



**Interreg**



**SLOVENIA – HUNGARY**

European Union | European Regional Development Fund

**IMPLEMENTATION MANUAL FOR  
BENEFICIARIES**

**PART 4 – ELIGIBILITY OF EXPENDITURE**

Cooperation Programme Interreg V-A Slovenia-Hungary  
for the programme period 2014-2020

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**PART 4: ELIGIBILITY OF EXPENDITURE**

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## Implementation Manual for Beneficiaries

# **PART 4: ELIGIBILITY OF EXPENDITURE**

## PART 4 ELIGIBILITY OF EXPENDITURE

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### 1. INTRODUCTION

#### 1.1 Preamble

This part of the Manual for Beneficiaries is intended to provide project applicants and project partners with information and guidance aimed at ensuring that project costs incurred by beneficiaries are in compliance with the legal framework for the eligibility of expenditure applicable to the Cooperation Programme Interreg V-A Slovenia-Hungary (CP Interreg SI-HU).

#### 1.2 Legal framework and hierarchy of rules

##### 1.2.1 Legal framework

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

- **Regulation (EU) No 1303/2013** 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 (Common Provisions Regulation) with all amendments;
- **Regulation (EU) No 1301/2013** 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 (ERDF regulation) with all amendments;
- **Regulation (EU) No 1299/2013** on specific provisions for the support from the European Regional Development Fund to the European Territorial Cooperation goal (ETC regulation) with all amendments;
- Implementing and delegated acts adopted in accordance with the aforementioned regulations;
- Other regulations, guidelines and directives applicable to the implementation of projects co-funded by the ERDF (some of them mentioned in the text);
- The Cooperation Programme CP Interreg SI-HU adopted by the European Commission on 18 September 2015 with Decision No C(2015)6551.

##### 1.2.2 Hierarchy of rules on eligibility of expenditure

A clear definition of the hierarchy of eligibility rules applicable to projects funded within the European Territorial Cooperation objective of the Cohesion Policy 2014-2020 is defined by article 18 of Regulation (EU) No. 1299/2013 as follows:

#### 1. EU rules: which include:

- Regulation (EU) No 1303/2013 (Common Provisions Regulation) where Articles 6 and 65 to 71 give specific provisions on applicable law as well as on eligibility of expenditure, and Article 120 defining maximum 85% co-financing rate for ETC;

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- Regulation (EU) No 1301/2013 (ERDF regulation) where article 3 gives specific provisions on the eligibility of activities under the ERDF;
  - Regulation (EU) No 1299/2013 (ETC regulation) where Articles 18 to 20 give specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal;
  - Commission Delegated Regulation (EU) No 481/2014 containing specific rules on eligibility of expenditure for cooperation programmes;
  - The Commission Delegated Regulation (EU) No. 480/2014 Act (DA) – common provisions.
2. Programme rules: i.e. additional rules on eligibility of expenditure for the cooperation programme as a whole, as outlined in this part of the programme eligibility rules.
  3. National (including institutional) eligibility rules: which apply only for matters not covered by eligibility rules laid down in the above mentioned EU and programme rules, as well as for public procurement.

The legal requirements set out in the applicable prevailing version, each new version is not listed here.

## 2. ELIGIBILITY OF EXPENDITURE

### 2.1 General eligibility provisions

#### 2.1.1 General eligibility requirements

Expenditure is eligible for funding when it is in accordance with the regulatory framework above and fulfils the following requirements:

- It relates to the costs of implementing a project as submitted by the lead applicant and approved by the monitoring committee;
- It relates to cost items that did not receive support from other EU Funds or other contributions from third parties;
- It is essential for the achievement of the project objectives/outputs and it would not be incurred if the project is not carried out (the additionally of costs incurred for project purposes is to be ensured);
- It complies with the principle of real costs except for costs calculated as flat rate for staff costs and office and administrative expenditure and lump sum for preparation costs;
- It has been incurred and paid by the beneficiary in the period of eligibility;
- It is registered in the beneficiary's accounts through a separate accounting system or an adequate accounting code set in place specifically for the project;
- It is not in contradiction with any specific eligibility criterion applicable to the respective budget line;
- When applicable, the relevant public procurement rules have been observed;
- Invoices and supporting documents are provided in scanned version in the Electronic Monitoring System (eMS). Original invoices and e-invoices will be checked latest before the validation of the final report;
- Nevertheless, the beneficiary is public or private, they all have to act in accordance with the public procurement rules applicable for the public beneficiaries;

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- It has been validated by an authorised national controller.

