will also carry out what is known as desk checks. During these desk checks projects might be asked to deliver samples of documents, which were previously checked by the first level control.

As soon as the progress report is accepted by the JS the co-financing funds can be reimbursed.

G.3.4 Management toolkit

Besides the obligatory forms for applications and progress reports (on-line) the JS provides further tools for project management. Some of these templates e.g. the partner report, are obligatory and must be used by all project partners, including the lead partner. Others are voluntary and the projects may use their own templates instead. The templates, as well as the related requirements, are provided on the Programme website- in the section “Management toolkit” of the Programme website (www.interreg-baltic.eu).

G.4 Changes in the project set-up

The partnership may introduce changes to the approved project set-up. This chapter describes categories of project changes and procedures on how to introduce them in the project set-up.

Types of changes

Depending on the impact on the project set-up, changes are divided into minor and major types. Furthermore, depending on their focus changes are categorised as follows:

- changes in the project partnership;
- changes in the budget;
- changes in the work-plan; and
- changes in the duration.

³³ For details regarding first level control please see chapter I. Audit and Control and the general Programme Manual chapter I.

G.4.1 Minor changes and budget flexibility

Minor changes are adjustments of the project set-up which do not have a significant impact on the project implementation. As they are more of a technical character, they do not require prior approval by the MA/JS. Therefore, projects should inform the JS about the minor changes via progress reports.

A list of all the changes that can be introduced within the project without consultation with the MA/JS is detailed below:

Table 3: Minor changes in the project

Description of the change	To do list	Restrictions
1. Contact data change of the lead partner or of the project partners		
E.g. a name or contact details of a contact person has changed.	Update a contact list of the project application form; Update the progress report with the new contact data.	None.
2. Change of the bank account of the LP		
E.g. the lead partner changes a bank account.	Update the progress report with the new bank account information.	None.
3. Change of the VAT status		
During the project implementation the VAT status of one or more partners changes.	Update the relevant sections of the project application form.	None.
4. Work plan adjustments		
Projects may introduce minor adjustments in the work plan. They may be related either to a change of format of a single activity, or to an implementation timeline of a single activity and/or output delivery.	The projects have to communicate the adjustments to the JS via progress reports. The adjustments can be submitted to the JS either before or after they have taken place. Nevertheless, the projects are encouraged to report in advance on any upcoming adjustments and their impacts.	<ul style="list-style-type: none"> • Project aim cannot be changed. • Projects cannot modify the strategic approach. • Projects cannot alter the planned nature and use of the main outputs,

		or to decrease their quality.
<p><i>Example 1: Instead of carrying out a stakeholder workshop in the project implementation month 8, a partnership sees it more relevant to organise a back-to-back event during a large scale international forum (e.g. fair) in month 10.</i></p> <p><i>Example 2: Instead of collecting stakeholder opinions for a policy study via questionnaires it was decided to hold two stakeholder workshops instead. The implementation timeline is unaffected.</i></p>		

5. Budget flexibility														
<p>Budget flexibility allows projects to exceed their total planned budget lines by 20% or EUR 40,000, whichever is higher, without prior notification to the JS.</p> <p>The flexibility is applicable throughout the whole project duration.</p>	<p>The lead partner has to follow the flexibility on a project level in every progress report.</p> <p>Expenditure will be reported under the budget lines with the possibility of over-reporting by 20% or EUR 40,000.</p> <p>The calculation in the progress report form is automatic. Whenever the flexibility is used, this will be reflected by the remaining minus amounts under each budget line.</p> <p>Exceeding the flexibility will result in an error notification. In such cases the report has to be corrected before submission to the JS.</p>	<ul style="list-style-type: none"> • The total budgets of the project partners cannot be exceeded; • The total budget of the project cannot be exceeded. 												
<p><i>Example:</i></p> <table> <tr> <th><i>Budget line (planned value)</i></th><th><i>Budget line (reported value)</i></th><th><i>Difference</i></th></tr> <tr> <td><i>BL1 – EUR 100,000</i></td><td><i>EUR 140,000</i></td><td><i>EUR +40,000</i></td></tr> <tr> <td><i>BL3 – EUR 120,000</i></td><td><i>EUR 80,000</i></td><td><i>EUR -40,000 (EUR 40,000 > 20%)</i></td></tr> <tr> <td></td><td><i>TOTAL budget difference compared to planned</i></td><td><i>0 EUR</i></td></tr> </table>			<i>Budget line (planned value)</i>	<i>Budget line (reported value)</i>	<i>Difference</i>	<i>BL1 – EUR 100,000</i>	<i>EUR 140,000</i>	<i>EUR +40,000</i>	<i>BL3 – EUR 120,000</i>	<i>EUR 80,000</i>	<i>EUR -40,000 (EUR 40,000 > 20%)</i>		<i>TOTAL budget difference compared to planned</i>	<i>0 EUR</i>
<i>Budget line (planned value)</i>	<i>Budget line (reported value)</i>	<i>Difference</i>												
<i>BL1 – EUR 100,000</i>	<i>EUR 140,000</i>	<i>EUR +40,000</i>												
<i>BL3 – EUR 120,000</i>	<i>EUR 80,000</i>	<i>EUR -40,000 (EUR 40,000 > 20%)</i>												
	<i>TOTAL budget difference compared to planned</i>	<i>0 EUR</i>												

