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EUROPEAN UNION

Danube Transnational Programme

Applicants Manual

for the period 2014-2020

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PART 3: ELIGIBILITY OF EXPENDITURE

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PART 3: ELIGIBILITY OF EXPENDITURE

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I. Legal background and hierarchy of rules

In the framework of Danube Transnational programme there are three levels of rules that govern the eligibility of expenditure:

1) EU regulations:

- REGULATION (EU, Euroatom) No. 966/2012 (Financial regulation) providing the financial framework applicable to the general budget of the Union.
- REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 - Common provisions regulation is setting the basic rules for, among others, the European Regional Development Fund (ERDF), one of the main financing sources of the Programme. More specifically, Articles 65-71 are dealing with the eligibility of expenditure.
- REGULATION (EU) No 1301/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 - ERDF Regulation is dealing solely with the ERDF. Regarding eligibility of expenditure, Article 3 is the most relevant in which scope of support from ERDF is established, stating what can and cannot be financed from the ERDF.
- REGULATION (EU) No 1299/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 - ETC regulation is dealing with the eligibility of expenditure in Articles 18-19.
- COMMISSION DELEGATED REGULATION (EU) No 481/2014 of 4 March 2014 - Delegated Act on Eligibility for cooperation programmes supplements the ETC regulation and provides detailed rules for staff costs, office and administrative expenditure, travel and accommodation costs, external expertise and services costs, and equipment expenditure.
- REGULATION (EU) No 236/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 - Common Implementing Regulation for External Actions is laying down common rules and procedures for the implementation of the Union's instruments for financing external action
- REGULATION (EU) No 231/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014, IPA II
- COMMISSION IMPLEMENTING REGULATION (EU) No 447/2014 of 2 May 2014 – IPA II implementing regulation sets more detailed rules for the implementation of IPA II.

2) **Programme rules** on eligibility of expenditure outlined in Part 3 of the Applicants Manual¹.

3) **National (including specific institutional) rules** which apply for matters not covered by the EU regulations and Programme Rules.

Please note: The eligibility rules laid down in the Applicants Manual cannot be overruled by national or institutional legislation.

¹ According to Article 18(2) of the ETC Regulation, “the participating Member States in the monitoring committee, shall establish additional rules on eligibility of expenditure for the cooperation programme as a whole”

II. General eligibility requirements

The rules on eligibility of expenditure for the Danube Transnational Programme are developed based on the EC Delegated Regulation No. 481/2014, referred in the Applicants' Manual as "Delegated Act" and in line with the EU Regulations listed in section I. of Part 3 of the Applicants' Manual.

In principle, the same eligibility rules apply to ERDF and to IPA Funds due to the integration of IPA Funds at programme level. In case of exceptions due to different rules for IPA, these are explicitly mentioned under the relevant sections.

1) General provisions

In general, in order to be considered **eligible** the expenditures have to fulfil all the following criteria:

- All expenditures are related to the initiation and implementation of the project as approved by the Monitoring Committee, and essential for the achievement of the agreed project activities
- All expenditures must comply with the principle of efficiency, effectiveness and economy
- All expenditures must comply with the principle of real costs, with the exception of the costs calculated as flat rates and lump sums
- All expenditures are incurred and paid by the project partner indicated in the application form during the eligibility period of the project
- All expenditures relate to activities that have not been financed from other financial instruments
- All expenditures are supported by invoices or other documents with probative value directly attributable to a certain project partner with the exception of the costs calculated as flat rates and lump sums
- All expenditures are in line with eligibility rules on EU, programme and national eligibility rules

2) Ineligible expenditure

- Fines, financial penalties and expenditure on legal disputes and litigation
- Costs of gifts, except those not exceeding 50 EUR per gift where related to promotion, communication, publicity or information
- Costs related to fluctuation of foreign exchange rate
- Interest on debt
- Purchase of land and existing buildings
- Value added tax except where it is non-recoverable under national VAT legislation
- Contributions in kind, as defined in Article 69(1) of regulation (EU) No. 1303/2013
- Project expenditure split among project partners (i.e. sharing of „common costs“)
- Second hand equipment

3) Eligibility in time

The rules for the eligibility period are set to Article 65 (2) of Regulation (EU) No 1303/2013. Within the Danube Transnational Programme, the eligible project period shall be set **between 1st January 2014 and 31 December 2022**.

The project period shall be defined in the approved Application form by the starting date and end date of the project. In principle, the project starting date is defined after the final approval date of the project by the Monitoring Committee.

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

- **Preparation costs** (see special eligibility rules in IV. 1);
- **Control costs related to the last progress report and application for reimbursement** can be incurred after the end date of the project period, but it shall be paid within 60 days from the end date of the project at the latest;
- **Costs reported in the last reporting period** and incurred before the end date of the project shall be paid within 60 days from the end date of the project; the deadline for payments will be explicitly given in the subsidy contract

III. Eligibility of expenditures by budget lines

In accordance with the Delegated Act and the relevant EU regulations, specific rules on the eligibility of expenditure within the Danube Transnational Programme are established by budget lines for the five expenditure categories of the Delegated Act. In addition, based on the decision of the Partner States, the Danube Transnational Programme established an additional budget line “infrastructure and works” for the project activities where the expenditure is not covered by any of the expenditure categories of the Delegated Act.