**Please note that the costs have to comply with the principles of sound financial management (principles of economy, efficiency and effectiveness)<sup>1</sup>. Costs which are not eligible according to the applicable eligibility rules, cannot be claimed, even if they are included in the approved application form.**

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

In order to prevent double funding non-EU financial contributions of third parties (e.g. from national, regional, local sources) specifically assigned to finance eligible costs of the project or any of its actions which are fully (100%) covering the concerned project expenditure make such expenditure not eligible in the framework of the CP Interreg SI-HU programme.

In the case of partial financial contributions of third parties specifically assigned to finance eligible costs of the project or any of its actions, the related costs can be considered as eligible only if the financial contribution does not exceed the share of beneficiary's contribution to that expenditure (min. 15 %). If this financial contribution exceeds the share of beneficiary's contribution, the ERDF contribution from the programme has to be reduced by the amount exceeding the share of beneficiary's contribution to the expenditure.

In case of declaring certain expenditure to different programmes, beneficiary 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. Such invoice has to be stamped and signed before scanning and upload to eMS system.

### 2.1.3 Time-wise eligibility of expenditure

Generally, the period of eligibility starts with 1<sup>st</sup> January 2015 the earliest and ends with 31<sup>st</sup> December 2022 the latest. 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.

Eligible project expenditure shall be incurred and paid within the project period defined by the starting date and end date of the project according to the approved Application Form with the exception of:

- a) preparation costs in form of lump sum of 2.000 EUR per project;
- b) projects involving infrastructure and works, where external services related to preparation of necessary project documentation and obtaining the necessary permissions as well as expenditures related to the acquisition of land may be eligible before the date of submission (registration), but not earlier than 1<sup>st</sup> January 2015 and only on real cost basis;
- c) expenditures related to project activities incurred within the project period shall be paid at latest within 30 days from the end date of the project (all activity must be done until the end date of the project).

On this basis, partners may decide at their own risk to start the implementation of the project even before the Monitoring Committee decision for funding.

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<sup>1</sup> Within the meaning of 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 (OJ L 298, 26.10.2012, p. 1).

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### **2.1.4 Compliance with EU policies and other rules**

#### **2.1.4.1. Public procurement**

##### **General principles and applicable public procurement rules**

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

Rules differ depending on the kind of goods and/or services to be purchased, as well as the value of the purchase and the legal status of the awarding institution. They are set at the following levels:

1. EU rules as set by the applicable directives on the matter
2. National rules
3. Programme rules (see specification below).

In addition to what is set out in the procurement laws, all relevant laws related to this field of law (e.g. rules on contracting, intellectual property, business law etc.) are to 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 COCOF guidelines.

##### **Programme rules on public procurement**

In order to guarantee a harmonised standard in contracting procedures across Member States and to accomplish sound financial management principle, the CP Interreg SI-HU requires from the beneficiaries to give evidence of adequate market searches for contracting amounts comprised up to the threshold set by the applicable EU, national/institutional rules above which prior publication of the tender notice and the conduction of a competitive procedure is required.

All project partners are obliged to implement public procurement procedures in accordance with the Act on Public Procurement valid in Slovenia/Hungary. These rules apply also to entities established by private law acting as beneficiaries in the project since they have been granted public funds.

This means that in such cases, beneficiaries must perform and document the execution of adequate market searches.

##### **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 shared interest with a recipient. Each beneficiary is responsible for ensuring that 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, transparency of the decision making process and fair treatment for all tenderers is to be ensured. Project staff can not be involved as an



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external companies participating in the tenders organised by the respective project partner if they are partial or full owner or employee of the external company and if they participated in the selection process of 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 (for example: the conclusion of a contract between institutions that are represented by the same person(s) might be forbidden).

### **Contracts for the cooperation between public bodies:**

Also in this case requirements deriving from the EU Directive on public procurement apply.

### **Project partners vs external experts/providers:**

The CP Interreg SI-HU 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 the applicable eligibility rules as laid out in this document.

### **2.1.5 Ineligible expenditure**

The following costs are not eligible:

- Any expenditure paid before or after the eligible period of the operation as defined in the Subsidy Contract;
- Purchase of land above 10% of the project value without the land and Purchase of real estate above 40% of the project value without the real estate<sup>2</sup>;
- Sponsorships;
- In-kind contributions, as defined in Article 69(1) of regulation (EU) No. 1303/2013;
- Fines, financial penalties and expenditure on legal disputes and litigation;
- Costs of gifts, except those not exceeding 50 EUR per gift if related to promotion, communication, publicity or information;
- Costs related to fluctuation of foreign exchange rate;
- Interest on debts;
- Recoverable VAT except where it is non-recoverable under national VAT legislation;
- Charges for national financial transactions;
- Second-hand items;
- Tips;
- Artists' fees;
- Splitting cost items among project partners (i.e. sharing of common costs);
- Discounts not considered when claiming the costs (only the discounted amount is to be regarded as eligible);
- Fees between beneficiaries of a same project for services and work carried out within the project;
- Preparation costs in form of lump sum exceed of 2.000 EUR per project.

