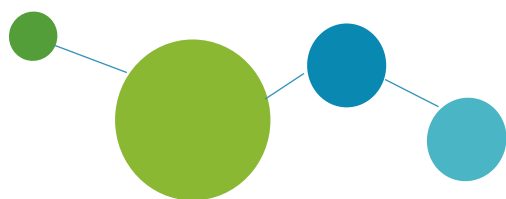


MANUAL FOR BENEFICIARIES FOR STANDARD PROJECTS

PART 4 –

RULES ON ELIGIBILITY OF EXPENDITURE





Manual for Beneficiaries for standard projects

PART 4: RULES ON ELIGIBILITY OF EXPENDITURE

CONTENT OF PART 4:

1 INTRODUCTION	4
1.1 <i>Preamble</i>	4
1.2 <i>Legal framework and hierarchy of rules.....</i>	4
2 ELIGIBILITY PROVISIONS – FOR STANDARD PROJECTS	5
2.1 <i>General eligibility provisions</i>	5
2.1.1 <i>General eligibility requirements.....</i>	5
2.1.2 <i>Non-eligible costs.....</i>	6
2.1.3 <i>Expenditure supported by financial contributions of third parties and prevention of double-funding</i>	6
2.1.4 <i>Time-wise eligibility of expenditure.....</i>	7
2.2 <i>Specific cost category provisions</i>	8
2.2.1 <i>Specific provisions for all cost categories</i>	8
2.2.2 <i>Staff costs.....</i>	10
2.2.3 <i>40% flat rate for other costs.....</i>	14
2.2.4 <i>Office and administrative expenditure.....</i>	14
2.2.5 <i>Travel and accommodation costs.....</i>	15
2.2.6 <i>External expertise and services costs</i>	16
2.2.7 <i>Equipment costs.....</i>	18
2.2.8 <i>Costs for infrastructure and works.....</i>	20
3 PROCUREMENT RULES.....	23
3.1 <i>General principles.....</i>	23
3.2 <i>Programme rules on procurement.....</i>	23
3.3 <i>Conflict of interest.....</i>	24
3.4 <i>Exemption from procurement rules.....</i>	24

1 INTRODUCTION

1.1 PREAMBULE

This part of the Manual for Beneficiaries intends to provide Project Partners in the phase of application and reporting with information and guidance aimed at ensuring that project costs incurred by Project Partners are in compliance with the legal framework for the eligibility of expenditure applicable to the Interreg Programme Slovenia – Hungary (IP SI-HU).

IP SI-HU provides co-financing options for the following types of projects:

- standard projects
- small-scale projects

The eligibility rules are valid from the day of their publication on the programme web site www.si-hu.eu. Unless otherwise stated, for individual projects the version valid at the date of signing the ERDF contract is applicable. It is Project Partners' responsibility to follow the changes in the manual. The content of this document will be, whenever required, further developed and updated during programme implementation. The notification on modifications will be published on the website and the newsletter will be sent.

1.2 LEGAL FRAMEWORK AND HIERARCHY OF RULES

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

1. EU rules on eligibility:
 - Regulation (EU) No 2021/1060 or Common Provisions Regulation (CPR), where Articles 63 to 68 give specific provisions on eligibility of expenditure;
 - Regulation (EU) No 2021/1058 or ERDF Regulation, where articles 5 and 7 gives specific provisions on the eligibility of activities under the ERDF;
 - Regulation (EU) No 2021/1059 or Interreg Regulation, where Articles 37 to 44 give specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal (Interreg);
 - Implementing and delegated acts adopted in accordance with the aforementioned regulations (COMMISSION IMPLEMENTING DECISION (EU) 2022/74 of 17 January 2022 and COMMISSION IMPLEMENTING DECISION (EU) 2022/75 of 17 January 2022);
 - The Interreg Programme Interreg SI-HU adopted by the European Commission on 14.11.2022 with Decision No C(2022)8276.
2. Programme eligibility rules: i.e. additional rules on eligibility of expenditure set up by the monitoring committee (MC) for the IP SI-HU programme as a whole, as outlined in this part of the Manual for Beneficiaries.
3. National (including organisational) eligibility rules: apply for public procurement and for matters not covered by eligibility rules laid down in the abovementioned EU and programme rules.

2 ELIGIBILITY PROVISIONS – FOR STANDARD PROJECTS

2.1 GENERAL ELIGIBILITY PROVISIONS

2.1.1 General eligibility requirements

Expenditure shall be eligible for funding when it is in accordance with the regulatory framework described in chapter 1.2 and fulfil all general eligibility requirements listed below:

- It relates to the costs of implementing a project in the last valid Application Form in Jems;
- It relates to project relevant activities that did not receive support from other EU Funds or other contributions from third parties, except national contributions to the programme co-financing;
- It is essential for the achievement of the project objectives/outputs and it would not be incurred if the project was not carried out;
- It complies with the principle of real costs except for costs calculated as simplified cost option¹;
- It has been incurred and paid by a Project Partner for activities specified in the latest approved Application Form, in the period between the project start and end date set in the Subsidy Contract. Please note that preparation costs of the project are exceptions to this rule. Payments of incurred costs within the project duration shall be made at the latest within 60 days after the project end date, as set in the Subsidy Contract;
- It is registered in the Project Partner's accounts through a separate accounting record and/or an adequate accounting code set in place specifically for the project;
- Expenditures being included in a simplified cost option shall not be controlled by the Programme itself, but their accounting shall respect all relevant national rules;
- It is not in contradiction with any specific eligibility criterion applicable to the respective cost category;
- Invoices and/or documents with equivalent probative value and the related supporting documents of the particular cost item are uploaded in the Jems. Original invoices shall be stored at the respective Partner's premises and will be checked on the spot. In case of SCOs only the supporting documents serving as the basis of calculations shall be respected in case of flat rate options;
- Budget category of travel and accommodation costs and the budget category of office and administration costs require no supporting documents;
- In case of public procurements and procurements, it complies with sound financial management principles, which apply for all Project Partners regardless of their legal status;
- It has been validated by the controller.

¹ Simplified cost options (SCOs) can take the form of flat rate financing, standard scales of unit costs and lump sums.

Please note that the costs have to comply with the principles of sound financial management (principles of economy, efficiency and effectiveness)². Costs which are not eligible according to the applicable eligibility rules, cannot be claimed, even if they are included in the approved Application Form. The reimbursement method chosen by Project Partners has to remain the same during the whole implementation period.

2.1.2 Non-eligible costs

The following costs are not eligible:

- Sponsorships;
- In-kind contributions;
- Fines, financial penalties and expenditure on legal disputes and litigation;
- Costs of gifts;
- Costs related to fluctuation of foreign exchange rate;
- Interest on debts;
- Purchase of land³ and other real estate;
- Tips;
- Cost items split among project partners;
- The amount of discounts (only the discounted amount is eligible);
- Fees between Project Partners of the same project;
- Preparation costs in the form of real costs or the part exceeding 2.000 EUR per project;
- Translation/interpretation other than defined in chapter 2.2.1;
- Costs related to events⁴ (covering moderation, organization, venue/place and catering) in the form of real costs or the part of unit cost exceeding 45 EUR per participant per event day;
- Financial retentions regardless if they were paid and regardless if the bank guarantee was issued;
- Stand-alone project websites outside www.si-hu.eu⁵;
- Project logos or stand-alone brands⁶.

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

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

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

² Within the meaning of Regulation (EU, Euratom) 2018/1046.

³ Purchase of land for an amount exceeding 10 % of the total eligible expenditure for the project. For derelict sites and for those formerly in industrial use which comprise buildings, that limit is 15 %.

⁴ An event is always meant for the general/targeted public and needs to achieve the target of the project.

⁵ Unless the website is intended to build content related platforms or databases as parts of solutions and exceeds the project duration.

⁶ Project logos are based on programme logos and are provided by the programme to the projects. However, specific logos might be considered for outputs with a lifetime that exceeds the project duration. In such exceptional cases prior approval of the MAJS is required.

Project related costs are financed by the following resources:

- a) programme (EU/ERDF) co-financing (up to 80%)
- b) national contributions⁷ (at least 20% altogether) which may be available in the form of own resources (public or private) or third party financial contribution (public or private)

The sum of these resources must equal the amount of project related expenditure (as detailed in the project budget). The involvement of other EU or third party resources in excess of the incurred expenditure reduces the programme financing, otherwise it is considered as double financing and is forbidden.

If more project related expenditure is incurred by a Project Partner during implementation than foreseen in the approved budget (or in its valid modifications) this must be financed by partners' own contribution. Such additional financing (matching additional expenditure with additional funds) ensures the complete implementation of the project and is not considered as double financing.

In case of declaring certain expenditure to different programmes, Project Partner has to enter into comments to what programmes the certain invoice was declared to. Partner has to declare and write on the invoice what amount of the invoice he would like to reimburse from the programme in current report. E-invoices shall be Programme specific, i.e. the Partner shall ensure that the company issuing the e-invoice inserts the particular project code and/or acronym (ensuring that the referred costs are not eligible in other programmes). All the project data (project acronym and/or project code⁸) shall be put on the invoices (requirement towards suppliers/service providers). Costs to be reimbursed in the form of SCOs cannot be claimed in more than one programme.

2.1.4 Time-wise eligibility of expenditure

Generally, the period of eligibility starts with 1st January 2022 the earliest and ends with 31st December 2028 the latest. As a main rule, the costs for the implementation of an approved project are eligible from its start date until its end date as set in the Subsidy Contract, with the exception of:

- a) preparation costs in form of lump sum of 2.000 EUR per project;
- b) costs incurred in the **last reporting period** shall be paid at the latest within **60 days after the project end date** as set in the Subsidy Contract. (All project activities must be concluded until the project end date.)

On this basis, Project Partners may decide at their own risk to start the implementation of the project after the deadline of submission of the applications but even before the Monitoring Committee decision for funding.

⁷ In accordance with the Hungarian Government Decree 241/2023. (VI.20.) on the implementation of cross-border Interreg programmes in the programming period 2021-2027 for Hungarian partners 45% or 50% of the partner's verified total eligible costs shall be provided as a national contribution.