Project expenditures are eligible under the following budget lines:

- 1) Staff costs**
- 2) Office and administrative expenditure**
- 3) Travel and accommodation costs**
- 4) External expertise and service costs**
- 5) Equipment expenditure**
- 6) Infrastructure and works**

1) Staff costs

The costs of the personnel employed by the beneficiary institution and executing tasks for the project management (project coordinator, project manager, assistant, financial manager, etc.) and/or tasks for the project content related activities are eligible to be reimbursed by the Programme.

Expenditure on staff costs shall be limited to the following:

a. **Salary payments** related to the activities which the entity would not carry out if the operation concerned was not undertaken, fixed in an employment/work contract, an appointment decision (both hereinafter referred to as 'employment document') or by law, relating to responsibilities specified in the job description of the staff member concerned;

b. Any **other costs directly linked to salary payments incurred and paid by the employer**, such as **employment taxes and social security** including pensions as covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council provided that they are:

(i) Fixed in an employment document or by law;

(ii) 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; and

(iii) Not recoverable by the employer.

- The above rules apply to any other additional benefits incurred and paid by the employer over the monthly salary. Additional benefits must be directly linked to the salary payments and figure on the payslip. Ad-hoc regulations for additional benefits, ad-hoc salary increases or bonuses applicable only to the project are not eligible.
- Overtime is eligible only in case it is directly related to the project, it is foreseen in the employment document and it is in line with national legislation and the standard practice of the beneficiary, and on the basis of appropriate time registration system. In case of part time employment, overtime shall be proportionally allocated to the project.

Staff costs may be reimbursed in the Danube Transnational Programme either:

- a. On a **real cost basis** (proven by the employment document and payslips); or
- b. As a **flat rate up to 20% of direct costs** other than staff costs.

Each project partner must choose one of these reimbursement options already in the Application Form submitted in the second step which will remain unchanged through the entire project period.

a. Staff costs are reimbursed on real costs basis:

The staff can be allocated to **work full time** (100% of the working time is allocated to the project) **or part time** for the project.

Please note: Staff costs of **the part-time** employees have to be calculated using one of the following methods:

- a. Part-time with a fixed percentage of time worked per month on the operation, with no obligation to establish a separate working time registration system
- b. Part-time with a flexible number of hours worked per month; in line with a number of hours varying from one month to the other worked on the operation, based on a time registration system covering 100 % of the working time of the employee
- c. On an hourly basis

For part-time assignments with a fixed percentage of time worked per month:

- The percentage of time to be worked on the project shall be fixed in the employment document (work contract/job description/other equivalent document) by the employer for each project staff member. The percentage of time dedicated to the given project shall be mentioned in the documents where the other tasks / projects are referred, as well as the percentage of time to be allocated to other tasks/projects. Description of project-related tasks and responsibilities of the person working on the project shall be available and the time allocated to the project per work package shall be in line with the project related tasks.
- There is no obligation to establish a separate working time registration system.
- In case the percentage of time to be worked on the project is changed during the project duration, the related document shall be submitted to the Controller, as well as the documents justifying the necessity and plausibility of the changes.

For part-time assignments with a flexible number of hours worked per month:

- The reimbursement of staff costs shall be calculated on an hourly rate basis determined either by:
 - (i) Dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hours; or
 - (ii) Dividing the latest documented annual gross employment cost by 1,720 hours.
- The hourly rates calculated under points (i) and (ii) shall be multiplied by the number of hours actually worked on the operation.
- The hourly rates shall be in line with the actual gross employment costs (monthly/annual), therefore the hourly rates shall not be fixed for the entire project duration.
- Methods under points (i) and (ii) can be combined for the staff of the same partner according to the different contract provisions (e.g. newly hired staff, etc.)
- Time registration system covering 100 % of the working time of the employee shall be established.

For part time assignment on an hourly basis:

- Staff costs related to individuals who, according to the employment document, work on an hourly basis, costs shall be eligible applying the number of hours actually worked on the operation to the hourly rate agreed in the employment document based on a working time registration system.
- Time registration system covering 100 % of the working time of the employee shall be established.

ATTENTION: Staff costs of the employees of the institution involved in the project are to be considered cash contribution and not in-kind contribution! (In kind contribution means **unpaid voluntary work**, and the value of that work is determined by taking into account the verified time spent and the **rate of remuneration for equivalent work**. According to programme rules, **in kind contribution is not eligible**).

