Interreg - IPA CBC
Croatia - Serbia

PROGRAMME RULES ON ELIGIBILITY OF EXPENDITURES

Final version adopted by the JMC on 1 March 2016

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INTRODUCTION

This document sets programme rules on eligibility of expenditures and shall provide guidance for the beneficiaries requesting IPA II[1] co-funding as well as for programme management bodies including First Level Controllers as regards the funding conditions and certification of expenditures in the Interreg IPA Cross-border Cooperation Programme Croatia-Serbia 2014-2020.

The rules shall apply to all Operations approved under the Programme and shall apply to all expenditures declared as eligible in any Statement of Expenditure and Payment Claim.

This document shall provide the basis for the preparation of control guidelines for IPA CBC Programmes – detailed instructions for first level controllers.

The document is envisaged to be approved by the Joint Monitoring Committee and regularly revised and updated. The update of the document may be proposed by all relevant programme bodies (NA, FLC, JS, CA, etc.) to the Managing Authority which is in charge of initiating the procedure for the amendment of the document.

This document is the basis for the preparation of the Subsidy Contract/Partnership Agreement.

1. LIST OF DEFINITIONS

Audit: Audit relates to second level control process. As far as operations are concerned, audits will verify the accuracy, reliability and eligibility of the expenditure validated as eligible by the FLC and included in a Payment Claim submitted to the Certifying Authority.

Audit trail: The audit trail provides evidence of the expenditure claimed and enables tracing the financial data to its source. It can be a sequence of information/systems (i.e. accounting records, etc.) that provides detailed information about expenditure actually incurred. Such records show the date of creation, the amount of each item of expenditure, the nature of the supporting documents and the date and method of payment.

Beneficiary: A public or private body, responsible for initiating or initiating and implementing operations. In the context of this Programme, this means all project partners participating in an operation, including the Lead Beneficiary.

Eligible expenditure: Expenditure that complies with all relevant EU, Programme or national rules.

Expenditure category: Represents the main category of expenditures according to EU Regulation No 481/2014 (e.g. staff costs, travel and accommodation costs, etc.). One expenditure category consists of one or more budget lines (e.g. within expenditure category staff costs PPs can define budget line project manager, etc.).

Financial correction: deduction of reported expenditures due to error of irregularity that takes place after payments to operations have been made.

[1] The programme is co-financed from Croatian ERDF and Serbian IPA II Funds, as defined in Cooperation Programme.

First Level Control: Body or individual in charge of performing control checks as described in the control system set up by each Participating Country (in accordance with Article 23(4) of ETC Regulation).
FLC certification process: Validation of expenditure submitted by the beneficiaries in accordance with the applicable Programme rules on eligibility of expenditures.

Ineligible expenditure: Expenditure submitted to the FLC which does not comply with the eligibility rules and which cannot be validated as eligible or expenditure validated as eligible by the FLC, but which is not considered as such by the Programme bodies and/or by the second level control.

Irregularity: any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union (Article 2(36) of CPR).

Recovery: Process of claiming and recovering the amount which has been paid to beneficiaries as a result of an irregularity. This process is initiated by the MA.

2. LIST OF ABBREVIATIONS

AA	Audit Authority
CA	Certifying Authority
ERDF	European Regional Development Fund
EC	European Commission
ETC Regulation	Regulation (EU) No 1299/2013
EU	European Union
eMS	Electronic Monitoring System
FLC	First Level Control
IPA	Instrument for Pre-accession Assistance
JMC	Joint Monitoring Committee
JS	Joint Secretariat
LB	Lead Beneficiary
MA	Managing Authority
NA	National Authority
PC	Participating Country
PP	Project Partner
CPR	Regulation (EU) No 1303/2013
IPA IR	Commission Implementing Regulation (EU) No 447/2014

3. LEGISLATIVE BACKGROUND

This guidance on eligibility of expenditure for beneficiaries sets out the rules on eligibility of expenditure in accordance with EU regulations, programme documents and national legislation.

A clear definition of the hierarchy of eligibility rules applicable to operations 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. General eligibility rules are laid down in, or on the basis of Articles 65 to 71 of Regulation (EU) No 1303/2013. The Commission adopted Delegated Regulation (EU) No 481/2014 laying down specific rules on eligibility of expenditure for cooperation programmes with regard to staff costs, office and administrative expenditure, travel and accommodation costs, external expertise and services costs, and equipment expenditure.
   EU rules on eligibility of expenditure are given in:
   - Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down 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 laying down 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, hereinafter referred to as CPR,
   - Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal, hereinafter referred to as the ETC Regulation,
   - 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, hereinafter referred to as the Financial Regulation,
   - Regulation (EU, EURATOM) No 547/2014 of the European Parliament and of the Council of 15 May 2014 amending Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union,
   - REGULATION (EU) No 1301/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006,
   - Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II),
   - Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action,
   - Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union,
   - Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) 231/2014 of 11 March2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II), hereinafter referred to as IPA IR,
   - Commission Delegated Regulation (EU) No 481/2014 of 4 March 2014 supplementing Regulation (EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes.

2. Without prejudice to the eligibility rules laid down in EU regulations, the participating countries will establish additional rules on eligibility of expenditure for the cooperation

programme as a whole. The JMC is responsible for approving Programme rules on eligibility of expenditures.

Programme rules on eligibility of expenditure are given in:

- Programme rules on eligibility of expenditures (this document),
- Programme Implementation Manual,
- Call specific documents (e.g. Application Package, Guidelines for Applicants, etc.).

3. For matters not covered by eligibility rules laid down in, or on the basis of EU or Programme rules, the national rules of the Participating Country in which the expenditure is incurred shall apply.

   Other relevant national (including institutional) legal acts:

   For Croatia:

- Value Added Tax Act (OG, No 73/13, 99/13, 148/13, 153/13, 143/14),
- Ordinance on the Value Added Tax (OG, No 79/13, 85/13, 160/13, 35/14, 157/14),

   For Serbia:

- Law on VAT (Official Gazette of the Republic of Serbia No. 84/2004, 86/2004, 61/2005, 61/2007, 93/2012, 108/2013, 6/2014, 68/2014 142/2014, 5/2015) with subsequent modifications;
- Rules for VAT exemption (Official Gazette of the Republic of Serbia, No. 107/2004, 65/2005, 63/2007, 107/2012, 120/2012, 74/2013, 66/2014) with subsequent modifications.

   Any other relevant internal document (e.g. regulation/ordinance of beneficiaries, internal rules of compensation and remuneration, travel, etc.).

4. ELIGIBILITY OF EXPENDITURES

There are several dimensions of eligibility:

- Basic conditions of the eligibility of expenditure,
- Geographical eligibility,
- Implementation period,
- Ineligible costs in general,
- Eligible expenditure categories.

4.1. Basic conditions of the eligibility of expenditure

Eligible costs are costs actually incurred by the LB/PPs of a grant and/or paid by LB/PPs which meet all of the following criteria:

- they are incurred during the implementation period of the Operation, with the exception of preparatory costs and closure costs;
- they are indicated in the estimated overall budget of the Operation;
- they are necessary for the implementation of the Operation which is the subject of the grant;
- they are identifiable, verifiable and documented (e.g. contract, invoice, order form[2]), in particular being recorded in the accounting records of the beneficiary and determined

[2] Standardised form for procurement of the desired items.

according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost accounting practices of the beneficiary;

- they comply with the requirements of applicable tax and social security legislation;
- they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency.
- they are incurred in accordance with the relevant EU legislation, Programme rules (defined in this document and call for proposal specific documents, if applicable), and national legislation, and other relevant document (e.g. Financing Agreement);
- they are not listed as an ineligible expenditure;
- they are not double funded (i.e. they are not financed from other sources under the Union Funds or other (national) Funds);
- they reflect the principle of cross-border impact;
- one expenditure item cannot be covered under more than one expenditure category or under more than one budget line under a given expenditure category;
- amounts in the Statement of Expenditure do not exceed amounts in the approved Operation budget (in line with the provisions of the Subsidy Contract/Addenda/minor reallocations);
- co-financing rate (as stipulated in the Subsidy Contract) is applied to each eligible cost under all expenditure categories.