⁸ Check national eligibility rules.

2.2 SPECIFIC COST CATEGORY PROVISIONS

2.2.1 Specific provisions for all cost categories

In the IP SI-HU, there are six cost categories that can be applied when drafting the budget of a standard project. This chapter gives specific provisions regarding the eligibility, forms of reimbursement as well as audit trail on each of these six cost categories:

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

The above cost categories are primarily for the purposes of the planning and implementing of the projects financed by the programme. These categories must be applied according to the relevant cost category specific rules of the programme, independent of the relevant national/internal accounting and public procurement rules.

Expenditure can be settled either on the basis of:

- **real costs** (most of the costs incurred, i.e. staff, external expertise and services, equipment and infrastructure and works),
- **unit costs** (events – see definition below – in the programme, and translation and interpretation costs),
- **flat rates** (in the programme, the reimbursement of office and administration costs, travel and accommodation costs is exclusively in this form, and is optional for staff costs and in case of choosing Option 2 in Table 1 below),
- **lump sum** (preparation costs).

Translations and interpretation

Translation/interpretation costs can be reimbursed in two ways:

- a) **Real costs:** Costs of translations that are related directly to project outputs or deliverables (e.g. studies, books) are reimbursed as **real costs**.
- b) **Unit costs:** Costs of translations and interpretation that are related to the project implementation activities which are planned and incurred in the project are reimbursed in form of **unit costs**. The applicable unit cost for project implementation related to translations/interpretation is 500 EUR/partner report.

Events

Unit cost: Events (e.g. conferences, training courses, seminars and workshops) planned and implemented in the project with a minimum duration of 4 hours within a calendar day and with at least 25 participants representing the relevant target audience on the venue in person. The event unit cost includes costs related to its organisation, the venue (room and equipment), moderation and catering. The price per event unit cost is 45 EUR/person/event day, valid only in case of personal presence of participants.

Preparation costs

Lump sum: Approved projects which successfully signed the Subsidy Contract with the MA are entitled to receive reimbursement of their preparation costs (costs that occurred before the submission of the Application Form) in the form of a lump sum. Opposite, and where applicable, the reimbursement of preparation costs cannot take place if the project was not approved or did not manage to fulfil all conditions for approval set by the MC and listed in the written communication sent by the MA/JS to the Lead Partner following the conclusion of the project selection.

Costs related to project preparation are reimbursed in the form of lump sum in amount 2.000 EUR per project. Any difference between the granted lump sum and the real costs occurred for preparation is neither checked nor further monitored by the programme and beneficiaries do not need to document that the expenditure has been incurred and paid or that the expenditure corresponds to the reality.

In the occurrence that the project is not implemented following the signature of the subsidy contract, the MA may recover the ERDF granted for preparation costs from the Lead Partner in part or in full.

The table below provides an overview of the possible set up of the budget of a standard project, taking into consideration the available combinations of Simplified Cost Options (SCOs) that can be selected by Project Partners (please note that this table does not relate to the setup of the budget of small-scale projects!):

Table 1: Possible combinations of Simplified Cost Options.

	Option 1	Option 2	Option 3
Preparation	Lump sum	Lump sum	Lump sum
Staff costs	Real costs	Flat rate 20 % of direct costs ⁹	Real costs
Office and administrative costs	Flat rate 15 % of direct staff costs	Flat rate 15 % of direct staff costs	Flat rate 40 % of eligible direct staff costs
Travel and accommodation costs	Flat rate 5 % of direct staff costs	Flat rate 5 % of direct staff costs	
External expertise and services costs	Real costs, unit cost for events and for translations and interpretation	Real costs, unit cost for events and for translations and interpretation	
Equipment costs	Real costs	Real costs	
Costs for infrastructure and works	Real costs	Real costs	

⁹ direct costs = external expertise and services costs + equipment costs + costs for infrastructure and works.

2.2.2 Staff costs

2.2.2.1 Definition

Expenditure on staff costs shall consist of the gross employment costs of staff employed by the Project Partner organization for implementing the project. Staff members shall either be already employed by the Project Partner or employed specifically for the project.

Staff costs shall only be claimed for the persons employed by the Project Partner.

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

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

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

Example:

If an employee is working full-time in the Project Partner organization but is working only part of her/his time on an IP SI-HU project, this employee is to be included in the category "part-time" and not "full-time".

However, if an employee working in the Project Partner organization with a reduced- working time contract (e.g. 20 hours per week) but working all her/his time on an IP SI-HU project is to be included in the category "full-time".

Expenditure included under this cost category is limited to:

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

The conditions under which a natural person can work under a contract other than an employment contract, shall be clarified by the Project Partner on the basis of the relevant applicable national (including organizational) rules¹⁰. The costs arising from a contract signed with a natural person shall not be equivalent to an employment contract according to national/organizational rules but belong to the external expertise and services cost category and shall comply with all provisions applicable to that cost category, including the respect of procurement rules.

2.2.2.2 Forms of reimbursement

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

- a) **Real costs**, in which case the Project Partner must document that expenditure has been incurred and paid out (as provided for in the following sections); or
- b) **Flat rate** of 20% of direct costs other than staff costs¹¹, in which case the Project Partner does not need to document that the expenditure has been incurred and paid out.