<i>Examples for the calculation of staff costs:</i>	
Type	<i>Calculation</i>
Full time employment	<p>100% of the gross employment costs are allocated to the project</p> <p>Example:</p> <ul style="list-style-type: none"> • <i>Project manager is assigned to work 100% on the project. This is clearly stated in the relevant employment document along with the role within the project and the relevant tasks.</i> • <i>Project reporting is on 6 months basis.</i> • <i>Gross employment cost of project manager is 3,500 EUR (including 2,660 EUR gross salary and 718 EUR social charges paid by the employer and 122 EUR other payments related to salary including taxes paid by the employer).</i> • <i>During a particular month, project manager is working solely on project related tasks.</i> • <i>At the end of the reporting period, relevant partner report is prepared by the project partner. In the partner report the expenditure are claimed for project manager in the amount of 21,000 EUR (6 * 3,500 EUR).</i> • <i>No obligation to establish a separate working time registration system – no timesheet necessary</i>
Part time employment	<p>a. with a <u>fixed percentage of time worked per month</u></p> <p>The percentage set in the employment document (work contract/job description/other equivalent document) is multiplied by the monthly gross</p>

		<p>employment costs.</p> <p><u>Example:</u></p> <p>50% of working time is allocated to the project</p> <ul style="list-style-type: none"> Financial manager is assigned to work 50% on the project. This is clearly stated in the relevant employment document along with the role within the project and the relevant tasks. Project reporting is on 6 months basis. Gross employment costs of financial manager is 3,500 EUR (including 2,660 EUR gross salary and 718 EUR social charges paid by the employer and 122 EUR other payments related to salary including taxes paid by the employer). During a particular month, financial manager is working 50% of her/his working time on project related tasks. At the end of the reporting period, relevant partner report is prepared by the project partner. In the partner report the expenditure are claimed for financial manager in the amount of 10,500 EUR = 6*(3500*0,5). No obligation to establish a separate working time registration system
	<p>b.(i) with a flexible number of hours worked per month <u>calculated with a monthly hourly rate</u></p>	<p>Number of hours worked in the project multiplied by the pre-calculated monthly hourly rate.</p> <p>hourly rate = monthly gross employment cost/ monthly working time fixed in the employment document (expressed in hours).</p> <p><u>Example:</u></p> <ul style="list-style-type: none"> monthly working hours according to the contract: 168 hours gross employment costs for June: EUR 3,500.00 → hourly rate: 3500/168 = 20.83 EUR total number of hours worked for the project (June): 80h total project costs: 80h* 20.83 EUR = 1,666.40 EUR time registration system covering 100 % of the working time of the employee is established.
	<p>b.(ii) with a</p>	<p>Number of hours worked in the project multiplied by the</p>

	<p><u>flexible number of hours worked per month calculated with a yearly hourly rate</u></p>	<p><i>pre-calculated yearly hourly rate.</i></p> <p><i>hourly rate = latest documented annual gross employment cost/ 1,720 hours</i></p> <p><u>Example:</u></p> <ul style="list-style-type: none"> gross annual employment costs of the previous year: 42,000.00 EUR → hourly rate: 42.000/ 1,720.00 = 24.41 EUR total monthly hours worked for the project (June): 80h total project costs (June): 80h*24.41 = 1,952.80 EUR time registration system covering 100 % of the working time of the employee is established.
	<p><u>c. with a flexible number of hours worked per month calculated on a contracted hourly rate basis</u></p>	<p><i>number of hours worked for the project multiplied by the hourly rate set in the employment document.</i></p> <p><u>Example:</u></p> <ul style="list-style-type: none"> hourly rate set in the employment document: 16 EUR total number of hours worked for the project (June): 80h total project costs: 80h*16 EUR=1,280 EUR + 345 EUR social charges paid by the employer = 1,625 EUR (Gross employment costs is eligible also in this case meaning that social charges paid by the employer and other salary related payments are also eligible). time registration system covering 100 % of the working time of the employee is established.

b. Staff costs are reimbursed on flat rate basis:

The flat rate for staff costs shall be applied at the level of the partner budget and **cannot exceed 20%** of the eligible direct costs other than the staff costs of the partner budget.

The eligible direct costs as basis of the calculation of the staff costs are the amounts planned under the travel and accommodation costs, external expertise and service costs, equipment expenditure and infrastructure and works budget lines. The expenditure planned under office and administration is not considered as direct costs, therefore it cannot be included in the basis of calculation of the staff costs.

No further justification or supporting document is needed from the project partners to justify the staff costs declared.

Further eligibility rules:

- The flat rate defined in the approved Application Form shall be **automatically applied** by the given project partner for reporting staff costs **in each reporting period**
- 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 budget line or under other budget lines
- In case staff costs are not eligible for financing for the given project partner according to national eligibility rules, staff costs cannot be declared on flat rate basis to the project (i.e. the eligibility of expenditure does not depend on the form of reimbursement)
- The flat rate approved in the application form shall be applied in case of budget changes of a project partner affecting the amount of direct costs being basis of the calculation of the staff costs.

2) Office and administrative expenditure

Office and administrative costs related to the project implementation shall be declared on a flat rate basis of **15% of the eligible staff costs of the project (i.e. costs declared under “Budget line 1 Staff costs” no matter if the flat rate or real costs method is used for the staff costs)**.