At the stage of the selection of operations, the eligibility of expenditures included in the Application Form is verified (i.e. during budget optimisation). The approval of the operation by the JMC and signing of the Subsidy Contract with the Managing Authority does not mean that all expenses declared for reimbursement by the beneficiary will be considered eligible for co-financing in case they infringe the EU, Programme or national rules, taking into account that all amounts stated in the respected expenditure categories (in the Application Form as well as in Subsidy Contract) are indicative. Final eligible costs will be calculated on the basis of reported eligible expenditures after adequate controls have been performed.

4.2. Geographical eligibility

Operations have to be located in the programme area comprising the part of the territory of the Participating Countries as defined in the Cooperation Programme approved by Commission Implementing Decision C(2015)6026 from 24 August 2015. The programme area includes 4 counties on the north-east of Croatia (Osijek-Baranja County, Vukovar-Srijem County, Brod-Posavina County and Požega-Slavonia County) and 5 districts on north-west of Serbia (North Bačka District, West Bačka District, South Bačka District, Srem District and Mačva District).

According to Article 44 of IPA IR, in exceptional cases, MA may accept that all or part of an operation is implemented outside the programme area when all of the following conditions are satisfied:

a) the operation is for the benefit of the programme area;
b) the total amount allocated under the cross-border cooperation programme to operations located outside the programme area does not exceed 20% of the support from the Union at Programme level and at Operation level;
c) justification is provided within the Application Form.

4.3. Implementation period

In line with Article 43 of IPA IR and Commission Implementing Decision C(2015)6026 from 24 August 2015, expenditure under operations are eligible for funding:

a) if the expenditures have been incurred by the beneficiaries from Croatia and paid between 1 January 2014 and 31 December 2023, or
b) if the expenditures have been incurred by the beneficiaries from Serbia and paid after the submission of the Cooperation Programme (14 November 2014) and in line with Financing Agreement signed between Serbia, Croatia and European Commission, and not later than 31 December 2023.

Implementation period for individual operations is defined in the Subsidy Contract.

Expenditure is eligible according to the following periods:

a) Operation preparation period

According to Article 2(1) of Regulation 481/2014, eligible expenditure shall relate to the costs of initiating or initiating and implementing an operation or part of an operation, hereinafter referred as preparatory costs.
Approved operations are entitled to receive reimbursement of their preparatory costs in the form of a lump sum in the total amount of up to EUR 3.000.
Preparatory costs may include costs of meetings between potential beneficiaries, related staff costs, travel costs, external experts costs for preparation of the documentation, studies, translation of documents, consultations and any other cost related to the preparation of the operation activities carried out before the signing the Subsidy Contract/Partnership Agreement.

Public procurement procedures with regard to the expenditure linked to the preparatory stage of an operation and launched by beneficiaries before the Subsidy Contract was signed between Managing Authority and Lead Beneficiary shall also follow the provisions referred to in Chapter 3 of Title IV of Part Two of the Financial Regulation and of Chapter 3 of Title II of Part Two of Delegated Regulation (EU) No 1268/2012 and shall apply in the whole programme area. The detailed rules on public procurement procedures to be applied by the beneficiaries are described in Programme Procurement Manual.

The following eligibility rules apply to these costs:

- The lump sum will amount up to EUR 3.000 of total eligible expenditure per Operation;
- In order for preparatory costs to be reimbursed to the Lead Beneficiary, they need to be inserted in the Application Form within the budget of the Lead Beneficiary;
- In order to justify requested lump sum, a short justification should be inserted within Application Form.
- The total amount of preparatory costs should be estimated based on the planned activities to be done during the preparation phase of the Operation;
- the lump sum will be automatically transferred to the bank account of the LB after the signature of the Subsidy Contract;
- The LB is responsible to use the granted lump sum only for the preparatory activities of the respected Operation;

- The lump sum related to the preparatory costs shall be claimed in the Statement of Expenditure of the LB;
- In the occurrence that the operation is not implemented following the signature of the subsidy contract, the LB will have to recover in full the amount granted as preparatory costs to the CA.

b) Operation implementation period

Costs for the implementation of an approved operation are eligible from its start date until its end date as set in the Subsidy Contract. The only costs that are considered eligible and may occur before start date are preparatory costs and the only costs that are considered eligible and may occur after implementation period are costs related to the closure of the Operation.
Payment of costs incurred in the last reporting period must take place within 1 month after the operation implementation end date. However, when prolongation of the deadline for the submission of the Progress Report is approved to the LB/PP, payment of costs must take place at the latest prior to the approved extended deadline for submission of the Statement of Expenditure together with the Progress Report to the Control Body. Costs paid after this deadline shall be regarded as not eligible even if incurred during the operation implementation period.

c) Operation closure period

Approved operations are entitled to receive reimbursement of their closure costs in the form of a lump sum in the total amount of up to EUR 2.000.
The closure costs refer to activities of the preparation and submission of the final progress report. This amount aims to compensate the work related to the operation closure after the end date of the operation implementation period.

The following eligibility rules apply to these costs:

- The lump sum will amount up to EUR 2.000 of total eligible expenditure per Operation;
- In order for closure costs to be reimbursed to the Lead Beneficiary, this amount needs to be inserted in the Application Form within the budget of the Lead Beneficiary;
- Closure costs should be envisaged and planned by the LB taking into account actual costs and needs;
- In order to justify requested lump sum, a short justification should be inserted in Application Form;
- The lump sum will be automatically transferred to the bank account of the LB after the signature of the subsidy contract;
- The LB is responsible to use the granted lump sum only for the closure activities of the respected Operation;
- After the signature of the subsidy contract, the lump sum will be automatically transferred to the bank account of the Lead Beneficiary.

4.4. Ineligible costs in general

The following expenditures shall not be eligible for funding under Interreg IPA CBC Programme Croatia-Serbia 2014-2020:

- In line with Article 43(2) and (3) of IPA IR:

- interest on debt;
- value added tax (VAT) except where it is non-recoverable under national VAT legislation;
- the decommissioning and the construction of nuclear power stations;
- investment to achieve the reduction of greenhouse gas emissions from activities falling under Annex I to Directive 2003/87/EC of the European Parliament and of the Council;
- the manufacturing, processing and marketing of tobacco and tobacco products;
- undertakings in difficulties as defined under Union State aid rules;
- investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact.
- the purchase of land not built on and land built on exceeding 10% of the total eligible expenditure for the operation concerned shall not be eligible for funding under IPA II cross-border cooperation assistance. For derelict sites, for sites formerly in industrial use which comprise buildings and for operations concerning environmental conservation, this limit shall be increased to 15%.
- operations shall not be selected for IPA II assistance where they have been physically completed or fully implemented before the application for funding under the cross-border cooperation programme is submitted by the beneficiary to the Managing Authority, irrespective of whether all related payments have been made by the beneficiary.

- In line with Articles 65(11) and 69(1) of CPR:
  - the expenditure item included in the Statement of Expenditure which received support from another Fund or Union instrument, or support from the same Fund under another programme or state budget,
  - Contributions in kind.

- In line with Article 2 of Regulation No 481/2014:
  - Fines, financial penalties and expenditure on legal disputes and litigation.
  - Costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information.
  - Costs related to fluctuation of foreign exchange rate.

- Other ineligible expenditures as defined by the Programme:
  - consultant fees between partners for services and work carried out within the operation,
  - contracting of employees of the beneficiary and partner organisations as external experts (e.g. as freelancers, translators, IT experts, etc.),
  - unjustified ad-hoc salary bonuses that are not directly attributable to Operation delivery,
  - alcohol, except in duly justified cases, when related to the Operation theme/subject[3],
  - purchases of equipment not indicated in the Application Form (Subsidy Contract) or specifically approved during operation implementation by the relevant Programme body,
  - equipment purchased from another Project Partner,

[3] Please note that wine is considered as food, in line with EU and national legislations.

- cost for infrastructure and works outside the Programme area,
- shared costs,
- costs of audits and evaluations at Operation level.

Further non eligible costs may be defined in other relevant Programme documents (call specific documents).

4.5. Eligible expenditure categories

Commission Delegated Regulation (EU) No 481/2014 establishes specific rules on eligibility of expenditure. It defines the list of costs that are eligible under the 5 categories of expenditure:

1) staff costs,
2) office and administrative expenditure,
3) travel and accommodation costs,
4) external expertise and services costs,
5) equipment expenditure.

Following additional expenditure categories are considered as eligible under this Programme:

6) infrastructure and works expenditure,
7) preparation and closure costs.