Each Project Partner shall choose a reimbursement option already in the Application Form. The same reimbursement option shall apply to all staff members of the Project Partner organization working on the project and it will be set for the entire project duration. However different partners in a same project may choose different options for reimbursing the staff costs.

a. Real costs

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

- The adequacy of staff costs must always be ensured.
- Fringe benefits are eligible only if foreseen in the signed contract, national or internal regulations and they are in line with the employment policy of the Project Partner organisation (ad hoc regulations applicable only to the project are not allowed). They must be directly linked to the salary payments and figure on the payslip.
- Unjustified ad-hoc salary increases or bonuses for project purposes are not eligible.
- Where foreseen in the employment document, overtime is eligible, provided that it is in line with the national legislation and the standard practice of the Project Partner organisation. Overtime of an employee working part-time in the project can only be eligible if transparently and proportionally allocated to the project.
- Staff costs must be calculated individually for each staff member allocated to the project.

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

For individuals employed by the Project Partner to work full-time on the project, the total gross employment costs incurred and paid by the employer shall be considered eligible as far as they are in line with the general provisions on eligibility and the additional eligibility requirements applicable to staff costs determined on a real-cost basis (point I. above). The fact that the individual works full-time on the project has to be clearly stated either in the employment document itself, in a task assignment

¹⁰ In Slovenia the "avtorska pogodba", "podjemna pogodba" and "študentsko delo" are to be assigned under external expertise and services costs. The "megbízási szerződés" on Hungarian side is not considered.

¹¹ For Project Partners who plan costs in the cost category infrastructure and works, the flat rate is 10 % of direct costs. For Project Partners who plan costs only in the cost category infrastructure and works (no other direct costs), it is not possible to choose the flat rate option for staff costs.

document or in a document of equivalent probative value of the employee to the project. In this case there is no need for the justification of the number of working hours, i.e. time sheet is not needed.

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

For individuals employed by the Project Partner to work part of their time on the project according to a fixed percentage of time per month, the reimbursement of staff costs shall be calculated by applying the percentage stipulated in the working document (or an official assignment or in a document of equivalent probative value of the employee to the project) to the monthly gross employment cost. The percentage of the assignment shall reflect the employee's related tasks, responsibilities and functions to be performed in the project and shall be individually fixed for each employee.

Gross employment costs multiplied with the above mentioned percentage incurred and paid by the employer shall be considered as eligible as far as they are in line with the general provisions on eligibility and the additional eligibility requirements applicable to staff costs determined on a real-cost basis (point I. above).

In principle, the same % should be applied throughout the whole project duration. However, in exceptional cases (changes in tasks or responsibilities of the employee), the % of working time on the project for the employee may change. The percentage may change with the next financial reporting period. Consequently, the employer must issue an amendment to the document setting out the fixed percentage of time worked on the project (or amend the employment contract directly if the percentage is indicated there).

IV. Task Assignment

The Task Assignment is crucial for calculating costs of staff working on the project. It might **either be part of the employment document or a separate document (Task assignment document)** and shall comply at least with the following:

- Be issued individually for each employee and each project;
- Contain basic information on the project (project acronym, project ID number, partner name, name of the employee);
- Indicate the date from which onward the assignment document is applicable and its version number;
- Contain a self-declaration on the absence of double financing of staff costs (where an employee is involved in other EU or publicly funded projects);
- Provide a description of tasks of the employee in the project;
- Provide the percentage of working time of the employee on the project per month;
- Be signed by the employer (and if necessary by the supervisor etc. also) and the employee.

V. Documents for the audit trail:

The following documents¹² shall be provided to the controller for each employee working on the project:

- Employment document;
- Task assignment for staff working for the project (see point IV. above) if it is not included in the point above;
- Payslips or other documents of equivalent probative value and proof of payment of gross employment costs (e.g. confirmation of tax authority, bank statement);
- For staff working full-time or staff working part-time with a fixed percentage of time per month in the project, **no time sheet is required.**

b. Flat rate of 20 % of direct costs

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

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

Such costs shall be incurred and paid by the Project Partner organisation and shall not include any indirect costs that cannot be directly and fully assigned to the project. Event costs as well as translation and interpretation costs, as they are reimbursed as unit costs, shall be supported by proper documentation. In the occurrence that direct costs used as calculation basis for determining staff costs are found to be ineligible, the determined costs for staff will be automatically re-calculated and reduced accordingly.

Given that office and administrative costs and travel and accommodation costs are calculated as a flat rate of staff costs and are not calculated on a real costs basis, these types of expenditure shall not be included in the basis for calculation of the 20 % flat rate of direct costs.

For Project Partners who plan costs in the cost category infrastructure and works, the flat rate for staff costs is 10 % of direct costs. In case the flat rate option is selected for projects with no infrastructure and works, later changes won't be possible as it will influence the flat rate option. For Project Partners who plan costs only in the cost category infrastructure and works (no other direct costs) shall not be possible to choose the flat rate option for staff costs.