No further justification or supporting document is needed from the project partners to justify the Office and administrative costs declared.

Office and administrative expenditure cannot be claimed as direct cost under other budget lines.

The following types of expenditures are included under this budget line (exhaustive list):

- a. Office rent
- b. Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances)
- c. Utilities (e.g. electricity, heating, water)
- d. Office supplies
- e. General accounting provided inside the beneficiary organisation
- f. Archives
- g. Maintenance, cleaning and repairs
- h. Security
- i. IT systems

- j. Communication (e.g. telephone, fax, internet, postal services, business cards)
- k. Bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened
- l. Charges for transnational financial transactions

Example:

IT system support purchased by the project partner to support delivery of general project activities can be covered under this budget line.

Further eligibility rules:

- The **same flat rate (15%)** shall be automatically applied **for each reporting period**, by each project partner. **In case staff costs are not declared for the relevant reporting period, the office and administrative expenditure cannot be declared**
- Office and administrative expenditure is eligible also in case the staff costs are declared on flat rate basis
- In case **staff costs are not eligible** for financing for the given project partner according to national eligibility rules, **office and administrative expenditure cannot be declared to the project** (i.e. the institution of the project partner financing the staff of the project shall finance the related office and administration expenditure as well)
- The 15% flat rate shall be applied in case of budget changes affecting the amount of direct staff costs of a project partner's budget

3) Travel and accommodation costs

Project related travelling costs of the project staff employed by the beneficiary are eligible for financing under the travel and accommodation costs budget line, according to the following rules:

Eligible expenditure includes (exhaustive list):

- a. Travel costs:
 - Tickets: flight tickets (including the costs for carbon offsetting), bus, train, local transportation tickets, etc.
 - Travel and car insurance
 - Fuel, car mileage according to the rules relevant for the beneficiary's institution
 - Toll
 - Parking fees (e.g. parking at the event, at the airport)

- Taxi costs and car rental according to the criteria of “further eligibility rules” of this budget line
- b. Costs of meals
- c. Accommodation costs
- d. Visa costs
- e. Daily allowances

In case travel costs, meals, accommodation costs and visa costs are covered by the daily allowance, they cannot be reimbursed as an addition.

Further eligibility rules:

- Travel and accommodation costs must be clearly linked to the project: they must be justified by activities carried out within the project (e.g. participation in events, meetings organised by the project/project partners, meetings with the MA/JS, seminars, conferences organised by the Danube Transnational Programme or where it is relevant the participation of the project, etc.) and the related activities shall be relevant for the implementation of the project, e.g. participation at the meeting with project partners to prepare WP3, etc.
- The duration of the travel shall be clearly linked to the concerned event/meeting and cannot be longer than from the day before to the day after the concerned meeting, unless it is clearly justified and documented. Further overnights and related costs (e.g. extra hotel costs, extra daily allowances, additional staff costs) not justified shall not be eligible
- In principle, travelling costs of the “project staff” (as defined by the BL1 staff costs) are eligible
- In case staff costs of the partner’ institution cannot be charged to the project due to national legislation, but it is proved that these persons are directly contributing to the project implementation, their travelling costs are considered eligible as well (e.g. civil servants)
- Travel and accommodation costs must be definitely borne by the partner’s institution as beneficiary. Direct payment of costs by a staff member of the beneficiary must be supported by a proof of reimbursement from the employer before submitting the expenditure for validation to the Controller
- Travelling costs of the Associated Strategic Partners (ASPs) are eligible, where the invoice and/or the relevant accounting document is addressed to the “sponsoring” ERDF Partner and it is directly paid or reimbursed by the ERDF Partner before submitting the expenditure for validation to the Controller
- Travel and accommodation expenses of external experts and service providers shall be declared under the external expertise and services costs
- Project related travels within the programme area of the Danube Transnational Programme and within the EU territory are eligible costs (see also special eligibility rules)

- Daily allowances are eligible according to national legislation or internal rules of the partner's organisation. In case national or internal rules of the partner's organisation are not available, the daily allowances according to the Council Regulation (EC, Euratom) No 337/2007 of 27 March 2007 ² shall be applied. Hierarchy or rules (national, internal and Euratom) shall be kept. Daily allowances accounted for the project shall include the related social contributions/taxes according to the relevant national rules
- Daily allowances are eligible for ASPs under condition that the relevant internal rules for the sponsoring ERDF Partner's institution make possible such payment
- Daily rates for the hotel accommodation costs shall not exceed the amounts defined according to the Council Regulation (EC, Euratom) No 337/2007 of 27 March 2007 ³ Higher daily rates can be accepted in exceptional and duly justified cases, e.g. hotel available only for higher daily rate, due to the location of the event (e.g. Brussels)
- As a general rule, the most economical way of transport should be used. In principle, business-or first class tickets are not eligible. Business-or first class tickets can be accepted only in exceptional cases, if cost effectiveness and efficiency can be clearly proved with documented booking options
- taxi costs are eligible, e.g. for travelling to/from the airport/train station, to/from the venue of the event/hotel, in case they are well justified (e.g. the only effective travel solution if public transportation is not available)
- car rental is eligible in exceptional cases and in justified circumstances, e.g. the location of the event is not accessible by public transport, cancellation of travel by public transport not due to fault of the travelling person, costs effectiveness due to the number of travelling persons, etc.
- Furthermore, environmentally friendly means of transport should be chosen whenever possible (e.g. train over flight, public transport over taxi/car etc.)
- Costs for flight carbon offsetting are eligible provided that the costs are included in the same invoice of the flight. In case it is not included in the flight ticket, the project partner can select the service provider of CO₂ compensation and the costs are eligible provided that the related invoice contains the following details: project acronym/code, name of the passenger, flight number/destination.⁴