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<sup>2</sup> Exception of Art. 69 (3b) of Regulation (EU) No 1303/2013: The purchase of land not built on and land built on in the amount exceeding 10 % of the total eligible expenditure for the operation concerned. For derelict sites and for those formerly in industrial use which comprise buildings, that limit shall be increased to 15 %. In exceptional and duly justified cases, the limit may be raised above the respective aforementioned percentages for operations concerning environmental conservation.

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

### 2.2 Specific budget line provisions

In this chapter specific provisions on eligibility, form of reimbursement are given on the following six budget lines applicable to the CP Interreg SI-HU:

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

#### 2.2.1 Staff costs

##### 2.2.1.1 Definition

Expenditure on staff costs consists of the gross employment costs of staff employed by the beneficiary institution for implementing the project. Staff can either be already employed by the beneficiary or contracted specifically for the project.

Staff may be employed in the project by the beneficiary in one of the following ways:

- a) **Full-time in the project** (employee who works 100 % of the working time on a project, regardless to the amount of hours having been hired);
- b) **Part-time in the project** (person who works additionally in other projects or fulfils non-project related duties in the company):
  - part-time with a fixed percentage of time worked on the project per month
  - part-time with a flexible number of hours 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:**

An employee is working full-time in the beneficiary institution but is working only part of her/his time on a project financed by the Programme. From the perspective of the reimbursement of his/her staff costs this is considered to be “part-time” employment and not “full-time”.

On the contrary, an employee working in the beneficiary institution with a reduced-time contract (e.g. 20 hours per week) but working all his/her time on an project financed by the Programme, is to be reimbursed as “full-time”.

Expenditure included under this cost category is limited to:

- a. Salary payments fixed in an employment document (employment contract or any other equivalent legal agreement that permit the identification of the employment relationship with the partner’s organisation) or by law relating to responsibilities specified in the job description of the staff member concerned. Salary payments have to

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relate to activities, which the beneficiary would not carry out if the project concerned was not undertaken.

- 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 covered by Regulation (EC) No 883/2004, provided 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 and/or institution where the individual staff member is working;
  - Not recoverable to the employer.

### 2.2.1.2 Forms of reimbursement

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

- a. **Real costs**, where the beneficiary 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 costs, where the beneficiary does not need to document that the expenditure has been incurred and paid out.

Each beneficiary must choose a reimbursement option already in the application form. The same reimbursement option will apply to all staff members of the partner institution working on the project and it will be set for the entire project duration.

The option chosen by a lead partner and/or project partner when submitting the application form cannot be changed during project contracting and/or implementation! However different partners in a same project may choose different options for reimbursing staff costs.

#### **a. Real costs**

The following applies to staff costs determined on a real cost basis:

- The adequacy of staff costs must always be ensured. When claimed staff costs are not adequate in quality and/or quantity to the realised project deliverables and outputs, as listed in the approved application form, a flat rate correction may be applied following the principle of proportionality and on objective basis.
- Taxable benefits are only eligible if foreseen in the signed contract, national or internal regulations and they are in line with the employment policy of the beneficiary 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 by the employment document, overtime is eligible, provided it is in conformity with the national legislation and the standard practice of the beneficiary. 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 charged to the project.

*Calculation methods are the following within the real costs option:*

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

For individuals employed by the beneficiary to work full-time on the project, the total gross employment costs incurred by the employer are to be considered as eligible as far as they are in line with the general provisions on eligibility and the additional eligibility requirements provided for staff costs determined on a real-cost basis (point I. above).

#### Documents for the audit trail

The following documents must be provided to the controller for each employee:

- a. Employment document;
- b. Job description providing the necessary information on responsibilities related to the project and the duration of working time;
- c. A document clearly stating that the employee works full time on the project and time-frame within the person is assigned to work on the project. It can be the employment document itself and/or employment contract and official assignment (by her/his supervisor) of the employee to the project;
- d. Payslips or other documents of equivalent probative value which allow proof of payment of gross employment costs (e.g. extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement);
- e. Periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic staff report (one per each reporting period) must be signed both by the employee and her/his supervisor;
- f. For staff working full-time in the project, no working time registration (time-sheet) is required for project purposes.