Each Project Partner must choose the option for the reimbursement of staff costs already in the Application Form. The chosen reimbursement option will apply to all staff members of the Project Partner organization working on the project and it will be set for the entire project duration. The chosen option cannot be changed during project contracting or implementation.

¹² Employment document and task assignment have to be provided to the controller in Jems with the first report and additionally, if any changes to the documents occur. All other documents have to be provided to the controller in each reporting period.

Documents for the audit trail

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

2.2.3 40% flat rate for other costs

This flat rate shall be calculated as 40% of eligible direct staff costs and shall cover all remaining project activities of the Project Partner. Therefore, the budget of the Project Partner shall consist of only two cost categories:

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

The suitability of this flat rate shall depend on the activity structure of the project/Project Partner. It shall not be suitable for projects/Project Partners that are heavy on investments or have a low share of salary costs in project budget.

Only staff costs shall be reported in the reporting phase. Project activities and achievements of project results and outputs shall be reported in the activity part and closely monitored. The flat rate shall be directly linked to the staff costs and always calculated on the basis of eligible direct staff costs. If staff costs are reduced by the controllers or other programme bodies, the amount of other costs shall be proportionally reduced.

As other costs are reimbursed on a flat-rate basis and automatically calculated on the basis of direct staff costs (validated by the controllers), Project Partners shall provide documentation only on staff costs, no documentation on other costs is required to be provided to the controller or kept for further controls.

2.2.4 Office and administrative expenditure

2.2.4.1 Definition

Office and administrative costs cover operating and administrative expenses of the Project Partner organisation necessary for the implementation of the project.

According to Article 40 of the Interreg Regulation office and administrative costs shall be limited to the following elements:

- a) Office rent;
- b) Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurance);
- c) Utilities (e.g. electricity, heating, water);
- d) Office supplies;
- e) Accounting;
- f) Archives;
- g) Maintenance, cleaning and repairs;
- h) Security;
- i) IT systems (operating/administrative IT services of general nature, linked to the implementation of the project);

- j) Communication (e.g. telephone, fax, internet, postal services, business cards);
- k) Charges for transnational financial transactions.

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

2.2.4.2 Forms of reimbursement

Office and administrative costs shall be reimbursed by the programme as a **flat rate of 15 % of eligible staff costs** regardless of the form of reimbursement applied under the staff cost category.

In case the Project Partner applies the 40% flat rate of eligible staff costs for the calculation of all other costs (please refer to chapter 2.2.3 of this document), a flat rate shall not be applied to calculate office and administrative costs.

Documents for the audit trail

No documentation on office and administrative costs is required to be provided to the controller or kept for further controls.

In case the staff costs are found to be ineligible, the determined amount of office and administrative costs will be automatically re-calculated and reduced accordingly.

2.2.5 Travel and accommodation costs

2.2.5.1 Definition

The cost category "travel and accommodation costs" refers to the expenditure for travel and accommodation of the staff of the Project Partner organisation for missions necessary for the project implementation.

According to Article 41 of the Interreg Regulation travel and accommodation costs, regardless whether such costs are incurred and paid inside or outside the programme area, shall be limited to the following cost elements:

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

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

In line with Article 42 (o) of the Interreg Regulation, travel and accommodation costs of external experts and service providers shall be declared for under cost category external experts and services.

2.2.5.2 Forms of reimbursement

Travel and accommodation costs shall be reimbursed by the programme as a **flat rate of 5 % of eligible direct staff costs** regardless of the form of reimbursement applied under the staff cost category.



In case the Project Partner is using the 40 % “other cost” flat rate¹³ of the eligible staff costs for the calculation of all other costs (pursuant to article 56 of the Common Provisions Regulation), the 5% flat rate of travel and accommodation costs cannot be applied.

Each Project Partner shall apply for the whole implementation period of the project the method chosen at the application phase.

Documents for the audit trail

No documentation on travel and accommodation costs is required to be provided to the controller or kept for further controls.

In case the staff costs are found to be ineligible, the determined amount of travel and accommodation costs will be automatically re-calculated and reduced accordingly.

2.2.6 External expertise and services costs

2.2.6.1 Definition

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

Expenditure under this cost category shall be limited to the following elements (according to the Article 42 of the Interreg Regulation):

- a) Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- b) Training courses, conferences, seminars and workshops;
- c) Translations if it is needed for the project objectives;
- d) Development, modifications and updates to IT systems and website¹⁴;
- e) Promotion, communication¹⁵, publicity, promotional items and activities or information linked to a project financed by IP SI-HU;
- f) Financial management;
- g) Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- h) Participation in events (e.g. registration fees);
- i) Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- j) Intellectual property rights (e.g. copyrights, patents, trademarks);
- k) Other specific expertise and services needed for the project.

Cost items declared in the external expertise and services cost category cannot be reimbursed under any other cost category and shall relate to the last valid Application Form.

¹³ Please refer to Table 1, Option 3.

¹⁴ See point 2.1.2 for more details.

¹⁵ See point 2.1.2 for more details.

2.2.6.2 Forms of reimbursement

External expertise and services costs shall be reimbursed on the basis of:

- a) Real-costs; or
- b) Unit costs for:
 - Events as defined in chapter 2.2.1;
 - Translation/interpretation as defined in chapter 2.2.1.