² <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007R0337&from=EN>

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007R0337&from=EN>

⁴ Carbon offsets are achieved through financial support of projects carried out by organisations that act as service providers of CO₂ compensation that reduce the emission of greenhouse gases in the short- or long-term (see Part 6 section VII Environmental sustainability)

4) External expertise and service costs

Expenditure on external expertise and service costs shall be limited to the following services and expertise provided by a public or private law body or a natural person other than the beneficiaries of the project:

- a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks)
- b. Training
- c. Translations
- d. IT systems and website, modifications and updates⁵
- e. Promotion, communication, publicity or information linked to the project
- f. Financial management
- g. Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation)
- h. Participation in events (e.g. registration fees)
- i. Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services
- j. Intellectual property rights
- k. Verifications: Externalised control activities (FLC) for the verification of the project expenditure where it is relevant for the control system of the concerned Partner State
- l. The provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee
- m. Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers
- n. Other specific expertise and services needed for the given project

Further eligibility rules:

- External expertise and services must be clearly and strictly linked to the project and be essential for its effective implementation
- The selection of the external experts shall comply with the relevant EU and national public procurement law in force, and in case of the IPA partners, with the PraG rules in line with the provisions of the Financial Regulation (detailed rules in section V.)
- Programme specific rules shall be applied for the procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (detailed rules in section V.)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment
- Project partners cannot be contracted as an external expert or a subcontractor
- Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers shall be declared under this budget line. In case only the travel and accommodation costs are reimbursed to the external expert (not receiving fee), the contract shall state that only travel costs and accommodation costs supported by invoices will be paid

⁵ The Danube Transnational Programme website will include and host one website per project

- If applicable, the deliverables respect the information and publicity requirements of the DTP
- Gifts are eligible up to a maximum value of EUR 50 per item and they must be linked to promotion, communication, publicity or information activities included in the application form or approved by the MA/JS beforehand. Information and publicity requirements of the DTP shall be respected for the gifts as well
- Expenditure on external expertise and services cannot be split among the project partners, i.e. common costs are not allowed

5) Equipment expenditure

Purchase, rent or lease of equipment costs is eligible in case it is necessary for the project implementation and is foreseen in the approved Application Form.

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

- a. Office equipment
- b. IT hardware and software
- c. Furniture and fittings
- d. Laboratory equipment
- e. Machines and instruments
- f. Tools or devices
- g. Vehicles
- h. Other specific equipment needed for operations

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

Further eligibility rules:

- Equipment should be clearly and strictly linked to the project (features and functions are in line with the project needs) and exclusively used for the project implementation
- Only equipment listed in the approved application form are eligible for financing. In case of any change necessary to the equipment, it shall be preliminary approved by the JS according to the rules on project changes
- The selection of the suppliers shall comply with the relevant EU and national public procurement law in force, and in case of the IPA partners, with the PraG rules in line with the provisions of the Financial Regulation (detailed rules in section V.)
- Programme specific rules shall be applied for the procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (detailed rules in section V.)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment
- Equipment expenditure cannot be split among the project partners, i.e. common costs are not allowed

Eligible costs of project equipment:

- As a general principle, for all project equipment (purchased before or during the project lifetime) **only depreciation costs should be allocated to the project**
- The calculation of depreciation or equivalent division of shares of equipment should be done according to a justified and equitable method and be in line with the national or institutional regulations
- Depreciation costs of equipment should be allocated to the time period when the equipment was used for the project purposes

Example:

An equipment item was used from beginning of -January to end of -June. This would mean that the equipment was used throughout 6 months period. The price was EUR 4,000, with annual depreciation of EUR 1,200. By dividing this annual depreciation further by 12 months, the monthly depreciation would equal 100 EUR. In our example the project could report EUR 600 (=6 months x EUR 100).

- For equipment rented or leased for certain period during the project lifetime rental or leasing costs for the respective period are eligible
- If according to the national legislation the **equipment is not depreciable** (e.g. low-value asset), **the full costs of purchase, lease or rent could be allocated to the project**. Equipment under this category does not have to be used for project purposes after the end of the project. Moreover, after use the equipment does not have to remain in the ownership of the project partner that had reported the related costs. (In case of the full cost of purchase is allocated to the project and the equipment in question is later sold, please see section VIII. Revenues of this Manual).