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

For individuals employed by the beneficiary to work part of their time on the project according to a fixed percentage of time per month, the reimbursement of staff costs shall be calculated by applying the percentage stipulated in the working document (and/or an official assignment of the employee to the project) to the monthly gross employment cost.

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

#### Documents for the audit trail

The following documents must be provided to the controller for each employee:

- a. Employment document;
- b. Job description providing the necessary information on responsibilities related to the project and the duration of working time;
- c. A document clearly stating the fixed percentage<sup>3</sup> of time worked by the employee on the project and time frame within the person is assigned to work on the project. It can be the employment document itself and/or employment contract and official assignment (by her/his supervisor) of the employee to the project. In the case that the employee is involved in other EU and/or national co-funded projects, name and funding reference of the concerned project(s) as well as statement on the expected percentage of the

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<sup>3</sup> Calculation method to proof the percentage for the part time assignment on the project-fixed percentage of time has to be provided.

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- employee's working time on each co-funded project and activities done in the respective project; Calculation method to proof the percentage for the part time assignment on the project-fixed percentage of time.
- d. Payslips or other documents of equivalent probative value which allow proof of payment of gross employment costs (e.g. extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement);
  - e. Periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic staff report (one per each reporting period) must be signed both by the employee and her/his supervisor;
  - f. For staff working part-time in the project with a fixed percentage of time per month, no separate working time-sheet is required for project purposes.

### III. Calculation of costs and audit trail of staff working part-time with a flexible number of hours worked on the project per month:

For individuals employed by the beneficiary to work part of their time on the project according to a flexible number of hours worked on the project per month, the reimbursement of staff costs can be calculated on an hourly rate established based on the monthly working time (numbers of hours per month) fixed in the employment document:

- Hourly rate = monthly gross employment cost/number of hours per month fixed in the employment document
- Staff costs = hourly rate \* number of hours worked on the project per month.

#### Documents for the audit trail

The following documents must be provided to the controller for each employee:

- a. Employment document;
- b. Job description providing the necessary information on responsibilities related to the project;
- c. A document clearly stating the monthly working time by the employee on the project. It can be the employment document itself and/or an official assignment (by her/his supervisor) of the employee to the project. In the case that the employee is involved in other EU and/or national co-funded projects, name and funding reference of the concerned project(s) as well as statement on the expected employee's working time on each co-funded project;
- d. Payslips or other documents of equivalent probative value which allow proof of payment of gross employment costs (e.g. extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement);
- e. Periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic staff report (one per each reporting period) must be signed by both the employee and her/his supervisor;
- f. Data from the working time registration system, e.g. time sheets, providing information as well as on the number of hours spent per month on the project and on the hours with no project relevance. The time registration system must cover 100 % of the actual working time of the individual.

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### **b. Flat rate of 20 % of direct costs**

A beneficiary may opt to calculate its staff costs on a flat rate financing basis. The flat rate applicable for the CP Interreg SI-HU is 20 % of the beneficiary's direct costs incurred in the reporting period. All costs incurred by the beneficiary and validated by the national controller under the following budget lines are to be regarded as direct costs for the purposes of the calculation of the flat rate financing for staff costs<sup>4</sup>:

- Travel and accommodation costs;
- External expertise and services costs;
- Equipment expenditure;
- Infrastructure and works expenditure.

The applicable percentage for the reimbursement of staff costs on a flat rate basis is:

- a) 20% in general, but
- b) 10% for projects including costs in the category infrastructure and works.

For projects with no other direct costs but infrastructure and works it is not possible to choose the staff flat rate option.

According to Art 67 (4) of 1303 where an operation or a project forming a part of an operation is implemented exclusively through the public procurement of works, goods or services, only reimbursement of eligible costs actually incurred and paid shall apply (on real cost basis).

Direct costs, which have to be documented to form the basis for the staff costs calculation must be incurred and paid by the partner institution as real costs and must not include any indirect costs that cannot be directly and fully allocated to the project. In the occurrence that direct costs used as calculation basis for determining staff costs are found to be ineligible, the determined costs for staff must be re-calculated and reduced accordingly.

Each beneficiary must choose whether to apply this option for the reimbursement of staff costs already in the application form. The chosen reimbursement option will apply to all staff members of the beneficiary institution 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.

#### *Documents for the audit trail*

For staff costs calculated through flat rate, beneficiaries do not need to document that the expenditure for staff costs has been incurred and paid or that the flat rate corresponds to the reality. Accordingly, no documentation on staff costs is required to be provided to the controller.