In case the Project Partner organisation selected the “40% other cost” flat rate for the calculation of eligible direct costs other than direct staff costs (pursuant to Article 56 of the Common Provisions Regulation), then the said 40% also covers all external expertise and services costs, including costs for events and translations/interpretation too.

2.2.6.3 Specifications, reporting and audit trail

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

- External expertise and services costs must be clearly and strictly linked to the project and be essential for its effective implementation;
- Eligibility of costs for external expertise and services is subject to the full respect of EU, national and programme procurement rules and must comply with the basic principles of transparency, non-discrimination and equal treatment (see Chapter 3);
- All external expertise and services costs have to be clearly mentioned in the Application Form or in approved project modifications;
- Deliverables produced by experts/service providers must respect the relevant publicity requirements in accordance with information and communication guidelines of IP SIHU;
- Contractual advances in accordance with standard commercial law and practice, stipulated in a contract between the Project Partner and the expert/service provider, supported by received invoices (e.g. advance payment for an expert carrying out a study) are eligible but can be reimbursed after confirmation that the service has been properly and timely delivered;
- Subcontracting between Project Partners of a same project is **strictly forbidden** (see chapter 3.3).

Documents for the audit trail

The following documents must be provided to the controller:

1. In case of cost items incurred and paid as real costs:
 - a. Evidence of the selection procedure, in line with EU, national, programme rules, whichever is relevant.
 - b. Contract or written agreement laying down the services to be provided with a clear reference to the project and the programme. For experts paid on the basis of a daily/hourly fee, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented.
 - c. Invoice or request for reimbursement have to include all relevant information in line with the applicable accountancy rules as well as references to the project and the programme and a detailed description of the services provided in line with the contents of the contract. For experts paid on the basis of a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price.

- d. Deliverables produced (e.g. studies, promotional materials) or, where applicable, documentation of the delivery. All deliverables and outputs produced by experts/service providers must respect the relevant publicity requirements.
- e. Proof of payment (e.g. scanned bank statement).
2. In case of events (reimbursement as unit cost as defined in Chapter 2.2.1):
 - a. List of participants¹⁶.
 - b. Event report that shall clearly describe the implementation of the event (where and when it took place; who attended, what was presented, offered and shared with the participants and in what way).
 - c. Photo documentation.
3. In case of translations/interpretation (reimbursement as unit cost as defined in Chapter 2.2.1) no supporting documents are required.

2.2.7 Equipment costs

2.2.7.1 Definition

This cost category shall include expenditure for the financing of equipment purchased, rented or leased by a Project Partner other than those covered by the cost category "office and administration" costs which is necessary for the implementation of the project. The equipment must be necessary to achieve objectives of the project.

Total purchase value of the equipment is eligible in case the equipment is directly linked to project objectives (or it is a project deliverable) and is exclusively used for the project. In this case the durability of purchased equipment has to be assured also after the project completion.

If the equipment is not exclusively used for project purpose, only a share of the actual cost (pro-rata) can be allocated to the project. This share has to be calculated according to a fair, justified and equitable method. This is for instance the case if the equipment is used by staff working part-time for the project. **Furthermore, the equipment must be essential for the delivery of the project, used for that purpose and purchased within the eligible project duration.**

Depreciation costs shall only be eligible if the purchase itself has not already been co-financed from any other EU or public funds. The depreciation costs of depreciable assets shall be directly used for the project concerned and incurred during the period of project duration. For the purchase of equipment with economic life-time longer than the project duration, only depreciation costs are eligible.

According to Article 43 of the Interreg Regulation expenditure on equipment shall be limited to the following elements:

- a) Office equipment;
- b) IT hardware and software (clear project relevance is necessary);
- c) Furniture and fittings;
- d) Laboratory equipment;
- e) Machines and instruments,
- f) Tools or devices;

¹⁶ In case of GDPR, the statement.

- g) Vehicles;
- h) Other specific equipment needed for the operation.

Cost items belonging to the equipment cost category **cannot be reimbursed under any other cost category**.

Costs for the purchase of second-hand equipment¹⁷ may be eligible under the following conditions:

- No other assistance has been received for it from the Interreg funds or from the funds listed in point (a) of Article 1(1) of the Common Provisions Regulation;
- Its price does not exceed the generally accepted price on the market in question; and
- It has the technical characteristics necessary for the project and complies with applicable norms and standards.

2.2.7.2 Forms of reimbursement

Equipment costs shall be reimbursed by the Programme

- a) Either on a real cost basis; or
- b) As part of the "other costs" flat rate pursuant to Article 56 of the Common Provisions Regulation (40% "other cost" flat rate).