Equipment which is part of an investment:

- In case **equipment is part of or fully represents an investment item** which was listed (in the section of the Application Form dedicated to the description of Infrastructure and Works) and approved in the AF, **the full cost of the equipment is eligible**.
- In case equipment belongs to this category, the following rules have to be observed:
 - The equipment must be a part of an investment output as specified in the application
 - The equipment should be solely used for the project purposes during the project life the purpose and ownership of the equipment cannot be changed for at least 5 years after the project end date.

6) Infrastructure and works

The DTP, as well as the other transnational cooperation programmes, is not intended as an investment programme. This is largely due to its limited budget and its cooperative nature.

For this reason, only small scale infrastructure is eligible where the transnational impact of the investment is demonstrated and the activity is approved in the Application Form.

This budget line should cover costs related to investment having the nature of infrastructure or works and not included under any other budget line. In line with the EU Directive 2014/24/EU Art.2, the budget line should include execution or both design and execution of works as well as site preparation, delivery, handling installation, renovation.

Eligible investments:

- **Either** follow a transnational physical or functional link over the national border (e.g. transport corridors) which has been analysed from transnational point of view and has a clear impact over the national borders

or

- Create a transferable practical solution through a case study in one area, which is jointly evaluated by the project partners and transferred for testing in at least two other participating countries

Examples of possible investments :

- *Infrastructure investments in ports, railways, routes, inland waterways and road junctions improving the operability of a transnational transport corridor*
- *Information and visitor centres, located in different countries of the programme, presenting the Danube region natural heritage (not focused on a specific site or narrow area)*

Ineligible expenditure:

- Investments without transnational relevance
- Costs of purchase of land and buildings

Examples of investments that are not eligible under DTP Programme:

- *Investments not driven by a transnational need jointly identified by the partnership but by the individual local/regional/national needs*
- *A selection of investments linked by the need of funding*
- *Pilot investments that are not jointly evaluated and transferred for testing in the partnership*

Further eligibility rules:

- The selection of contractors of investments shall comply with
 - The relevant EU and national public procurement law in force, and in case of the IPA partners, with the PraG rules in line with the provisions of the Financial Regulation (detailed rules in section V.)
 - The programme specific rules set for the procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (detailed rules in section V.)
 - The principles of transparency, non-discrimination and equal treatment

- Depending on the nature of investments and works: all compulsory requirements set by Community and national legislation, including the environmental requirements
- The purpose and ownership of the infrastructure cannot be changed for at least 5 years after the project end date
- The contractor cannot be a partner in the project
- Expenditure on infrastructure and works cannot be split among the project partners, i.e. common costs are not allowed

IV. Special eligibility rules

1) Preparation costs

Projects approved by the DTP Monitoring Committee are entitled to receive the reimbursement of the **preparation costs in a form of a lump-sum, except** for those projects that **already received financial support** for the project preparation under the EU Strategy for the Danube Region (EUSDR) **Seed Money Facility** or on any **other EU fund**.

As general principle, the DTP cannot finance the same costs which have been previously covered by other EU funds. Therefore, it shall be indicated in the Application form if the project has received other EU financial support for the project preparation.

Further eligibility rules:

- The lump sum will amount to **17,500 EUR per project**. This amount represents the total budget for the preparation costs and the ERDF contribution part of this amount (which is 85% according to the programme rules) will be reimbursed to the Lead Partner
- This amount covers all costs linked to the preparation of the Application and further costs related to the conditions clearing until the contracting of the project
- This amount shall be part of the Lead partner's budget and it shall be planned under WPO.

2) Expenditure of the Associated Strategic Partners

EU partners and non-EU partners of the programme can be involved as **Associated Strategic Partners (ASP)** in the projects; therefore the following **general conditions** apply:

- The **involvement** in the project **of ASPs** is possible, where it has an added value for the project
- The need for the involvement of the ASP for the implementation of the project and the benefit for the DTP area has to be always demonstrated, in the description of the project proposal and during the implementation

- The **ASP** are **indirectly financed** from the project budget, i.e. the concerned ASP contributes to the project without separate budget
- **The costs of the concerned ASP shall be planned in the budget of one "sponsoring" ERDF PP and shall be paid by the "sponsoring" ERDF PP as well.** In line with the rules set in Article 20(2) of Regulation (EU) No 1299/2013 EC Regulation, expenditures of the **EU partners located outside the Programme area and non-EU partners of the programme area** cannot exceed 20% of the ERDF PPs' budget in total.
- **Only travel and accommodation costs** of the ASPs related to project activities are **eligible** according to the eligibility rules for BL3 travel and accommodation costs in section III.