### **2.2.2 Office and administrative expenditure**

#### 2.2.2.1 Definition

Office and administrative expenditure covers operating and administrative expenses of the beneficiary organisation necessary for the implementation of the project. Being office and

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<sup>4</sup> This list does not include "office and administration" since expenditure in this category is always calculated as a flat rate of the staff costs.

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administrative expenditure calculated through a flat rate, under this budget line no distinction between direct and indirect costs can be made.

Office and administrative expenditure 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 insurances);
- c) Utilities (e.g. electricity, heating, water);
- d) Office supplies;
- e) General accounting provided inside the beneficiary organisation;
- f) Archives;
- g) Maintenance, cleaning and repairs;
- h) Security;
- i) IT systems (operating/administrative IT services of general nature, linked to the implementation of the project);
- j) Communication (e.g. telephone, fax, internet, postal services, business cards);
- k) Bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened;
- l) Charges for transnational financial transactions.

The above list is exhaustive and all listed items are to be considered as included in the amount calculated applying the flat rate. Accordingly, cost items accounted under the office and administration budget line cannot be claimed and reimbursed under any other budget line.

### 2.2.2.2 Forms of reimbursement

Office and administrative expenditure shall be reimbursed by the programme according to a **flat rate of 15 % of eligible direct staff costs (budget line staff costs)**.

Office and administrative expenditure are calculated as flat rate regardless of the form of reimbursement applied under the staff cost category.

#### Documents for the audit trail

Being the office and administrative expenditure reimbursed according to a flat rate automatically calculated on the basis of direct staff costs confirmed as eligible by the controller, beneficiaries do not need to document that the expenditure has been incurred and paid or that the flat rate corresponds to the reality. Accordingly, no documentation on office and administrative expenditure is required to be provided to the controller or kept for further controls.

If direct staff costs used as calculation basis for determining office and administration expenditure is found to be ineligible, or if staff costs calculated on a flat rate basis are reduced because some of the direct costs serving as a basis for calculation are found to be ineligible, the determined office and administration costs must be re-calculated and reduced at each report immediately.

### **2.2.3 Travel and accommodation costs**

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### 2.2.3.1 Definition

Travel and accommodation costs refer to the expenditure on travel and accommodation of the staff of the beneficiary organisation for missions necessary for the project implementation.

Expenditure on travel and accommodation shall be limited to the following elements:

- a) Travel costs
- b) Costs of meals if they are not included in daily allowance
- c) Accommodation costs
- d) Visa costs
- e) Daily allowances

Any element listed above in points a) to d) covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

The above list is exhaustive and in no case other cost items can be included under this cost category.

### 2.2.3.2 Forms of reimbursement

Travel and accommodation costs of the staff of the beneficiary organisation shall be reimbursed by the programme on a real cost basis.

### 2.2.3.4 Specifications, reporting and audit trail

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

- Travel and accommodation costs must be clearly linked to the project and be essential for its effective implementation. They must be justified by activities carried out within the project (e.g. participation in project meetings, project site visits, meetings with the programme bodies, seminars, conferences, etc.) and in line with the internal rules of the beneficiary;
- Travel and accommodation costs must be definitely borne by the beneficiary. Direct payment of costs by a staff member of the beneficiary must be supported by a proof of reimbursement from the employer;
- The most cost-efficient mean of transportation shall be used. No business or first-class tickets for air transport are eligible irrespective the fact that this may be allowed by the internal rules of the beneficiary institution. Business-or first class train tickets are allowed if it can be proved that they are the most economic travel option when booking the ticket (e.g. through screenshots of booking webpages);
- Local transfers with taxi shall be regarded as eligible only in case they represent the most efficient travel solution (it has to be justified);
- The duration of the mission must be clearly in line with the purpose of it. Moreover, the duration of a mission cannot be longer than from the day before to the day after the concerned meeting. Costs for any longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights, extra per diems, additional staff costs) do not exceed the savings eventually made in the costs for transportation;
- Daily rates for hotels are considered as cost-adequate when they are below or equal the amounts defined by internal rules of the beneficiary;
- Not used travel tickets are not eligible, irrespective to the reason for the cancellation of the travel;
- Travel and accommodation costs of external experts and service providers can be reimbursed only under the external expertise and services cost category;



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- Travel and accommodation costs occurred outside the programme area are eligible only if they are in line with the general provisions on expenditure for activities implemented outside the programme area and if they have been previously authorised by the MA/JS (unless already foreseen in the approved application form).