G.4.2 Major changes

Depending on their type, major changes can be approved either by the MA/JS or by the MC. In the following two tables, changes are categorised according to the approval body. The tables provide descriptions of the requirements regarding the submission of the requests for change.

Table 4: Major changes

1. Changes in the partnership	
1.1 Partner drop-out without any replacement	
<p>Description of change:</p> <p>A project partner is dropping out and no other organisation is taking over the implementation of its activities or its budget.</p> <p>Restrictions:</p> <p>When such changes occur the lead partner has to make sure that the minimum requirements for the partnership are met. Furthermore, the lead partner has to make sure that activities which have been eliminated from the work plan, as well as the role of the partner, are not crucial for the implementation and the project results can be still delivered as initially planned. Otherwise, the activities have to be taken over by an existing partner.</p>	<p>To do list:</p> <ol style="list-style-type: none"> 1) Submit a request for change form via the e-monitoring system; 2) Submit an updated project application form via the e-monitoring system.
Approval	MA/JS
1.2 Partner drop-out with replacement	
<p>Description of change:</p> <p>A project partner is dropping out and another eligible organisation is taking over the implementation of the activities and the budget.</p> <p>The drop-out can happen under the following circumstances:</p> <ul style="list-style-type: none"> • The partner hasn't started the implementation of the respective activities therefore these, as well as the budget, will be fully taken over; • The partner has carried out partial delivery, but cannot continue the project work. In this case only the remaining tasks and budget will be taken over. <p>Restrictions:</p>	<p>To do list:</p> <ol style="list-style-type: none"> 1) Submit a request for change form via the e-monitoring system; 2) Submit an updated project application form via the e-monitoring system; 3) Submit a partner declaration for: <ul style="list-style-type: none"> a) a new organisation <p>OR</p>

<p>In both cases the pre-condition of the change is that the partner dropping out is not continuing its participation in the project (it can still participate in project activities, e.g., steering group meetings as external participants).</p> <p>The replacement can be done either by:</p> <ul style="list-style-type: none"> a) a new organisation, or b) an existing project partner. 	<p>b) an existing partner, updated and reflecting the increased budget</p>
<p>Approval</p>	<p>a) MA/JS based on the confirmation of the respective MC members on the eligibility of the new partner</p> <p>b) MA/JS based on the confirmation of the higher partner budget from the respective MC members</p>

2. Changes in the project partner organisations

2.1 Name change, legal status change, designation of a legal successor etc.

<p>Description of change:</p> <p>Structural or legal changes, such as a name change or legal status change, which might occur in the project partner organisations during the implementation phase.</p>	<p>To do list:</p> <ol style="list-style-type: none"> 1) Submit a request for change form via the e-monitoring system 2) Submit an updated project application form via the e-monitoring system 3) Submit an updated partner declaration or a new partner declaration for the legal successor 4) Submit a copy of the official document stating the structural, legal etc. change 5) If needed, submit a copy of the document proving that the name/legal statues/old organisation ceases to exist
--	--

Approval	MA/JS Or MA/JS based on the confirmation of the respective MC members on the eligibility of the partner
-----------------	--

3. Changes in the budget

3.1 Reallocation between budget lines above the flexibility level

Description of change:

The change comprises a budget reallocation between the budget lines which goes above the level of the flexibility rule.