Specific rules:

- The costs shall be **traceable** from the **approved Application Form**
- The expenditure shall be verified by the Controller of the "sponsoring" ERDF PP and has to be reported in the Control Certificate as well

V. Procurement procedures

General principles

Public procurement is a process used by organisations and companies receiving public funds for choosing and contracting providers of goods, services and works by ensuring transparency and equal treatment of the potential providers. The public procurement procedures aim at a more efficient and transparent use of public funds as well as at increasing competitiveness. The main principles to be followed when procuring goods, services or works are the principles of transparency, non-discrimination and equal treatment. Compliance with the procurement requirements is vital for the projects, as it ensures the eligibility of the reported costs of the particular goods, services and works.

In the framework of the Danube Transnational Programme, all project partners implementing projects must comply with the relevant public procurement legislation, independently from their legal status. The rules are set at the following levels:

- 1) EU directives (Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on Public Procurement and repealing Directive 2004/18/EC)
- 2) Financial Regulation (Regulation (EU, Euratom) No 966/2012 and Delegated Regulation (EU) No 1268/2012)
- 3) National public procurement law of the Partner State of the project partner
- 4) Programme rules set by the Danube Transnational Programme
- 5) Institutional rules relevant for the project partner

In principle, procurement rules are different depending on the subject of the procurement, contract value, etc. Moreover, different rules apply for ERDF partners and for IPA partners.

- ERDF partners shall apply the EU and national public procurement rules, and the programme specific rules;
- IPA partners shall follow the PraG procurement rules in line with the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012 and of Chapter 3 of Title II of Part Two of Delegated Regulation (EU) No 1268/2012).
- In addition, in order to have harmonised procurement procedures at programme level, the Danube Transnational Programme is setting a threshold of 5,000 EUR (excluding VAT) to be applied in the ERDF Partner States of the Programme for the procurements below national thresholds. Above this amount and below the national public procurement threshold, the “bid-at-three” rule shall be applied by the ERDF project partners (unless national/institutional rules are stricter in which case they should be applied). Below this 5,000 EUR net amount, no specific rules are set at programme level, however, national guidelines/internal rules of the beneficiary’s organisation might set stricter rules.

Procurement procedures for ERDF Partners within the Danube Transnational Programme:

Thresholds	Rules to be applied	Procedure to be applied
Below 5,000 EUR (excluding VAT)	National/institutional rules (if any)	Procedure to be checked at national/ institutional level (if any)
Between 5,000 EUR (excluding VAT) and national public procurement thresholds	Programme specific rules or national / institutional rules if stricter	Bid-at three rule or national/institutional rules if stricter
Between national and EU public procurement thresholds	National public procurement law	National wide tenders
Above EU public procurement thresholds	EU directives /National public procurement law in line with EU directives	EU wide tenders

“Bid-at-three” rule: when purchasing goods or services with a contract value between 5,000 EUR (excluding VAT) and the national thresholds the Danube Transnational Programme

requires the implementation of a “bid-at-three” rule. This procedure is introduced at programme level to ensure transparent selection procedures, equal treatment and cost efficiency for goods and services below the national thresholds. The same programme level threshold is applied in each ERDF Partner State of the Programme.

Project partners shall **request at least three offers** for all contracting amounts above 5,000 EUR (excluding VAT) and below the national and EU thresholds. **If it is not possible to obtain three offers, the activities undertaken to acquire the offers have to be documented.** It shall be ensured that prices for similar goods, services or works have been compared and the selection procedure is transparent, as well as the appropriate audit trail being followed.

Further eligibility rules:

- For all cases of procurement, the **proper audit trail shall be ensured**. The selection and contracting procedure, as well as offers received from the tenderers, have to be well documented to ensure transparency of the process;
- **Framework contracts** can be eligible for the project’s purposes, where goods and/or services have been already procured outside the project by the project partner’s organisation according to the relevant public procurement rules;
- **In-house contracting** can be eligible under condition that the requirements for in-house contracting are fulfilled and the costs are declared under the relevant budget line according to the rules on eligibility of expenditure, reporting and audit trail of the Programme. In-house contracting is only possible on actual costs, no profit margin can be charged by the subsidiary company. Requirements for in-house contracting:
 - There is no private ownership involved
 - The subsidiary company carries out 90% or more of its activities for the contracting authority and
 - The parent company exercises control over the subsidiary company in a similar manner as to its own departments
- **Sub-contracting project partners** as an external expert or a subcontractor to carry out project activities within the same project **is not allowed** within the Danube Transnational Programme.
- **Risk of conflict of interest** shall be minimised during each procurement process:
 - Conflict of interest exists where the impartial and objective exercise of the functions of a financial actor or other person is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a recipient.
 - Each project partner is responsible to ensure that the appropriate measures are taken to minimise any risk of conflict of interest during the procurement process. Although the character of the conflict of interest is diverse depending

on the parties, types of the relationships and interests involved the common matter to be ensured is transparency of the decision making process and fair treatment for all tenderers.