Specific provisions on eligibility, form of reimbursement, reporting and audit trail are developed under each expenditure category below:

4.5.1. Staff costs

Staff costs are defined as gross employment costs of staff employed by the beneficiary, who are formally engaged to work on the operation. Staff can either be already employed by the beneficiary or employed specifically for the operation in line with beneficiary internal rules.
Staff may be employed in the operation in one of the following ways:

- full time,
- part-time with a fixed percentage of time worked per month,
- part-time with a flexible number of hours worked per month, or
- on an hourly basis.

Staff costs of the employees of the institution involved in the operation are to be considered as cash contribution.

The maximum limit for staff costs per operation will be indicated in call specific documents (e.g. Guidelines for Applicants).

4.5.1.1. General principles

The beneficiaries should take in consideration the following general principles during operation development phase:

- Employment document is:

  a) an employment/work contract, signed both by the legal representative of the employer and the employee, or

b) an appointment decision issued by the legal representative of the employer's institution, or
c) fee-based contract.

- Staff costs are limited to salary/fee payments related to the activities which the entity would not carry out if the operation concerned was not undertaken, fixed in the employment document or by law, relating to responsibilities specified in the job description of the staff member concerned.
- Staff costs include any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security provided that they are:
  - fixed in an employment document or by law;
  - in accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where the individual staff member is actually working;
  - not recoverable by the employer.
- Additional benefits (e.g. monthly transport costs) must be directly linked to the salary payments and incurred and paid by the beneficiary in accordance with the employment contract or relevant national legislation.
- Overheads and any other office and administration costs cannot be included under this expenditure category.
- Daily allowances and any other travel and accommodation costs cannot be included under this expenditure category.
- Costs arising from a contract stipulated with a natural person that results to be not equivalent to an employment documents according to national/institutional rules, belong to the external expertise and services expenditure category and have to comply with all provisions applicable to that expenditure category.
- Overtime is eligible only in case it is directly related to the operation and it is in line with the national legislation and relevant procedure used by the employer institution (if applicable).

4.5.1.2. Forms of reimbursement

Staff costs may be reimbursed in two ways:
1. on a real cost basis (proven by the employment document and payslips),
2. as a flat rate of up to 20% of direct costs other than staff costs of that operation.

Each potential applicant must decide on the reimbursement option and indicate the choice in the Application Form. The chosen reimbursement option will apply to all staff members of the beneficiary institution working on the operation and it will be set for the entire implementation period of the operation. However, different beneficiaries in a same operation may choose different options for reimbursing staff costs.

1. *Real costs*

The following principles shall apply to staff costs determined on a real cost basis:
- The beneficiary is responsible to ensure adequacy of staff costs. When claimed staff costs are not adequate in quality and/or quantity in relation to realised operation deliverables and

outputs, as listed in the approved Application Form, a flat rate correction may be applied following the principle of proportionality.

- Costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security or other remuneration-related costs are only eligible if foreseen in the signed contract/Addenda/minor modification, national or internal regulations and they are in line with the employment policy of the beneficiary. (ad hoc regulations applicable only to the operation are not allowed). They must be directly linked to the salary payments and properly documented (e.g. payslip, etc).
- Staff costs must be calculated individually for each staff member charged to the operation.

1.a Calculation of real costs for staff working full-time in the operation

The employment document (and, when applicable, including related annexes) must provide at least the following information:

- Statement that the employee is working 100% of its working time on the operation;
- Job description or other relevant document containing description of the main tasks to be performed by the employee and the duration of one's assignments related to the operation (the proposal document is given in a template as Annex 1 to this document).

In case of changes in the assignment, the employment document (or related annex) must be revised and the related calculation of costs must be adapted to the revised assignment.

The following documents must be available for control purposes as an audit trail for each employee:

- List of personnel working on the operation,
- Employment document,
- Job description or other relevant document providing information on tasks and responsibilities related to the operation,
- Proof of payment of gross employment costs (e.g. payslip, payroll, bank statements) and accounting record (e.g. extract from a reliable accounting system of the beneficiary),
- Periodic staff report with a summary description of the tasks and missions carried out by the employee in each reporting period. The periodic staff report must be signed both by the employee and her/his supervisor. Template of the Periodic staff report is Annex 3 of this document.

No working time registration system (time-sheet) is required for staff working full-time in the operation!

1.b Calculation of real costs for staff working part-time with a fixed percentage of time worked per month on the operation

For individuals employed by the beneficiary to work part of their time on the operation according to a fixed percentage of time per month, the reimbursement of staff costs shall be calculated by applying the percentage stipulated in the employment document to the monthly gross employment cost.

The employment document (and, when applicable, including related annexes) must provide at least the following information:

- statement on the expected fixed percentage of the employee's working time on the operation;
- in the case that the employee is involved in other EU and/or national co-funded operations implemented by the beneficiary's institution, name and funding reference of the concerned operation(s) as well as statement on the expected percentage of the employee's working time on each operation (no double funding is permissible);
- job description or other relevant document containing description of the main tasks to be performed by the employee and the duration of one's assignments related to the operation (the proposal document is given in a template as Annex 1 to this document).

In case of changes in the assignment, the employment document (or related annex) must be revised and the related calculation of costs must be adapted to the revised assignment.

The following documents must be available for control purposes as an audit trail for each employee:

- List of personnel working on the operation,
- Employment document,
- Job description or other relevant document providing information on tasks and responsibilities related to the operation,
- A document clearly stating the fixed percentage of time worked by the employee on the operation and the duration of the working time. It can be employment document itself and/or an official assignment of the employee to the operation.
- In the case that the employee is involved in other EU and/or national co-funded operations implemented by the beneficiary's institution, name and funding reference of the concerned operation(s) as well as statement on the expected percentage of the employee's working time on each co-funded operation and activities done in a certain operation;
- Proof of payment of gross employment costs (e.g. payslip, payroll, bank statements) and accounting record (e.g. extract from a reliable accounting system of the beneficiary),
- Periodic staff report with a summary description of the tasks and missions carried out by the employee in each reporting period. The periodic staff report must be signed both by the employee and her/his supervisor. Template of the Periodic staff report is Annex 3 of this document.

For staff working part-time in the operation with a fixed percentage of time per month, no working time registration system (time-sheet) is required for operation purposes.

1.c Calculation of real costs for staff working part-time with a flexible number of hours worked per month on the operation

For individuals employed by the beneficiary to work part of their time on the operation with a flexible number of hours per month, the reimbursement of staff costs shall be calculated on the basis of real worked hours in the operation in the concerned month, as resulting from the time-record of the total time worked by the employee (time-sheets).

Costs to be claimed in the operation are calculated multiplying the hourly rate by the number of hours actually worked on the operation. In line with Article 3(6) of the Regulation 481/2014, the hourly rate to be applied for the calculation can be determined either by:

a) dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hours:

$$\text{Hourly rate} = \frac{\text{Monthly gross employment costs}}{\text{Monthly working time expressed in hours}}$$

b) through the following formula, in line with Article 68(2) of the CPR:

$$\text{Hourly rate} = \frac{\text{Latest documented annual gross employment costs}}{\text{1720 hours}}$$

The latest documented annual gross employment costs do not necessarily have to refer to the previous calendar year (e.g. from 1 January to 31 December of the year), but they have to refer to the latest available data relating to last 12 consecutive months prior to start date of the implementation period.

In the case that data on the latest documented annual gross employment costs of the concerned employee is not available (i.e. for staff employed by the beneficiary as from less than one year), costs cannot be calculated with this method.
The hourly rate calculated on the basis of the formula set out above is to remain the same as from when it has been firstly calculated until the end of the operation implementation period. The total amount of hours worked in one year by an employee cannot be higher than 1720 hours and cannot be changed irrespective to the contractual conditions applicable to the employee to be accounted in the operation.