Restrictions:

Only one budget change allowed during the project implementation.

To do list:

- 1) Submit a request for change form via the e-monitoring system;
- 2) Submit an updated project application form via the e-monitoring system.

Approval

MA/JS

3.2 Reallocation between project partners (and budget lines)

Description of change:

The change comprises a budget reallocation between project partners. The budget reallocation between partners can also be combined with a budget reallocation between the budget lines.

Restrictions:

Only one budget change allowed during the project implementation.

To do list:

- 1) Submit a request for change form via the e-monitoring system;
- 2) Submit an updated project application form via the e-monitoring system;
- 3) Submit the updated partner declarations of the partners with

	increased budgets.
Approval	MA/JS based on the confirmation of the higher partner budget from the respective MC members

4. Changes in the work plan

4.1 Work plan change

Description of change:

A project is allowed to change its approach without altering the planned project main outputs and results or with minor influences on the major outputs and their use.

The change may concern the following aspects:

- A project needs to re-structure its approach of reaching the defined results,
- A project needs to change a format and/or use of a main output.

Restrictions:

1. Projects cannot substantially alter the planned nature and use of the main outputs, or decrease their quality.
2. The request for change has to be submitted a **minimum of one month** before it is scheduled to take place. If submitted later, the MA/JS reserves the right not to approve it.

To do list:

- 1) Submit a request for change via the e-monitoring system;
- 2) Submit an updated project application form via the e-monitoring system

Approval

MA/JS

***Example 1:** Initially the project planned to organise a conference to disseminate flagship project results in a specific topic. However, it turned out that a suitable larger event is organised by the EU Commission addressing the same topic. Thus, it would be more beneficial to have a special session during this event than to organise a separate conference. In the given situation, a study in the specific field would be needed to have an overview of the flagship results. As a result, not only would the reach of the output be*

widened (larger target group receiving the information on the flagship results), but the project would also benefit from contacts offered by a larger event.

4.2 Reallocation of responsibilities within the partnership

<p>Description of change:</p> <p>The change comprises a reallocation of tasks within the partnership when one or more partners can take over tasks from other partners. This change may also include a partial reallocation of costs.</p> <p>Restrictions:</p> <p>All partners must continue their participation in the project.</p>	<p>To do list:</p> <ol style="list-style-type: none"> 1) Submit a request for change via the e-monitoring system; 2) Submit a revised application form via the e-monitoring system; 3) Submit the updated partner declarations of the partners with increased budgets.
<p>Approval</p>	<p>MA/JS based on the confirmation of the higher partner budget from the respective MC members</p>

5. Prolongation of the project duration

<p>Description of change:</p> <p>In well justified cases partnerships can apply for a prolongation of the project duration.</p> <p>Restrictions:</p> <ol style="list-style-type: none"> 1) The maximum duration of the implementation phase (36 months) cannot be exceeded. 2) The request for change has to be submitted a minimum of three months before the end of the implementation phase of the project. If submitted later, the MA/JS reserves the right not to approve it. 	<p>To do list:</p> <ol style="list-style-type: none"> 1) Submit a request for change via the e-monitoring system; 2) Submit an updated project application form via the e-monitoring system.
<p>Approval</p>	<p>MA/JS</p>

Approval procedure:

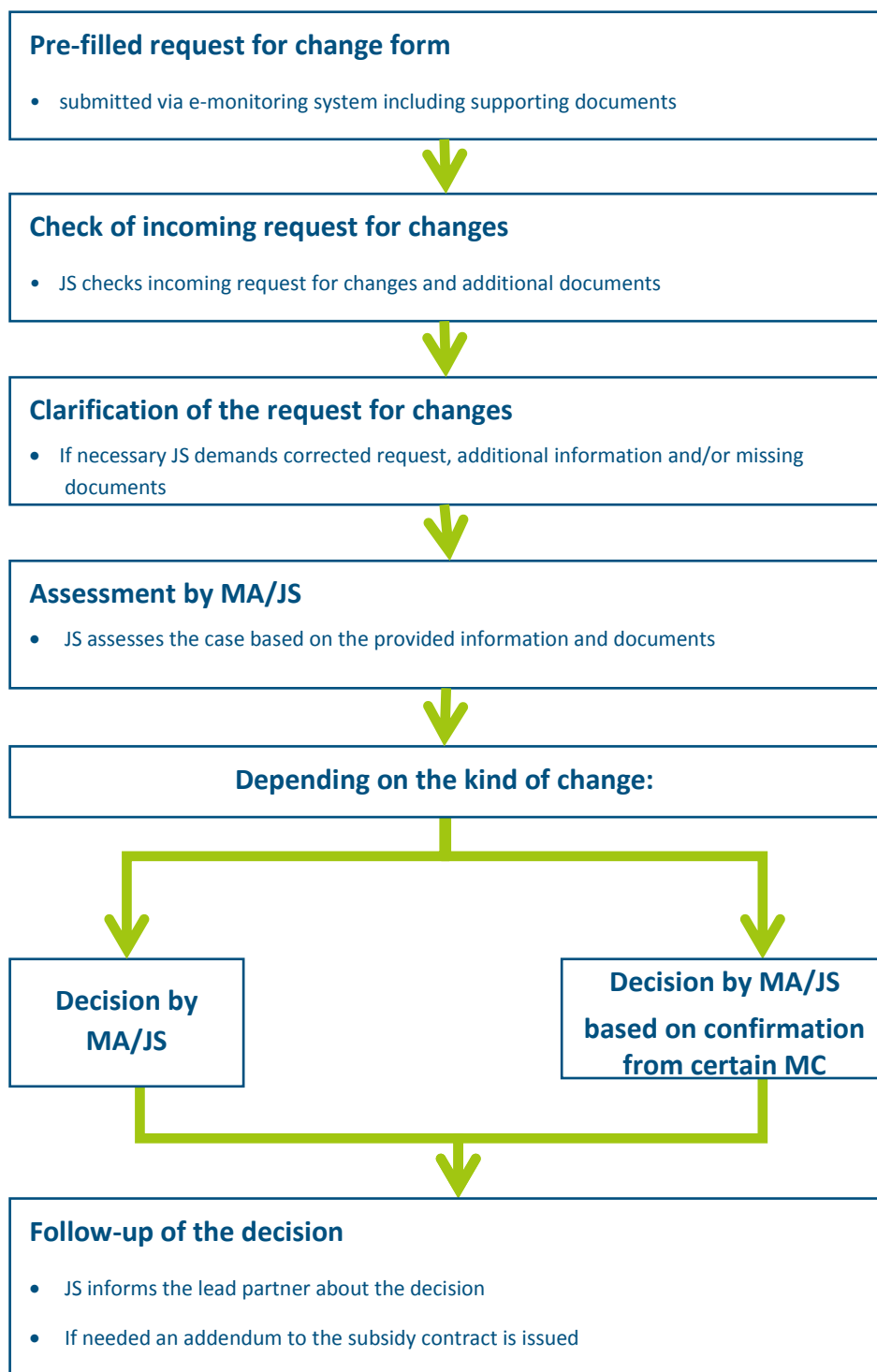
The MA/JS carries out an assessment of the impact of the requested change. The assessment may result in one of the following outcomes:

- a) A positive assessment and the approval of the change request;
- b) Insufficient/unclear information to carry out an assessment. In this case the MA/JS launches a clarification process with the lead partner. If the clarification process is concluded with a positive outcome, the change is approved;
- c) A negative assessment and the rejection of the change request.

Where required, after the assessment, the MS/JS proposes the change for approval/rejection to the respective members of the Monitoring Committee in a written procedure. After the approval and where required the MA/JS will issue an addendum to the subsidy contract.