2.2.7.3 Specifications, reporting and audit trail

General eligibility requirements for equipment

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

- Equipment must be clearly linked to the project and be essential for its effective implementation;
- All equipment items have to be duly described in the Application Form;
- Eligibility of costs for equipment is subject to the full respect of EU, national (including organizational) and programme procurement rules and must comply with the basic principles of transparency, non-discrimination and equal treatment;
- Full purchase cost of equipment is eligible if according to national and internal accountancy rules is not depreciable (e.g. low-value asset);
- Equipment expenditure cannot refer to items already financed by other EU or third party subsidies and must not be already depreciated;
- Equipment has to be recorded in the fixed assets register;
- Evidence of delivery and installation;
- Where applicable, equipment items must respect the relevant publicity requirements (see Part 6 - Communication and Visibility);
- The existence of equipment and its clear identification to the project may be verified on-the-spot by controllers;
- Contractual advances in accordance with the standard commercial law and practice, stipulated in a contract between the Project Partner and the supplier, supported by receipted invoices (e.g. advance payment for the purchase of a machinery being part of an

¹⁷ Article 43 (2) of Interreg Regulation.

- investment) are eligible but can be reimbursed only after the equipment has been properly and timely delivered and paid;
- Equipment cannot be purchased, rented or leased from another partner or staff of the partner within the project;
 - Equipment of general (office) use shall be reimbursed as depreciable asset in compliance with national accountancy rules and internal accountancy policies of the Project Partner. The full cost of such equipment is eligible solely in the case that the depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project;
 - Equipment for general (office) use for which the exclusive use in the project cannot be demonstrated is not eligible;
 - In case of "project related equipment" the full purchase cost is eligible;

Documents for the audit trail

In case the Project Partner selected the real cost reimbursement option the following documents must be provided to the controller:

- a. Evidence of the selection procedure, in line with EU, national (including organizational) or programme procurement rules;
- b. Contract or written agreement including adequate technical specifications and sufficiently detailed financial information about the purchase of equipment, with a clear reference to the project and the Programme;
- c. Invoice (or a supporting document having equivalent probative value to invoices, in case of depreciation) providing all relevant information in line with the applicable accountancy rules, documentation of inventory and references to the project and the Programme;
- d. In case of assets subject to depreciation, a calculation scheme of depreciation;
- e. In case equipment is only partially used and associated costs declared on a pro-rata basis, the method set for calculating that share.
- f. Evidence of delivery and installation;
- g. Proof of payment (e.g. bank statement).

2.2.8 Costs for infrastructure and works

2.2.8.1 Definition

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

According to article 44 of the Interreg Regulation costs for infrastructure and works shall be limited to the following elements:

- a) Purchase of land in accordance with point (b) of article 64(1) of the Common Provisions Regulation;
- b) Building permits;
- c) Building material;
- d) Labour; and
- e) Specialised interventions (such as soil remediation, mine-clearing).

Cost items that belong to the infrastructure and works cost category **cannot be reimbursed under any other cost category.**

Costs of feasibility studies, environmental impact assessments, architectural/engineering activities and any other expertise needed for the realisation of the infrastructure shall be allocated under “Staff” or “External expertise and services” cost category (depending whether carried out internally by the Project Partner or with the support of external suppliers, respectively).

2.2.8.2 Forms of reimbursement

Costs for infrastructure and works shall be reimbursed by the Programme

- a) Either on a real cost basis; or
- b) As part of the “other costs” flat rate pursuant to Article 56 of the Common Provisions Regulation (40% “other cost” flat rate).

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

2.2.8.3 Specifications, reporting and audit trail

General eligibility requirements for infrastructure and works

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

- Costs for infrastructure and works must clearly linked to the project and be essential for its effective implementation;
- Costs for infrastructure and works have to be duly described in the Application Form or in approved project modifications;
- Full cost for realising infrastructure and works within the project is eligible as stated in the Application Form or as approved beforehand by MA/JS, i.e. no depreciation is necessary;
- Costs for infrastructure and works outside the Programme area are not eligible;
- Eligibility of costs for infrastructure and works is subject to the full respect of EU, national (including organizational) and programme procurement rules and must comply with the basic principles of transparency, non-discrimination and equal treatment;
- Depending on the nature of the intervention linked to the infrastructure and works to be carried out, all compulsory requirements set by Community and national legislation on environmental policies, must be fulfilled;
- Where applicable, works must have been previously authorised by national/regional/local authorities (e.g. building permit);
- The land and/or buildings where the works will be carried out must be in the ownership of the Project Partner or a long-term legally binding agreement has to exist (at least 5 years after the final payment to the Project Partner or within the period of time set out in State aid rules, where applicable);
- Costs for infrastructure and works cannot refer to items financed by other EU or third party subsidies and must not be already depreciated;
- In case of infrastructure and works being part of a larger infrastructural investment funded by other sources, the part realised by the IP SI-HU project must be clearly identifiable;
- Infrastructures and works realised by the project shall respect the relevant publicity requirements (see Part 6 – Communication and Visibility);

- Requirements concerning durability shall apply to investment in infrastructure or productive investment funded within the project (as provided for in Article 65 of the Common Provisions Regulation). This means that within 5 years of the final payment to the Project Partner or within the period of time set out in State Aid rules, where applicable, the project cannot:
 - Cease or transfer a productive activity outside the programme region in which it received support;
 - Change ownership of an item of infrastructure which gives an undue advantage to a firm or a public body;
 - Substantially change its nature, objectives or implementation conditions which would result in undermining its original objectives.
- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the Project Partner and the provider, supported by receipted invoices (e.g. advance payment for the company selected for construction works) are eligible but can be reimbursed only after the infrastructure and works have been properly and timely executed and paid;
- The existence of infrastructures and works realised by the project and their clear identification to the project can be a subject of on-the-spot verifications by controllers for each realised item;
- Infrastructure and works have to be recorded in the fixed asset register.