The following documents must be available for control purposes as an audit trail for each employee:

- List of personnel working on the operation,
- Employment document,
- Job description or other relevant document providing information on tasks and responsibilities related to the operation,
- Proof of the latest monthly (option a) / annual (option b) gross employment costs documented through accounts, pay roll reports, payslips, tax form etc. which allow proof of payment of gross employment costs (e.g. confirmation of tax authority, bank statement, or other similar relevant document), accounting record (e.g. extract from a reliable accounting system of the beneficiary) accompanied by the document showing the calculation of the hourly rate,
- Monthly data from the working time registration system (e.g. time-sheets), with at least the following information for each day of the month:

- number of hours worked on the operation;
- where applicable, number of hours worked in other activities, including other EU or national co-funded operations implemented by beneficiary's institution together with name and funding reference of the concerned operation(s), so as to cover 100% of the actual worked time of the employee for the beneficiary institution in the concerned month.

1.d Calculation of real costs for staff contracted for operation purposes on an hourly basis

For individuals employed by the beneficiary on an hourly basis, staff costs shall be calculated multiplying the number of hours actually worked on the operation by the hourly rate agreed in the employment document. The hourly rate has to be in line with budgeted payments for similar job positions.

The services which can be carried out within the scope of regular tasks performed by the project partners themselves cannot be outsourced to external service providers.

The following documents must be available for control purposes as an audit trail for each employee:

- List of personnel working on the operation,
- Employment document,
- Job description or other relevant document providing information on tasks and responsibilities related to the operation,
- Payslips or other documents of equivalent probative value which allow proof of payment of gross employment costs (e.g. confirmation of tax authority, bank statement, or other similar relevant document) and accounting record (e.g. extract from a reliable accounting system of the beneficiary),
- Monthly data from the working time registration system (e.g. time-sheets), with at least the following information for each day of the month:
    - Number of hours worked on the operation;
    - Where applicable, number of hours worked in other activities, including other EU or national co-funded operations implemented by the beneficiary's institution together with name and funding reference of the concerned operation(s), so as to cover 100 % of the actual worked time of the employee for the beneficiary institution in the concerned month.

2. Flat rate up to 20 % of direct costs other than staff costs

A beneficiary may choose to calculate its staff costs on a flat rate basis. Staff costs of an operation may be calculated at a flat rate of up to 20% of the direct costs other than the staff costs of that operation. In that respect, the flat rate applicable for the operation is up to 20% of the beneficiary's direct costs incurred in the reporting period excluding staff costs.
The eligible costs as basis of the calculation of the staff costs are the amounts planned under the following expenditure categories: travel and accommodation costs, external expertise and service

costs, equipment expenditure and infrastructure and works, preparation and closure costs. The expenditure planned under office and administrative is not included in the basis for the calculation of the staff costs.

In case that costs used as calculation basis for determining staff costs are found to be ineligible, the determined amount of staff costs will be re-calculated and reduced accordingly.

In case the flat rate method is applied for the reimbursement of staff costs, no further staff costs incurred on real costs basis can be reported under this expenditure category or under other expenditure categories, i.e. no double funding is permissible.

The following documents must be available for control purposes as an audit trail for each employee:

- The beneficiary has to demonstrate that it has at least one employee involved in the operation through a declaration issued by the beneficiary's legal representative (or delegated person) certifying that at least an employee of the beneficiary institution has worked in the operation in the concerned reporting period.
- In case of small institutions where no staff is employed and the work is provided by the institution's owner(s)/director(s), the legal representative of the institution has to issue a self-declaration certifying that the owner(s) /director(s), of the institution has(have) directly worked in the operation in the concerned reporting period.
- No documentation on staff costs will be required to be provided to the controller. However, the beneficiary is responsible to ensure that only expenditures related to staff costs expenditure category are incurred.

4.5.2. Office and administrative expenditure

Office and administrative expenditure covers operating and administrative expenses of the beneficiary organization necessary for the implementation of the operation.

Office and administrative expenditure shall be limited to the following elements:

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

- coffee/biscuits for small operation meetings;
- education/guidance books (e.g. dictionary, Financial Regulation, etc.).

This list is exhaustive.

4.5.2.1. General principles

- Office equipment, IT hardware and software, and furniture and fittings cannot be included under this expenditure category; the cost must be reported as equipment expenditure. This does not include IT system support of an administrative nature; the cost falls under the office and administrative expenditure category.

4.5.2.2. Forms of reimbursement

Office and administrative expenditure are reimbursed by the Programme on a flat rate basis of up to 15% of staff costs.
Office and administrative expenditure are calculated as flat rate regardless of the form of reimbursement applied under the staff cost category.

In case that staff costs used as calculation basis for determining office and administrative expenditure are found to be ineligible, the determined amount of office and administrative expenditure will be re-calculated and reduced accordingly.

The costs incurred under this expenditure category cannot be claimed under other expenditure categories, i.e. no double funding is permissible.

4.5.2.3. Audit trail

Being that the office and administrative expenditure are reimbursed according to a flat rate calculated on the basis of eligible staff costs, 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 FLC. However, the beneficiaries are responsible to ensure that under this expenditure category only above listed costs are incurred.

4.5.3. Travel and accommodation costs

Travel and accommodation costs refer to the expenditure on travel and accommodation of the staff of the beneficiary organization for missions necessary for the implementation of the operation.
Expenditure on travel and accommodation costs shall be limited to the following elements:

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

4.5.3.1. General principles

- Travel and accommodation costs must be clearly linked to the operation and be essential for effective delivery, promotion and/or sustainability of the operation activities;

- Costs must be borne by the Lead Beneficiary or partner organisation. Direct payment by a staff member of the partner organisation must be supported by a proof of reimbursement from the employer;
- Any expenditure item covered by the daily allowance/per diem cannot be eligible in addition to the daily allowance/per diem, i.e. no double funding is permissible;
- The amount of daily allowances must be in line with relevant national and internal rules of the beneficiary institution;
- The amount of per diem must be in line with those defined at the relevant Commission internet pages[4];
- Applicants will be obliged to choose between using daily allowances or per diems. The chosen options shall be applied during the whole Operation implementation;
- Travel and accommodation costs of external experts and service providers (including speakers, chairpersons, teachers, stakeholders, etc. contributing to the operation) cannot be included under this expenditure category; they must be reported as external expertise and services costs;
- The principle of sound financial management should apply to the choice of transport and accommodation. In addition, the result-oriented policy approach and cost-efficiency should be taken into account;
- Costs of taxi are eligible in duly justified cases;
- Costs of private car are eligible in justified cases (e.g. when institutional rules allow it);
- Business or first-class airline tickets are eligible only in exceptional cases it can be proved (e.g. through screenshots or booking webpages) that the related costs are in line with principle of sound financial management (e.g. it is the most economical travel option) or it can be proved as cost-effective;
- Accommodation in hotels with a rating higher than 4* is eligible only in exceptional cases it can be proved that it is in line with principle of sound financial management (e.g. it is the most economical accommodation) or it can be duly justified;
- Costs for CO_2 compensation are eligible.

The MA may accept the costs of travel, accommodation and meals taken in establishments located outside the programme area as eligible, if incurred in accordance with Article 20(2) of ETC Regulation. This shall also apply to costs of travel to and from the location of an event or an action inside or outside the programme area for the staff of beneficiaries located outside the programme area. However, the conditions regarding the eligibility of costs outside the programme area have to be respected, as described in chapter 4.2.Geographical eligibility.

4.5.3.2. Forms of reimbursement

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

4.5.3.3. Audit trail

The following documents must be available for control purposes as an audit trail:

- Internal travel sheet of the institution/organization filled in with the following information: authorisation of mission, subject of the mission, the destination and the start and end date of

[4] The latest per diem rates are indicated at the following link: https://ec.europa.eu/europeaid/sites/devco/files/perdiem-rate-20150318.pdf

the mission accompanied by reimbursement request from the employer (final calculation) and travel report,

- proof of expenditure for costs incurred (e.g. invoice of travel agent, plane tickets, e-tickets, boarding pass, bus or metro tickets, meal receipts, etc.),
- in case of traveling by private car, the costs have to be in line with the calculation method in travel sheet indicating the distance covered, the cost per unit according to national or institutional rules/legislation and total cost,
- in case of traveling by institution's car, the calculation formula given in Annex 2 should be used,
- other supporting documents (e.g., invitation, agenda, list of participants, minutes),
- in case of travel in business or first class by an airplane, travel by a private car or a taxi, and accommodation in a hotel with a rating higher than 4*, short justification must be provided, as well as proof (through screenshots or booking webpages) that the relevant costs are in line with principle of sound financial management (e.g. it is the most economical travel option) or that they are cost-effective.