The following chart gives a summary of the general steps required for the submission and approval of a change:

Figure 5: Submission and approval procedure of a change



G.5 Responsibilities after the project closure

Certain responsibilities of the project partners do not stop with the finalisation of a project but they also continue after the project closure. In particular, project partners should be familiar with the specific requirements regarding ownership modifications and record keeping after completion of projects and the submission of the final progress report. This chapter provides guidance and sets out the Programme requirements regarding these specific issues.

G.5.1 Durability and ownership of the project outputs

Any substantial modification of the project or of the outputs within five years after the project closure date must be avoided.

Outputs such as training material, etc. are not affected by the requirements of the retention of ownership. Projects producing such outputs should comply with the state aid requirements and make their outputs available under a public licence (see chapter F.1.4 of the general Programme Manual). This means that external organisations should be able to use, modify or disseminate the project outputs. However, it must be ensured that all modified and extended versions of the tools/training/etc. are free of charge (a copy-left principle).

Should any of the above conditions not be met by any of the project partners the MA/JS must be informed. This might well imply a recovery of the funds paid.

G.5.2 Availability of documents and accounting records

All accounting and supporting documents (e.g. subsidy contract, project application form, service contracts, public procurement documentation, rental agreements/contracts, important communications with project partners/MA/JS etc.), documents related to the expenditure, controls and audits, and documents required to ensure an adequate audit trail must be accessible.

All related documents should be kept and be available for a period of three years from 31 December following the submission of the payment claim by the MA/JS to the European Commission including the expenditure of the completed project. The MA will inform each lead partner individually about the exact starting date.

These documents must be grouped together and archived. The accounting and supporting documents related to the project partners must be kept at the project partners' premises for an equal period of time. The documents can be kept either in the form of originals or in versions to be in conformity with the original on commonly accepted data carriers. The procedure for the certification of the conformity of these documents held on data carriers with the original documents must be in line with the provisions set by the national authorities and shall ensure that the versions held comply with the national legal requirements and can be relied on for audit and control purposes.

In case of retaining the documents electronically, internationally accepted security standards must be met.

Representatives of the Managing Authority/Joint Secretariat, Audit Authority, Group of Auditors, intermediate bodies, auditing bodies of the Member States, authorised officials of the Community and their authorised representatives, European Commission and the European Court of Auditors are entitled to examine the project, all relevant documentation and accounts of the project even after its closure.

For revenues earned within five years after the project closure, please refer to chapter F.1.7 (Cash inflows).

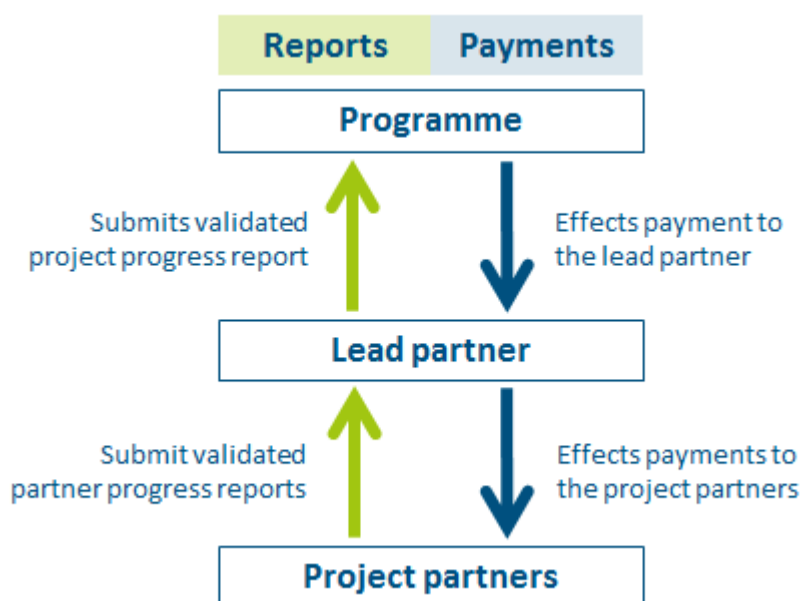
H Payment of subsidies

H.1 Reimbursement principle

The Programme's payment scheme is based on the principle of reimbursement. Each project partner needs to pre-finance their project expenditure and request reimbursement for project related costs from the lead partner by compiling a partner progress report. Prior to submission, the progress report has to undergo a specific certification procedure, what is known as a first level control (for details see *Chapter I Audit and control*). Based on the partner reports the lead partner compiles the project progress report. Once the project progress report has been checked and approved, the MA/JS will pay out the Programme co-financing to the lead partner. The lead partner will then reimburse the costs to the individual project partners.