### Documents for the audit trail

The following documents must be provided to the controller:

- a. Authorisation of mission of the employee(s) travelling, bearing information on the destination and the start and end date of the mission (reimbursement request with all necessary documents proving the costs occurred, e.g. bus or metro tickets, meal receipts, invitation or agenda, confirmation of attendance, minutes only in exceptional cases if no other proof of participation is available, etc.);
- b. Proof of expenditure for costs paid directly by the beneficiary (e.g., invoice of travel agent, plane tickets or boarding cards) and proof of payment of costs directly paid by the beneficiary respectively proof of reimbursement to the employee (e.g. bank statement, extract from a reliable accounting system of the beneficiary);
- c. Reimbursement request from the employee, based on real costs. When claiming on a real cost basis all necessary documents proving the costs occurred must be provided (e.g., bus or metro tickets) including the employment contract in case employee is not financed from the project staff costs;
- d. In case of use of employee's car or company car, mileage calculation sheet with statement of the distance covered, the cost per unit according to national or institutional rules and total cost;
- e. Other supporting documents (e.g. invitation, agenda);
- f. Each employee attending the travel has to prepare a travel report in which his role and connection to the project will be described.

## 2.2.4 External expertise and services costs

### 2.2.4.1 Definition

External expertise and services are provided by a public or private body or a natural person outside of the beneficiary organisation. 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 sub-contracted to carry out certain tasks or activities linked to the implementation of the project.

Expenditure under this budget line shall be limited to the following elements:

- a) Studies or surveys (e.g. evaluations, strategies, concept notes, handbooks);
- b) Training (e.g. venue and trainers);
- c) Translations;
- d) IT systems and website development, modifications and updates (e.g. setting-up and/or update of a project IT system or website);
- e) Promotion, communication, publicity or information linked to an operation or to a cooperation programme as such;
- f) Financial management;
- g) Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation). Costs for food and beverages (catering) at

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internal partner meetings can be eligible for project partner meetings where at least one Slovenian and one Hungarian partner is represented;

- h) Participation in events (e.g. registration fees);
- i) Intellectual property rights;
- j) Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- k) 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 ;
- l) Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- m) Other specific expertise and services needed for the operation.

The above mentioned list is exhaustive. Accordingly, cost items accounted under the external expertise and services budget line cannot be reimbursed under any other budget line.

### 2.2.4.2 Forms of reimbursement

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

### 2.2.4.3 Specifications, reporting and audit trail

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

- 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;
- All external expertise and services costs have to be clearly mentioned in the application form or, if not the case, must have been agreed by the MA/JS beforehand in order to be considered as eligible (before the costs incurred);
- Deliverables produced by experts/service providers must respect the relevant publicity requirements in accordance with information and communication guidelines;
- Complementary activities to events (e.g. visits) must have clear and demonstrable project relevance, otherwise costs linked to them are not eligible;
- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the expert/service provider, supported by receipted invoices (e.g. advance payment for an expert carrying out a study) are eligible but dependent to later confirmation that the service has been properly and timely delivered;
- Sub-contracting between partners of a same project is strictly forbidden.

### Documents for the audit trail

The following documents must be provided to the controller:

- a. Evidence of the selection procedure, in line with EU, national or programme procurement rules, depending on the amount contracted and the type of beneficiary;
- 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

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- 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 provide all relevant information in line with the applicable accountancy rules as well as references to the project and the programme and a detailed description of the services provided in line with the 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 (e.g. in case of events: agenda, list of participants, photo-documentation, etc.). All deliverables and outputs produced by experts/service providers must respect the relevant publicity requirements;
  - e. Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, scanned bank statement).

### 2.2.5 Equipment expenditure

#### 2.2.5.1 Definition

This budget line refers to expenditure for equipment purchased, rented or leased by a beneficiary other than those covered by the cost category “office and administration expenditure”, which is necessary for the implementation of the operation. The equipment must be necessary to achieve objectives of the project. If it is not exclusively used for project purpose, only a share of the actual cost can be allocated pro-rata 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 investment is used by staff working part-time for the operation. Furthermore, the equipment must be essential for the delivery of the operation, used for that purpose and purchased within the eligible operation period.

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

Equipment shall be distinguished according to its purpose:

1. Equipment for **general (office) use** as computers, office furniture, etc. which is used for the daily work of the project staff and which is not already included under the “office and administrative expenditure” budget line.
2. **Project related equipment** directly linked to (or forming part of) the project outputs or deliverables, which will be used by beneficiaries and target groups in line with project

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objectives. Project related equipment may be also linked to the investment and works budget line<sup>5</sup>.