4.5.4. External expertise and services costs

External expertise and services are provided by a public or private body or a natural person outside of the beneficiary organization. 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 operation.
The following expenditure on external expertise and service costs is eligible under this expenditure category:

- studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- training;
- translations;
- IT systems and website development, modifications and updates;
- promotion, communication, publicity or information linked to an operation or to a cooperation programme as such;
- financial management;
- services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (e.g. registration fees);
- legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- intellectual property rights;
- verifications under Article 125(4)(a) of Regulation (EU) No 1303/2013 and Article 23(4) of Regulation (EU) No 1299/2013;
- certification and audit costs on programme level under Articles 126 and 127 of Regulation (EU) No 1303/2013;
- the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the Joint Monitoring Committee;
- travel and accommodation for external experts, speakers, chairpersons of meetings, service providers and stakeholders;
- external researches,
- environmental impact assessment of an investment,

- investment feasibility study,
- other external expertise and services related to the investments in infrastructure (e.g. hydrology study),
- IT consultants,
- design, edit, print, distribution of operation brochures, leaflets, publications, bags, etc.,
- publishing of promotion articles, inserts in newspapers, press releases, etc.,
- external speakers,
- advance payments to external service providers, provided this is in line with the national rules and has been agreed in the contract.
- other specific expertise and services needed for operations.

4.5.4.1. General principles

- The work by external experts and service providers must be relevant for implementation of the Operation.
- The services reported under this expenditure category relate to the services which cannot be carried out within scope of regular tasks performed by the project partners themselves and are therefore outsourced to external service providers.
- No sub-contracting between project partners is allowed.
- Each partner organisation is responsible for ensuring that Programme procurement rules are respected, especially public procurement principles (transparency, non-discrimination, equal treatment, fair competition, mutual recognition, proportionality).
- Cost items claimed under the external expertise and services expenditure category cannot be reimbursed under any other expenditure category.
- Travel and accommodation costs of stakeholders can be covered from this expenditure category only in duly justified cases. Programme procurement rules and relevant principles have to be respected, especially the principle of transparency.
- The price of the external service or expertise has to be calculated in line with the principle of sound financial management (e.g. according to the standard rates of the country where the project partner concluding the contract is located).

4.5.4.2. Forms of reimbursement

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

4.5.4.3. Audit trail

The following documents must be available for control purposes as an audit trail:

- evidence of the procurement procedure (announcement, selection, award), in line with Programme procurement rules;
- contract/order form laying down the services to be provided, with clear reference to the operation and the programme. For experts paid on the basis of a daily fee, such a fee together with the number of days contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the programme procurement rules and must be documented;
- an invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules, as well as references to the operation 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;
- outputs of the work of external experts or service deliverables, respecting the publicity/visibility rules, where applicable;
- proof of payment (e.g. a receipt, bank account statement, etc.) and accounting record (e.g. extract from a reliable accounting system of the beneficiary).

4.5.5. Equipment expenditure

This expenditure category refers to expenditure for the financing of equipment purchased, rented or leased by the beneficiary of the operation other than those covered by the expenditure category “office and administrative expenditure”, which is necessary for the implementation of the operation. Cost of equipment shall be distinguished in:

1) Equipment for general (office) use, such as computers, office furniture, etc., which is used for the daily work of the operation staff and which is not already included under the expenditure category “office and administrative expenditure”.
2) Thematic equipment directly linked to (or forming part of) the operation outputs, which will be used by beneficiaries and target groups in line with the operation objectives. Thematic equipment may either form part of – or be independent from – the “infrastructure and works” expenditure category[5] and, in any case, it must accomplish programme requirements for investments in order to be considered as eligible.

The following expenditure of equipment is eligible under this expenditure category:

- office equipment;
- IT hardware (computers, monitors, printers, scanners, digital projectors, digital/video cameras, etc.) and software;
- (office) furniture and fittings;
- laboratory equipment;
- machines and instruments;
- tools or devices;
- vehicles;
- spare parts/equipment for machines, tools;
- measuring instruments;
- exhibition equipment;
- guarantee for the thematic equipment[6];
- purchase of consumables necessary for the operation of laboratory equipment, machines and instruments, and other tools or devices (e.g. chemicals, reagents, fuel, protective clothing, etc.). Purchased consumables must directly be used for the implementation of content related activities of the operation to be considered eligible;
- other specific equipment needed for operations.

[5] Equipment forming part of an infrastructure/work realized within the operation shall be reported under the “equipment” expenditure category when it cannot be categorized under the “infrastructure and works” expenditure category, 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 26.2.2014.For further details please see chapter 4.5.6.
[6] Prolongation of guarantee for the thematic equipment in order to cover the implementation period of the Operation.

4.5.5.1. General principles

- Costs of equipment are eligible if they are relevant for the implementation of an operation, i.e. without this equipment it would not be possible to implement the operation successfully;
- Costs of equipment are eligible if they have been approved by the programme (they are detailed in the latest approved version of the operation budget);
- Equipment costs shall be eligible only for purchase of new equipment;
- Equipment costs shall be eligible in full for the entire implementation of the operation, i.e. equipment shall not be depreciated;
- Costs of equipment are eligible if no other EU or national funds have contributed towards financing of the same expenditure item, i.e. no double funding is permissible;
- All costs of equipment are subject to Programme public procurement rules and each partner organisation is responsible for ensuring that these rules have been respected;
- Beneficiaries must ensure visibility for the equipment used for the implementation of the operation in line with the provisions set out in the Programme visibility guidelines;
- Amortization period of equipment shall be regulated according to the national rules;
- Equipment for general (office) use necessary for smooth implementation of the operation should be purchased at the initial stage of the implementation period, unless in dully justified cases (approved by relevant programme body in advance).

Renting or leasing costs of equipment shall be eligible if the following rules are respected:

- Full cost of renting or leasing of equipment can be reported where the equipment is used 100% for the implementation of an operation.
- For the equipment which is rented or leased by project partners for a certain period during the implementation of an operation, only the rental or leasing costs for the respective time period are eligible.

4.5.5.2. Forms of reimbursement

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

4.5.5.3. Audit trail

The following documents must be available for control purposes as an audit trail:

- evidence of the procurement process (announcement, selection, award) in line with Programme procurement rules;
- contract/order form laying down the equipment to be purchased, with clear reference to the operation and Programme. Any changes to the contract must comply with the Programme procurement rules and must be documented;
- invoice providing all relevant information in line with the applicable accountancy rules, as well as reference to the operation and the Programme;
- proof of payment (e.g. a receipt, bank account statement) and accounting record (e.g. extract from a reliable accounting system of the beneficiary);
- proof of existence for all items of equipment (e.g. deliverable note, picture);
- proof of respect of Programme publicity/visibility rules and where relevant, EU and national legislation in terms of environmental impact;
- ownership statement (signed statement by the LB/PP confirming that equipment shall not change its ownership for the relevant amortization period).

4.5.6. Infrastructure and works expenditure

Infrastructure and works[7] cover costs related to investments in infrastructure that do not fall into the scope of other expenditure categories. These investments 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.
The following expenditure on infrastructure and works is eligible under this expenditure category[8]:

- consultancy, surveys preparation, technical assistance related to infrastructure and works (e.g. preliminary/final design of operation, feasibility study, environmetal impact assessment study, etc);
- organisation and preparation of the site designed to the operation (e.g. land levelling, building of access roads, purchase of special traffic signs, etc.);
- land preparation – any works aiming the preparation of the operation site (e.g. demolition, cleaning of the location, disposal of resulted waste, deviation of utility system routes, vertical arrangements, draining, etc.);
- main investments, including building material and labour (e.g. construction contract comprising of general construction, installation and completion of buildings and civil engineering works, construction of roads, airfields and sport facilities, construction of water operations, etc.);
- natural landscape and environment protection related activities (e.g. land planning, rehabilitation to protect the environment, planting trees, makeover of green areas, etc.);
- specialised interventions (e.g. soil remediation, mine-clearing, etc.);
- supervision of works, in line with relevant legislation;
- purchase of land under the following conditions:
- according to the Article 43(2) of IPA IR, the purchase of land not built on and land built on in the amount up to 10 % of the total eligible expenditure for the operation concerned shall be eligible for funding under IPA II assistance. For derelict sites, for sites formerly in industrial use which comprise buildings and for operations concerning environmental conservation, this limit shall be increased to 15%;
- other infrastructure and works expenditure.