Note: The Programme does not pay any advance payment of ERDF.

Figure 6: The reimbursement principle



H.2 Payment rules for ERDF co-financing

Role and responsibility of the MA/JS in payment

The MA/JS is responsible for monitoring and transferring the payments of the progress reports within a reasonable time. In principle the MA/JS has to ensure that a lead partner receives the total amount of expenditure requested no later than 90 days from the date of submission of the progress report by the lead partner to the MA/JS, provided that the Programme has sufficient funds available.

Note: Project partners need to ensure efficient financial liquidity as usually, several months pass between the expenditure, the report submission and the actual receipt of funds

Postponement of payment deadlines

The payment deadline may be postponed by the MA/JS in case the amounts indicated in the progress report are not correct and/or the appropriate supporting documents including the documents necessary for management verifications have not been provided (i.e. clarification procedure of a progress report).

An interruption can also occur if an investigation has been initiated by the relevant national or European institutions in relation to a possible irregularity. In such cases the lead partner will be informed in writing of the interruption and the reasons for it³⁴.

Payment transfer

After the approval of the progress report, the MA/JS informs the lead partner about the payment in a payment notification letter. In case there is any difference between the amounts requested in the progress report and the amounts paid, the payment notification letter informs the LP about the reasons for this.

The MA/JS transfers the requested co-financing directly to the account indicated by the lead partner in Euros. The payment arrives on the project account usually within in one to two weeks.

The lead partner is responsible for internal allocation and further disbursement of funds to the project partners after receiving the payment from the Programme. This should be done without delay and as quickly as possible. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied.

³⁴ Regulation EU 1303/2013 Art 132

I Audit and control

Before submission to JS, each progress report (on the project and partner level) has to be verified and confirmed by an independent controller according to the first level control (FLC) system set up by each Member State. The main aim of the controls is to provide a guarantee that costs co-financed under the Programme are accounted for and claimed in accordance with the legal and financial provisions of the subsidy contract (especially the approved application form, the Programme rules, national rules and EC regulations).

I.1 The FLC system

It is the responsibility of each Participating country to designate the controllers for verifying the legality and regularity of the expenditure declared by each lead partner/project partner participating in the project. In practice this means that each lead partner/project partner has to seek confirmation of the reported expenditure from a controller who is authorised by the Participating country (each lead partner/project partner has to have a designated first level controller).

The controllers have to be independent and qualified to carry out the control of project expenditure.

Participating countries have set up their systems for the FLC. A detailed description of the national FLC systems, including the requirements upon the controllers, is available on the Programme website.

There are two different FLC systems applied by the countries in the framework of the Programme:

- Centralised FLC system

The following countries participating in the Programme have decided to implement a centralised FLC system: **Estonia, Latvia, Poland** (Marshal offices, Voivodes, ministries and central offices may also use internal independent controllers), **Sweden** and **Åland (Finland)**.

- Decentralised FLC system

The following countries participating in the Programme have decided to implement a decentralised control system: **Denmark, Germany, Finland, Lithuania** and **Norway**.

Project partners should take into consideration possible costs of the FLC when planning their project partner budgets. Provided it is in line with the national rules, the FLC costs resulting from the validation of the project partner's expenditure can be reported as eligible project expenditure. It depends on the FLC system of a country (e.g. centralised

or decentralised), as to whether project partners have to pay for the FLC. The following table summarises this issue:

Table 5: Does the project partner have to pay for the FLC?

	DE	DK	EE	FI	LT	LV	NO	PL	SE
Project partner has to pay FLC?	Yes	Yes	No	Yes	Yes	No	Yes	No ³⁵	No

However, project partners are asked to check with their responsible national authorities, if further requirements apply.

For detailed information on the existing FLC systems and aspects of the FLC and approbation of the controllers, please see the general Programme Manual chapter I. The controllers and the project partners (especially the lead partners) have to be aware of the rules and ensure full compliance with the rules.