Documents for the audit trail

The following documents must be provided to the controller:

- a. Legal documents specifying the ownership or a long-term legally binding agreement of land and/or buildings where the works will be carried out;
- b. Where applicable, necessary permissions shall already be issued in the application phase for the execution of the works, issued by the national/regional/local relevant authorities;
- c. Evidence of the appropriate selection procedure, in line with EU, national or programme procurement rules, depending on the nature of the concerned works, the amount contracted and the type of Project Partner;
- d. Contract or written agreement laying down the supplies and/or services to be provided with a clear reference to the project and the programme. Any changes to the contract must comply with the applicable procurement rules and must be documented;
- e. Invoice providing all relevant information in line with the applicable accountancy rules as well as references to the project and the programme and a detailed description of the infrastructure and works carried out in line with contract;
- f. Proof of payment (e.g. bank statement);
- g. Evidence of delivery and installation;
- h. Proof that the completed infrastructure and works is recorded in the fixed assets register;
- i. If applicable, after the finalisation of the works, but at latest with the final partner report the usage permit issued by the relevant authority.

3 PROCUREMENT RULES

3.1 GENERAL PRINCIPLES

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

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

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

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

Failure to comply with the procurement rules set out at EU, national or programme levels will have financial consequences following the »Guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement¹⁸« by applying correction rates based on the type and significance of the non-compliance.

3.2 PROGRAMME RULES ON PROCUREMENT

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

- a. For contracts having a value **below 10.000 EUR (excl. VAT)** or below the national threshold (if stricter than the programme rules), Project Partners shall not be required to provide to the controllers the documents relating to a specific selection procedure¹⁹ when submitting the partner report.
- b. To give evidence of adequate market researches for contracting amounts **of 10.000 EUR (excl. VAT) or above**. This means that in such cases, unless stricter national rules apply, Project Partners must perform and document the execution of adequate market researches (e.g. at least three different and comparable offers requested). This allows to collect sufficient information on the relevant market and for sound comparison of offers in terms of price or quality and a profound assessment of the adequacy of the price.

Public bodies and other institutions falling under the scope of procurement laws (e.g. state, regional or local authorities, associations formed by such authorities, bodies governed by public law and their associations) must comply with the applicable rules on public procurement. Unless stricter rules apply, institutions not falling under the scope of public procurement laws (e.g. private companies, NGOs or

¹⁸ Annex to the Commission Decision C(2019) 3452 of 14 May 2019.

¹⁹ Such as empirical values, internet price comparison, comparison with data from previous purchases, official remark etc.

other associations of private bodies), must provide evidence of an adequate market research as described above.

Project Partners shall decide on the most appropriate procedure on the basis of an accurate assessment of the net value of the future contract, keeping in mind that the artificial splitting of contracts in order to remain below a certain threshold is prohibited. The estimated net value of a contract is the basis for the selection of the procurement procedure to be conducted and accordingly determines the range of the publicity required for the respective procurement.

3.3 CONFLICT OF INTEREST

A conflict of interest exists where the impartial and objective exercise of the functions of a financial actor or other person, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest. Each Project Partner shall be responsible for ensuring that appropriate measures are taken to minimise any risk of conflict of interest.

Although the character of the conflict of interest can be diverse depending on the parties, types of the relationships and interests involved, transparency of the decision-making process and fair treatment for all tenderers is to be ensured. Project staff must not be involved in external companies participating in the tenders organised by the respective Project Partner. However, in all cases measures need to be carefully analysed to minimise any possible risks of conflict of interest. The relevant legislation should be followed.

The programme does not allow that Project Partners (or employees of the Project Partner's organisations) contract each other to carry out project activities. The only legal basis for a Project Partner's activity in the project is the Application Form, which will be reimbursed on the basis of applicable eligibility rules as laid down in this document.

3.4 EXEMPTION FROM PROCUREMENT RULES

For in-house contracting between entities within the public sector the requirements from the latest national legislation as well as in the latest EU directive on public procurement²⁰ imply that:

- The contracting authority exercises over the contracted in-house body a control which is similar to that which it exercises over its own departments;
- More than 80 % of the activities of the controlled body are carried out for the controlling contracting authority;
- There is no direct private capital participation in the controlled body²¹; and
- The value of the contracted activity is equal or lower than the price on the market.

When all the above conditions for an in-house contracting are met, the in-house body can be contracted by the Project Partner through a direct award. Such costs shall be declared under each relevant cost category, according to the nature of the service provided, as well as under the same general and specific provisions on eligibility, reporting and audit trail as provided for in this Manual. **The costs of the service provided are only eligible up to the amount of the proven cost price without profit mark-ups.**

²⁰ Article 12 of Directive 2014/24/EU.

²¹ With the exception of non-controlling and non-blocking forms of private capital participation required by national legislation provisions, in conformity with the Treaties, which do not exert a decisive influence on the controlled body.