4.5.6.1. General principles

- Costs of infrastructure and works are only eligible if they have been approved by the programme (indicated in the approved operation budget or specifically approved during operation implementation by the relevant programme body).
- Contingency may be envisaged in case of unpredictable costs for planned infrastructure and works. The maximum percentage for contingency amounts to 3% of costs for infrastructure/works in question. Use of contingency must be approved in advance by the JS/MA.
- Costs of infrastructure and works are eligible if no other Union or national funds have contributed towards financing of the same expenditure (no double funding is permissible).
- Beneficiaries must ensure compliance with publicity/visibility requirements for all investments in infrastructure within the operation, in line with the provisions set out in the Programme Visibility Manual;

[7] Article 2(1) of the Directive 2014/24/EU of the European Parliament and of the Council of 26.2.2014. defines a “work” as “*the outcome of building or civil engineering works taken as a whole which is sufficient in itself to fulfill an economic or technical function*”.
[8] Annex II of the Directive 2014/24/EU of the European Parliament and of the Council of 26.2.2014 provides a detailed list of all elements that are eligible under this expenditure category.

- Beneficiaries must ensure compliance with Programme procurement rules when selecting the contractors for infrastructure and works investments, especially public procurement principles (transparency, non-discrimination, equal treatment, fair competition, mutual recognition and proportionality).
- The contractor cannot be a partner in the operation;
- Costs of infrastructure and works outside programme area are not eligible
- For Operation activities that include infrastructure and works, the following documents will be required prior to signing the Subsidy Contract:
  - legal documents specifying any legal right under the real-estate law concerning the land and/or buildings (publically owned) where the works will be carried out;
  - where applicable, necessary permissions for the execution of the works, issued by the national/regional/local relevant authorities.

4.5.6.2. Forms of reimbursement

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

4.5.6.3. Audit trail

The following documents must be available for control purposes as an audit trail:
- Evidence of the appropriate procurement procedure (announcement, selection, award), in line with Programme procurement rules;
- contract or written agreement laying down the infrastructure/works to be provided with a clear reference to the operation 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;
- invoice or interim payment certificate providing all relevant information in line with the applicable accountancy rules as well as references to the operation 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;
- proof of payment (e.g. a receipt, bank account statement) and accounting record (e.g. extract from a reliable accounting system of the beneficiary);
- proof of respect of Programme publicity/visibility rules and where relevant, EU and national legislation in terms of environmental impact;
- durability statement, as described in chapter 5.3., signed by the LB/PP (following the final payment to the LB/PP).

In addition, the following documents must be available for control purposes as an audit trail in case of purchase of land during Operation implementation:
- legal documents specifying any legal right under the real-estate law concerning the land and/or buildings where the works will be carried out;
- where applicable, necessary permissions for the execution of the works, issued by the national/regional/local relevant authorities.

5. OTHER FINANCIAL PROVISIONS

5.1. Value Added Tax (VAT)

In line with Article 43(2) of IPA IR, value added tax shall not be supported by cross-border cooperation programme, except where it is non-recoverable according to the national VAT legislation.

In that respect, Value added tax (VAT) is eligible, if the following conditions are fulfilled:

a) it is not recoverable under national VAT legislation[9];
b) it is established that it is borne by the beneficiary;
c) it is clearly identified in the invoice.

For beneficiaries in Croatia complying with all the above indicated criteria, VAT is allowed to be claimed within Statement of Expenditure, whereas, for those beneficiaries not complying with the criterion a), the VAT is not eligible to be claimed within Statement of Expenditure.

Beneficiaries in Croatia are obliged to present the declaration on VAT status (VAT Statement) issued by the authorised institution within the Inception Report. In case the VAT status changes during the operation implementation, the new VAT Statement status has to be presented with the first subsequent Partner Progress Report. The change of VAT status entails change in the Application Form (Subsidy Contract).

Beneficiaries in Serbia are obliged to follow relevant national procedure for VAT exemption.

5.2. Modifications to the operation

The Operation can be modified only during its implementation period and the modification should not affect the basic purpose of the Operation, the grant award decision or be in contrary to the equal treatment of applicants.

The following modifications may occur:

1. Major changes include:
    a) changes in the composition of the operation partnership;
    b) budget reallocations between main expenditure categories exceeding 25% of the amount originally budgeted in relation to each concerned main category;
    c) substantial changes in the content and/or activities of the Operation.

    In case of major changes the LB must submit the Request for amendment of the Subsidy Contract to the JS at the latest two months before the end of the implementation period. After the approval by the MA, the MA will issue an addendum to the Subsidy Contract.

2. Minor changes are adjustments of the operation set-up which do not have a significant impact on the implementation of the operation as well as on the selection process, such as changes of contact details, bank account, budget reallocation between expenditure categories, increases or reductions not exceeding 25% of the amount originally budgeted. Minor changes do not need approval by the MA, but the LB must notify the JS as soon as possible. If applicable, the MA will issue an addendum to the Subsidy Contract.

[9] Beneficiaries in Serbia cannot get VAT exemption for preparatory costs being that they are incurred prior to signing the Subsidy Contract. Therefore, for preparatory costs, VAT is considered as eligible.

Request for amendment is to be made in writing by Lead Beneficiary. The Request must be justified either by circumstances specifically related to the implementation of the Operation or by changes of external circumstances. A Request for budget reallocation is to be accompanied by a separate justification for each altered expenditure category.

5.3. Durability of the operations

In line with Article 71(1) or CPR, an Operation comprising investment in infrastructure or productive investment shall repay the EU contribution if, within five years of the final payment to the LB/PP, investment is subject to any of the following:

a. a cessation or relocation of a productive activity outside the programme area;
b. a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
c. a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

Following the final payment, the LB/PP in charge of investment is obliged to sign and submit the durability statement (provided by the MA) in order to confirm that the abovementioned conditions will be respected.

Sums unduly paid in respect of the operation shall be recovered by the Participating Country in proportion to the period for which the requirements have not been fulfilled.

With regard to durability of operations the JS/MA will perform durability checks to ensure compliance with the rules listed above. The durability checks will be performed at least twice in five-year period.

5.4. Exchange rate

All expenditure reported in the Statement of expenditure must be denominated in Euro. This means that all project partners must convert the expenditure, which was incurred and paid in the national currency, into Euro.
The programme has decided, in accordance with Article 28 of the ETC Regulation, that the expenditures incurred in a currency other that euro shall be converted into EUR using the monthly exchange rate of the Commission in the month during which that expenditure was submitted for verification to the designated FLC. This method shall be applicable to all beneficiaries of the programme. This exchange rate is published electronically by the EC each month at InforEuro (http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm).

Thus, the same exchange rate will be applied per reporting period to all expenditure regardless of their payment or invoice dates.

The application of correct exchange rate shall be verified by the first level controller in the Participating country in which the beneficiary is located.

The LB will not make any deduction, retention or further specific charge from the amounts that must be transferred to the PP's bank accounts. The LB will transfer the Union contribution to each PP within 10 working days from the date of payment from the CA, using the middle exchange rate of the National bank.
Costs related to national financial transactions shall be considered eligible.

Costs related to fluctuation of foreign exchange rate are not eligible according to Article 2(2) of Regulation No 481/2014.

5.5. Revenues

Revenue means cash in-flows directly paid by external users for the goods or services provided by the operation. The most common sources of operation revenue are entrance fees for events, charges for films, DVDs, books and publications etc. Revenue can also be generated from payments for the use of infrastructure, sale or rent of land or buildings, or payments for services minus any operating costs and replacement costs of short-life equipment incurred during the corresponding period.

Interest on pre-financing payments (on the funds transferred by the CA to the LB) shall also be considered as revenue.

The LB is responsible for planning the respective revenues within the Application Form.

Revenue resulting from the operation activities can occur both during implementation and after the closure of an operation.

Revenue and net revenue during implementation

All revenues generated by operation activities during the implementation of the operation must be deducted from the eligible costs claimed in Statement of Expenditure within each Partner Progress Report.