1.2 Role of the first level controller

One of the first level controllers' tasks is to verify that the expenditure reported by the Lead Partner/project partner in each progress report fulfils the following conditions:

- the costs are eligible (in accordance with the Programme rules);
- the conditions of the Programme, approved application form and subsidy contract have been observed and followed;
- the related activities and services are in progress or have been delivered or carried out;
- the invoices and payments are correctly recorded and sufficiently supported by accounting documentation; and
- the community rules and national regulations have been respected especially with regard to, e.g., information and publicity, and public

³⁵ In case the Polish partner uses the option of internal controller (which is allowed if the partner is marshal office, ministry or other central government office and the controller was approved by the Ministry of Infrastructure and Development in line with the national procedure) the costs of the FLC can be reported as eligible project costs.

procurement, as well as transparent selection procedures for external services (service contracts) have been ensured.

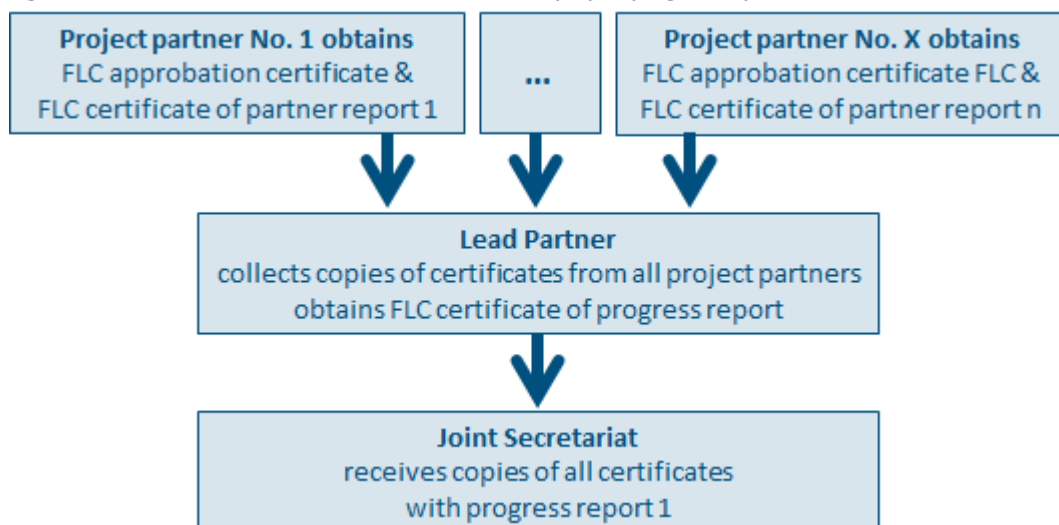
I.3 Responsibility of the lead partner

For each progress report the lead partner has to check that the FLC confirmation (part of the project and partner progress reports) is submitted by each project partner reporting its expenditure. The progress report has to be signed by the project partner's controller who is officially authorised by the approbation certificate or by the respective approved FLC institution (in the case of centralised systems).

In addition, the lead partner is requested to attach to the first project progress report that will be submitted to the JS:

- a copy of the FLC confirmation of each partner progress report;
- a copy of the approbation certificate of all project partners from countries with a decentralised FLC system.

Figure 7: FLC certificates to be submitted with the first project progress report



Detailed steps on cost validation both on project partner and project level are provided in the general Programme Manual, chapter I (Audit and Control). It is the responsibility of the lead partner and project partners to ensure full compliance with the Programme rules, including rules on the second level audit as well as other controls stipulated in chapter I.6 of the general Programme Manual.

J Further guidance

Further guidance on arrangements in case partners are facing difficulties during the implementation of the project is available in the general Programme Manual chapter K. This chapter stipulates procedures applicable in case projects become subjects to judicial or other proceedings (incl. bankruptcy). It also describes irregularity procedure, as well as the decision making and implementation of the decisions on project level once irregularities are detected. The project partners (especially the lead partners) have to be aware of these rules and ensure full compliance with them.

Furthermore, at a later stage the general Programme Manual will also provide guidance on the resolution of complaints (chapter L Resolution of complaints).