### **Examples:**

- An **equipment of general (office) use** could be a laptop to be used by a staff member of the lead partner appointed as project manager (while e.g. stationary and small office tools that are used for the everyday work of that project manager should be financed in the frame of the **office and administration** flat rate).
- **Project related equipment** could be a thermal camera used for monitoring energy losses of a building, purchased by the beneficiary in relation to the refurbishment of a public building aimed at improving its energy efficiency. In this case the thermal camera belongs to the “equipment” budget line. Other building installations purchased for the refurbishment as e.g. heating equipment such as a boiler belong to the “**infrastructure and works**” budget line.

Cost items accounted under the equipment budget line cannot be reimbursed under any other budget line.

### 2.2.5.2 Forms of reimbursement

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

### 2.2.5.3 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 or, if not the case, must have been agreed by the MA/JS beforehand in order to be considered as eligible (before the costs incurred).
- Eligibility of costs for equipment is subject to the full respect of EU, national (including institutional) and public procurement rules and must comply with the basic principles of transparency, non-discrimination and equal treatment;
- Full purchase cost of equipment that, according to national and internal accountancy rules is not depreciable (e.g. low-value asset) is eligible;
- Equipment expenditure cannot refer to items already financed by other EU or third party subsidies and must not be already depreciated;
- Second-hand equipment is not eligible;
- 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 as provided;
- The existence of equipment and its clear identification to the project must be verified on-the-spot by controllers;

<sup>5</sup> Equipment forming part of an infrastructure/work realised within the project shall be reported under the “equipment” budget line when it cannot be categorised under the “infrastructure and works” budget line, i.e. it does not belong to the items listed in Annex II of the Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014. For further details please see section 2.2.6.

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- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the supplier, supported by receipted invoices (e.g. advance payment for the purchase of a machinery being part of an investment) are eligible but can be reimbursed only after the equipment has been properly and timely delivered;
- 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 beneficiary. 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;
- Project related equipment for which the exclusive use in the project cannot be demonstrated shall be charged pro-rata on the basis of a transparent method set in place by the beneficiary for allocating the share of use in the project.

### Documents for the audit trail

The following documents must be provided to the controller:

- a. Evidence of the selection procedure, in line with EU, national (including institutional) or programme procurement rules, depending on the amount contracted and the type of beneficiary;
- b. In case of project related equipment, contract or written agreement laying down the services and/or supplies to be provided with a clear reference to the project and the programme. For contracts including also daily/hourly fees, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented;
- c. Invoice (or a supporting document having equivalent probative value to invoices, in case of depreciation) or request for reimbursement have to provide all relevant information in line with the applicable accountancy rules as well as references to the project and the programme. For contracts including also a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price;
- d. In case of assets subject to depreciation, a calculation scheme of depreciation;
- e. Evidence of delivery and installation
- f. Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, scanned bank statement).

## **2.2.6 Infrastructure and works expenditure**

### 2.2.6.1 Definition

Expenditure for works (In the sense of the definition of ‘work’ provided for in Article 2(1) of the Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014.) refers to costs incurred by the beneficiary for the execution of an infrastructure.

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Infrastructure and works expenditure may either refer to an object (e.g. a building) 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 accomplishing programme requirements for investments.

### 2.2.6.2 Forms of reimbursement

Infrastructure and works expenditure shall be reimbursed by the programme on a real cost basis.

### 2.2.6.3 Specifications, reporting and audit trail

#### General eligibility requirements for infrastructure and works

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

- Works must clearly link to the project and be essential for its effective implementation;
- Works have to be duly described in the application form or, if not the case, must have been agreed by the MA/JS beforehand in order to be considered as eligible (before the costs incurred);
- 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 works is subject to the full respect of EU, national (including institutional) and programme procurement rules and must comply with the basic principles of transparency, non-discrimination and equal treatment;
- Furthermore, and depending on the nature of the intervention linked to the works to be carried out, all compulsory requirements set by Community and national legislation on environmental policies, must be fulfilled (Community and national legislation incorporates over 200 legal acts in the environmental field);
- Where applicable, works must have been previously authorised by national/regional/local authorities (e.g. building permission);
- The land and/or buildings where the works will be carried out must be in the ownership of the beneficiary or long-term lease contract has to exist (at least 5 years after the final payment made by the CA to the LP);
- Infrastructure and works expenditure cannot refer to items financed by other EU or third party subsidies and must not be already depreciated;
- In the case of works being part of a larger infrastructural investment, the part realised by the CP Interreg SI-HU project must be clearly and univocally identifiable;
- Infrastructures and works realised by the project must respect the relevant publicity requirements;
- Requirements concerning durability, including ownership and maintenance, as provided for in Article 71 of Regulation (EU) No. 1303/2013 apply to infrastructures realised within the project;
- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the provider, supported by receipted invoices (e.g. advance payment for the company selected for construction works) are eligible but can be reimbursement only after the infrastructure and works have been properly and timely executed;

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- The existence of infrastructures and works realised by the project and their clear identification to the project must be verified on-the-spot by controllers for each realised item.