- Special attention should be paid in cases where project staff is also involved in external companies participating in the tenders organised by the respective project partner. However, in all cases measures need to be carefully analysed to minimise any possible risks of conflict of interest. For specific requirements the national legislation should be consulted. In case a conflict of interest is detected in the procurement procedure financial implications might be set (see Commission Decision C(2013) 9527 and the annexed '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')

Examples:

Within the framework of projects with transnational relevance, usually at least a few cases of procurement would occur. Some examples of common procurement situations are listed below:

- *Procurement for development of studies or surveys for different purposes*
- *Procurement for development of IT platform necessary for the project*
- *Procurement of project management and/or communication expertise necessary for the project*
- *Procurement of equipment necessary for project implementation (office equipment or specialised hardware or software)*

VI. State aid

Public support granted by the Danube Transnational Programme must comply with state aid rules applicable at the point of time when the public support is granted. According to Article 107 (ex. Article 87) of the Treaty on the Functioning of the European Union, state aid is defined as “any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods”, therefore affecting trade between Member States.

Please note: In practical terms, state aid applies when **all criteria** listed below are met:

- a. The recipient of the aid is an **“undertaking”**, i.e. an entity engaged in an economic activity (i.e. offering goods and services on the market), regardless of its legal status and whether its aim is to make profit or not. An undertaking can be a public body, a charity, a NGO, an association, a university, a private firm, etc.
- b. The aid **comes from the State**, which is always the case for Interreg programmes.
- c. The aid gives an **economic advantage** (a benefit) which an undertaking would not have obtained under normal market conditions.
- d. The aid is **selectively** favouring certain undertakings or the production of certain goods.

Public support given by the programme to undertakings will be granted under the de minimis rule⁶. This implies that undertakings will receive grants under the Danube Transnational Programme **only if they have not received public aid under the de minimis rule totalling more than 200,000 EUR within three fiscal years from the date of granting the aid.** This ceiling is reduced to **100,000 EUR** in the road transport sector while other sectors as agriculture, aquaculture and fisheries have lower ceilings. The public aid considered for the applicable de minimis ceiling comprises all aids granted by the national, regional or local authorities, regardless of whether the resources are provided from domestic sources or are partly financed by the European Union. However, this will not affect the possibility of an undertaking to receive public support under other state aid schemes.

As a consequence, undertakings (i.e. not only private companies but also public authorities, NGOs etc.) carrying out state aid relevant activities in the project **might receive limitations on the public contribution to their budgets.**

Within the Danube Transnational Programme and notwithstanding the fact that it consists of 14 member countries, the country of the partner is to be considered the country granting de-minimis aid.

⁶ As provided for in Regulation (EU) No 1407/2013 on *de minimis* aid.

VII. Use of Euro and exchange rate

The method proposed by the Partner States for the conversion of expenditure incurred in another currency than the Euro in line with the above regulation is the following:

Expenditure incurred by project partners in a currency other than the euro shall be converted into euro by using the monthly accounting exchange rate of the European Commission (http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm) in the month during which expenditure was submitted for verification to the controller. This method shall be applicable to all project partners. The conversion shall be verified by the controller in the Partner State in which the respective project partner is located.

The following rules shall be applied for the conversion:

- The **date of submission** for verification to the controller is the day in which the project partner **submitted for the first time** the Partner Report **online** through the Front Office of the IMIS 2014-2020 Monitoring and Information System to the Controller. Further submissions due to completion and/or clarification to the Partner Report, date of submission of documents to the Controller and date of on-the-spot checks by the Controllers shall not be considered
- The date of online submission is registered through IMIS 2014-2020 Monitoring and Information System, which can be traced at any time in the system
- The same rule applies to **all project partners** and not only to beneficiaries located outside the euro-zone

VIII. Revenues

Revenues represent cash inflows directly paid by the users for the goods and services developed by the project.

Please note: As a general rule, ERDF contribution in a project (corresponding to the eligible expenditures) shall be reduced according to the net revenue generated by the project both during project implementation as well as three years after project completion.

Net revenues⁷ are understood as revenues (as defined above) minus any operation costs and replacement costs of short-life equipment incurred during the corresponding period. Please

⁷ In accordance with Articles 61 and 65(8) of Regulation (EU) 1303/2013

note that operating cost-savings generated by the project shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

In case of revenue-generating projects, applicants have to calculate the expected net revenues following the method described under Articles 15 to 19 of the Delegated Regulation (EU) No 480/2014.

Treatment of revenues:

➤ **Application phase**

Expected net revenues are to be indicated in the application form in order to offset the corresponding ERDF contribution. Applicants shall not indicate expected net revenues in the application form if the specific project output generating net revenue is state aid relevant (for further information on state aid, please refer to section VI.).

➤ **Project implementation phase**

Project partners are responsible for keeping account of all the revenues and to have the required documentation available (e.g. for control purposes). The revenues, if not deducted at the application phase, must be stated in the partner reports and must be deducted from the eligible expenditure, i.e. the certified eligible expenditure cannot include any revenues. Project partners have to provide their Controller with information on the revenues generated in the reporting period and to support this with the accounting or equivalent documents.

➤ **After the project closure**

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