Where revenue generating activities involve operating costs and replacement costs for short-lived equipment, these expenses can be deducted from the revenue. The resulting net revenue is then deducted from the amount to be claimed from the programme. The basis for the calculation and reimbursement of EU Funds from the programme is always:

Eligible costs – (net) revenues = Net eligible costs

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

Revenue and net revenue after closure of the operation

If an operation expects to have any revenues after the operation closure and within three years after the closure of the Programme, the beneficiaries have to report the respective net revenues to the MA/JS since these revenues have to be deducted from the final payment request of the Programme submitted to the EU Commission.

The exemption remains in place for all operations under EUR 1.000.000 which do not have to take account of revenue and net revenue after operation closure. For those operations, monitoring of revenue and net revenue should be performed only during the implementation of the operation.

All revenues (payments to the operation other than the grant) must be deducted from amounts claimed. This can be done in two ways:

1) in advance by estimating expected revenues in the application stage and reducing the operation budget accordingly.
   On a basis of Article 61(3) of CPR, there are two different methods for calculating the net revenue in advance:
   - application of a flat rate net revenue percentage for the relevant sector;
   - calculation of the discounted net revenue of the operation taking into account the reference period appropriate to the sector in which the operation is implemented.

The method by which the net revenue is deducted from the eligible expenditure must comply with national rules in the member state in which the net revenue is generated.

2) after payment of revenues, in which case all revenues received within 3 years of the end of the operation must also be reported and deducted.

6. COMPLIANCE WITH EU POLICIES, PROGRAMME AND OTHER RULES

6.1. Public procurement

The acquisition by means of a public contract of works, supplies or services from economic operators is subject to rules on public procurement. According to Article 45 of IPA IR, for the award of service, supply and work contracts, the procurement procedures by beneficiaries shall follow the provisions of Chapter 3 of Title IV of Part Two of the Financial Regulation and of Chapter 3 of Title II of Part Two of Delegated Regulation (EU) No 1268/2012 and shall apply in the whole programme area.

The detailed rules on public procurement procedures to be applied by the beneficiaries are described in Programme Procurement Manual, available at Programme website (http://www.interreg-croatia-serbia2014-2020.eu/). The relevant version of Programme Procurement Manual to be used by the beneficiaries is the one available at Programme website at the time of launching the tender in question.

In case of non-compliance with the public procurement rules, all relevant programme bodies may apply financial corrections in line with COCOF Guidelines[10].

The LB/PPs are responsible for keeping all supporting documents for the procured services/goods/equipment/works in line with the deadlines given in Chapter 6.6. of this document.

6.2. State Aid and de-minimis

State aid is usually understood to be aid given to an economic undertaking that is seen as distorting or threatening to distort competition in the internal market.

It is very important to be aware of the definitions of a number of key terms:

- Undertaking: An undertaking is an entity carrying out an economic activity, regardless of the legal status of the entity and whether it aims to make a profit. Participating in an economic activity is enough to determine whether an entity is an undertaking or not. If an entity is not profit-oriented, state aid rules will apply as long as it competes with companies that are profit-oriented. Therefore, not only private companies are subject to state aid rules but also public authorities if they carry out an economic activity on the market.
- An economic activity is defined as any activity involving the offer of goods or services on a given market.
- Non-economic activities are understood as activities that can only be carried out by the state, such as issuing passports and the provision of similar public goods for which there is no market. This is a fluid term, and understanding is subject to frequent modification. Many operation activities could be considered economic activities but are not considered State Aid because they do not confer a competitive advantage.

[10] Guidelines for determining financial corrections to be made to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement

- Competitive advantage is defined as any economic benefit the undertaking would not normally gain under normal market conditions.

State Aid is present when all of the following criteria are met:
- Existence of state resources: the aid is granted from the state or state resources (including national, regional or local authorities, a private or public intermediate body appointed by the state, etc.);
- Selectivity: the aid facilitates the development of certain entrepreneurships or of certain products;
- Economic advantage: the aid constitutes an economic advantage that the undertaking would not have received in the normal courses of business. An indirect advantage may also be granted (indirect State aid) if the funds received by entities which are direct beneficiaries of the programmes are channeled to identifiable undertakings/groups of undertakings;
- Effect on competition and trade: the aid distorts, or has the potential to distort, competition and trade within the European Union.

The first two criteria (existence of state resources and selectivity) always apply in the context of EU funded operations.

The De Minimis Regulation exempts small aid amounts. It sets a ceiling below which aid is deemed compatible with the Treaty. The de minimis ceiling is EUR 200.000 granted over a period of three years. De minimis aid cannot be cumulated with any other aid grant.

The applicants will be obliged to fill in the **State Aid self-assessment questionnaire** together with the Application Form. The applicant must report any de-minimis support by filling in **De-minimis self-declaration** (part of LB/PPs statements which are annexes to the Application Form).

All applicants must:
- ensure that the De-minimis self-declaration is filled out accurately and in full,
- note that the limits refer to all grants of public funds.

All beneficiaries must:
- immediately inform the Programme of any grants of public funding received after the completion of the Self-Declaration,
- keep all records regarding *de minimis* aid for a minimum of 10 years after receiving the final payment, if applicable.

The JS and MA will support the beneficiaries in the assessment of the existence of state aid during implementation period of the Operation.

6.3. Publicity

On the basis of relevant regulations, the Managing Authority is responsible for coordination of the tasks linked to the legislative requirements on information, publicity and transparency at Programme level.
In that respect, Managing Authority ensures that the programme information and communication measures aim for the widest possible media coverage using various forms and methods of

communication at the appropriate level as well as for dissemination of the information on the funding opportunities widely to potential beneficiaries and all interested parties.

General Programme rules on communication, information and visibility can be found in the Programme Communication Strategy (published at Programme website), whereas the detailed practical instructions on information, communication, promotion and visibility for beneficiaries will be given in Programme visibility guidelines.
The Programme visibility guidelines will provide information on use of EU and Programme logos as well as their size and format during the implementation of the Operation, the name of the Programme and the name of the EU Fund. Responsibilities of LB/PPs with regard to information and publicity rules are also defined in Subsidy Contract/Partnership Agreement.

The Managing Authority will monitor the progress of Communication Strategy implementation through measuring and evaluating achievement of Strategy output indicators. Evaluation of the Communication Strategy implementation is envisaged to be performed annually within the process of compiling the Annual Implementation Report of the Programme.

As regards to operation level, each LB/PP is responsible to ensure that all information material distributed by the operation are properly labelled and contain all the necessary information about the operation co-financed under the Programme according to the rules established in the Programme Visibility Manual and/or Project Implementation Manual.

In addition, the Interreg IPA Cross-border Cooperation Programme Croatia – Serbia 2014-2020 is part of the harmonised Interreg branding initiative, which also affects the communication and branding of operations co-financed by the programme. Interreg is now the brand name for European Territorial Cooperation, whereas Interreg IPA CBC is a brand name used for Interreg IPA CBC programmes in financial perspective 2014-2020. The branding by using Programme logo (published at programme website) should be used publicly as widely as possible, however, the operations will be allowed to keep their specific names and visual identities.

In order to ensure a higher visibility and harmonised visual identity of European Union cohesion policy operations, communication activities should be properly planned in all operations. Communication should focus on highlighting the role of the EU as a partner and on the achievements and impact of the operation. In order to maximise the impact of communication efforts, activities need to be timely implemented and appropriate in terms of resources spent and expected impact, information used must be accurate, the right audience(s) should be targeted and messages should be interesting for target audiences.

In line with the Programme Communication Strategy, the Programme envisages using the following communication measures and tools:

- Visual identity,
- Website,
- Media visibility (social media),
- Electronic Monitoring System (eMS),
- Programme events,
- Mailing list,
- Mail,
- Printed materials.

The FLC and other relevant programme bodies will determine whether actions are taken in accordance with the Programme rules on information and publicity.

6.4. Horizontal rules: equal opportunities and non-discrimination, environmental protection and sustainable development

Horizontal issues are key principles in the implementation of each activity and are inseparably associated with each phase of the life time of the Operation and the Programme. Horizontal issues are cited in preambles of EU Regulations (CPR and IPA II Regulation). Moreover, Article 7 and 8 of CPR are applicable for Sustainable development and Equality between men and women and non-discrimination as well as in relevant sections of the Cooperation Programme.