### Documents for the audit trail

The following documents must be provided to the controller:

- a. Legal documents specifying the ownership of land and/or buildings where the works will be carried out;
- b. Where applicable, necessary permissions 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 beneficiary;
- 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. For contracts including also a daily/hourly fee, such fee 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;
- 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 infrastructures/works carried out in line with the contents of the contract. For contracts including also a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price;
- f. Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, scanned bank statement);
- g. Infrastructure and works has to be recorded in the fixed assets register;
- h. Evidence of delivery and installation.

## 2.3 Other financial provision

### 2.3.1 Preparation costs

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, as set in 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.

Preparation costs must be included in the preparation work package, in a distribution according to a decision within the partnership.

The reimbursement of a lump sum for preparation costs follows the principles detailed below:

- The lump sum amounts of 2.000 € of total eligible expenditure per project;
- The ERDF contribution effectively granted to the project is linked to the actual co-financing rate applicable to the partner(s) to whom the lump sum is allocated, as detailed in the approved application form.

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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 from the Lead Partner in part or in full the ERDF granted for preparation costs.

### 2.3.2 Revenues

As a general principle, eligible expenditure of a project (and consequently the ERDF contribution to it) shall be reduced according to the net revenue generated by the project:

- during its implementation and
- assuming the total eligible cost of the operation before the reduction by the net revenues reaches 1 000 000 €, until three years after its completion or by the deadline for the submission of documents for programme closure, whichever is the earlier.

Net revenues are:

Cash in-flows directly paid by users for the goods or services provided by the project, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services.	<b>Minus</b>	Any operating costs and replacement costs of short-life equipment incurred during the corresponding period
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Please note that operating cost-savings generated by the project shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

In case of revenue-generating projects which generate net revenue after their completion, applicants have to calculate the expected net revenues following the method as provided for in article 61(3) paragraph b) of Article 61 of the Common Provisions Regulation and as further detailed under Articles 15 to 19 of the Delegated Regulation (EU) No 480/2014. Net revenues have to be deducted from the project total eligible expenditure fully or on a pro-rata basis and shall consequently reduce the ERDF contribution to it.

Revenues generated by the project are monitored and treated by the MA/JS throughout the project lifetime, as explained below.

#### **a. Revenues foreseen at project application stage**

For projects which have calculated the expected net revenues during the application stage and included the related amount in the application form, the ERDF contribution to the project is already determined with consideration to the corresponding net revenue generated.

#### **b. Revenues generated during project implementation**

Each beneficiary is responsible for keeping account and documenting all revenues generated as a result of project activities for control purposes. The eligible expenditure shall be reduced by the net revenues which must be stated in the progress report. Beneficiaries have to provide their national controllers with information on the revenues generated in the



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reporting period and to support this with accounting documents or documents of equivalent nature.

### **c. Revenues generated after project closure**

Net revenues not foreseen and/or not deducted at the application stage which are occurring after project closure have to be reported to the MA/JS. The corresponding ERDF contribution has to be either withheld from the last instalment to the project or reimbursed to the MA. This obligation applies until three years following the date of closure of the project.

### **2.3.3 Expenditure outside the CP Interreg SI-HU program area**

As a basic principle, the CP Interreg SI-HU supports cooperation between project partners located in the programme area. In turn, project activities should take place in the CP Interreg SI-HU programme area. Exceptions to this general principle apply, as described here below, however the ERDF amount allocated to a programme for expenditure referring to activities implemented outside the programme area cannot exceed 20 % of the overall ERDF granted to the programme.

The mentioned exceptions are expenditure in EU regions outside the programme area - the following two cases fall under this exception:

- Activities carried out (and expenditure incurred) by beneficiaries - as listed in the approved application form - located in EU regions outside programme area of the programme area;
- Activities carried out (and expenditure incurred) in EU regions outside the programme area by beneficiaries located in the programme area.

Expenditure referring to activities carried out in EU regions outside the programme area by beneficiaries located in the program area can be accepted only in exceptional and duly justified cases. This includes the participation in missions, study visits and events. The following requirements must be respected in order to be regarded as eligible:

- Co-funded activities are for the benefit of the regions of the programme area;
- Co-funded activities are essential for the implementation of the project;
- Co-funded activities are explicitly foreseen in the approved application form or, if not, they have been previously authorised by the MA/JS.