Equal opportunities and non-discrimination
The LB/PPs should be in particular aware of the following:

- that staff recruitment processes carried out in the Operation adhere to the principles of equal opportunities,
- that equality is promoted in the Operation's committees and boards,
- that there are no discrimination based on sex, racial or ethnic origin, religion or belief, disability or sexual orientation in any phase of the lifetime of the Operation,
- that the events organized by the Operation do not represent any barrier to participation (e.g. location favouring accessibility),
- that there are no other barriers to participation in trainings, seminars, conferences or other events (unless the activities are not aimed at a specific target group),
- that all national rules on the issue of equal opportunities have been respected,
- that each potential participant/sub-contractor, etc. has equal opportunities to participate in the Operation.

Environmental Protection
Operations should also be coherent with the objectives of protection and improvement of the environment. Special attention should be given to the recommendations and requirements set out in SEA study. These requirements are especially relevant for those operations foreseeing infrastructure works and, in general, investments. The programme bodies have to ensure that the implementation of an Operation does not have any negative impact on the environment. Particular attention should be paid to activities performed or having an impact on the territories with special status.

Sustainable development
Sustainable development is one of the key issues for the programme area as it is described in the Cooperation Programme's strategy. This cross border programme with its territory rich in natural and cultural resources has a vast potential to improve the cross-border environmental protection, resource efficiency, climate change mitigation and adaptation, disaster resilience and risk prevention and management.
In that respect, the Programme has identified relevant sustainable development issues to be taken into account when preparing the Application Forms. For more details, please refer to Section 6.1 of the Cooperation Programme.

6.5. Reporting process and description of documents

During the operation implementation period, each LB/PP shall prepare a Partner Progress Report and Statement of Expenditure reporting on the activities and the costs for the 3-month (Inception report) or 6-month implementation period and submit it to the FLC in order to obtain a validation of eligible expenditure (FLC Certificate).

The certification of the Partner Progress Report by the FLC is compulsory and it is carried out in e-MS. For this purpose, the LB/PP submits the filled-in Partner Progress Report in e-MS, accompanied by the relevant scans of supporting documents. In case submitted documentation is not complete or any amendment has to be introduced as a result of the carried out verification of the Report, the LB/PPs shall provide the FLC with the relevant documentation and re-submit the version of the report within 7 working days.

On this basis, the FLC validates the expenditures by generating the FLC Certificate, which is available in e-MS. The LB is responsible for collecting FLC Certificates from the PPs and for preparing and submitting Project Progress Report/Final Report and Claim for Payment to JS within one month following the receipt of the last FLC Certificate from a PP.

It has to be stressed that LB/PPs are obliged to report costs incurred and paid in a given reporting period with the regular report according to the Subsidy Contract and the provisions of the Programme as a general rule.

6.5.1. Description of documents

All accounting documents must be certified as a true copy when verified during the FLC administrative check. Accounting documents for the Operation must be properly described, in accordance with the Programme and national rules. The description of the document should be drawn up on the original accounting document and include at least:

- number and acronym of the Operation - preferably on the first page,
- expenditure category number (optional),
- work package/activity (if applicable/optional),
- the source of the co-financing by EU funding,
- the title of the Programme,
- the reference if the expenditure relates to public procurement.

Any recommendations made by the FLC (or other programme body) and any amendments to the description of the documents must be made to the original accounting document. If the total amount is not borne on the Operation or is eligible, the amount certified should be stated.

6.6. Retention of documents

According to Article 140 of CPR, each LB/PP shall preserve all supporting documents relating to specific expenditure for a two year period from 31 December following the submission of the accounts in which the final expenditure of the completed operation is included. These documents shall be made available for any audit, control or verification after operation closure.

The documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.

The Managing Authority will be responsible for notifying the LB on the end date for retention of the operation documents.

ANNEXES

1. Template for Assignment Order (document describing the main tasks to be performed by the employee)
2. Calculation formula for traveling by institution's car
3. Periodic staff report

Annex 1

Assignment Order

1. IDENTIFICATION OF THE OPERATION:	
Operation title:	
Operation acronym:	
Beneficiary name (original language):	
Beneficiary name (English language):	
Partner reference:	
Priority Axis:	
Specific Objective:	

2. IDENTIFICATION OF THE OPERATION PERSONNEL (EMPLOYEE):	
Name and surname:	
Function:	

3. IDENTIFICATION OF THE PERSON LEGALLY REPRESENTING BENEFICIARY:	
Name and surname:	
Function:	

4. DESCRPTION OF THE MAIN TASKS TO BE PERFOMED BY THE EMPLOYEE:
[*Instruction: The description should contain short list of tasks and responsibilities assigned to the employee with reference to operation activities*]

5. INDICATIVE DURATION OF THE TASKS AND PLANNED INVOLVEMENT:	
Period duration:	
Planned involvement	[*Instruction: Insert percentage*[11]] %

6. OTHER OPERATIONS IMPLEMENTED BY THE BENEFICIARY	
Operation title:	Involvement:
1.	%
2.	%

………………………… (Signature of the employee)

………………………… (Signature of the legal representative)

[11] In case the percentage is less than 100%, Table 6 needs to be filled in.

Annex 2

Calculation formula for traveling by institution's car

			Consumption in liters (average consumption x distance/100)	Cost calculation (liters consumed x fuel price)
Starting point	Destination	Distance in km	FUEL (average consumption L/100km)	FUEL (price)
		0	0	0.00
			0	0.00
			0	0.00
			0	0.00
			0	0.00
			0	0.00
			0	0.00
			0	0.00
			0	0.00
			0	0.00
TOTAL		0	0	0.00

Fuel price	
(insert fuel type)	0.00

The price of fuel should taken from the receipts incurred during business travels. In the event that there was no need for fuel during the travel, please use the price of the last receipt for institution vehicle's fuel. A copy of this calculation must be submitted as an accompanying document to internal travel sheet.

Use this link for calculating the distance: http://www.viamichelin.com

Annex 3

Periodic staff report

<table>
<tr><th colspan="2">General information</th></tr>
<tr><td>Operation number:</td><td></td></tr>
<tr><td>Operation title and acronym:</td><td></td></tr>
<tr><td>Partner number:</td><td></td></tr>
<tr><td>Beneficiary institution:</td><td></td></tr>
</table>

<table>
<tr><th colspan="2">Personal and contractual information</th></tr>
<tr><td>Name of the employee:</td><td></td></tr>
<tr><td>Main function:</td><td></td></tr>
<tr><td>Working <u>full-time</u> in the operation:</td><td>☐</td></tr>
<tr><td>Working part-time in the operation according to a <u>fixed % of time per month</u>
(Please also specify the planned % per month as in the employment document and/or in the official assignment to the operation)</td><td>☐
(__ %)</td></tr>
<tr><td>Involved in other operations funded by EU or national co-funded operations implemented by the beneficiary’s institution:
(If yes please specify the operation(s) name, the funding programme(s) and the % of time allocated to such operation(s))</td><td>☐ YES ☐ NO
-
-
-</td></tr>
</table>

<table>
<tr><th colspan="2">Reporting period</th></tr>
<tr><td>Reporting period number:</td><td></td></tr>
<tr><td>From:</td><td>dd.mm.yyyy</td></tr>
<tr><td>To:</td><td>dd.mm.yyyy</td></tr>
</table>

<table>
<tr><td colspan="4">Estimated % of time actually worked in the operation each month[12]:</td><td>__ %</td></tr>
<tr><td>List of conducted activities</td><td colspan="4">1.
2.
3.
4.</td></tr>
<tr><td colspan="5">Specification of missions occurred in the period:</td></tr>
<tr><td colspan="2">Destination</td><td>From (dd.mm.yyyy)</td><td>To (dd.mm.yyyy)</td><td>Reason for mission</td></tr>
<tr><td colspan="2"></td><td></td><td></td><td></td></tr>
<tr><td colspan="2"></td><td></td><td></td><td></td></tr>
<tr><td colspan="2"></td><td></td><td></td><td></td></tr>
<tr><td colspan="2"></td><td></td><td></td><td></td></tr>
</table>

Date: __________________

Signature of the employee ________________________

Name of the supervisor ________________________

Signature of the supervisor ________________________

[12] In the case that the actual % of time worked monthly in the operation in the period is different from the planned % per month as in the employment document and/or official assignment to the operation, the calculation of costs to be claimed in the period must be performed according to the actual % of worked time per month. Furthermore, the employment document and/or in the official assignment to the operation must to be revised according to the updated % of working time per month.