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EUROPEAN UNION

Danube Transnational Programme

Applicants Manual

for the 3rd Call for Proposal

PART 3: ELIGIBILITY OF EXPENDITURE

Edited by the DTP Managing Authority/Joint Secretariat

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PART 3 of the Applicants Manual is meant to provide the main framework for the eligibility of expenditure and detailed rules for implementation (e.g. including methods for calculation of staff costs, examples etc.) are available in the Danube Implementation Manual and Danube Control Guidelines which can be downloaded from the programme website.

Table of content

I.	Legal background and hierarchy of rules.....	4
II.	General eligibility requirements	5
III.	Eligibility of expenditure by budget lines.....	7
III.1	Staff costs	7
III.2	Office and administrative expenditure	8
III.3	Travel and accommodation costs.....	10
III.4	External expertise and service costs.....	11
III.5	Equipment expenditure	12
III.6	Infrastructure and works	14
IV.	Special eligibility rules	15
V.	State aid	17
VI.	Use of Euro and exchange rate.....	18
VII.	Revenues	18
VIII.	Public Procurement.....	19

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, Euratom) No. 966/2012 (Financial Regulation)¹ 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
- REGULATION (EU) No 232/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014, ENI

¹ This regulation shall apply until 31 December 2018. From 1 January 2019 the **REGULATION (EU, Euratom) 2018/1046 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 July 2018 on the financial rules applicable to the general budget of the Union** shall apply.

- 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.

The list of regulations is not exhaustive and the amendments of the above regulations shall be also considered.

- 2) **Programme rules** on eligibility of expenditure outlined in Implementation Manual².
- 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 Implementation Manual shall not be overruled by national or institutional legislation.

II. General eligibility requirements

The rules on eligibility of expenditure for the Danube Transnational Programme are developed based on the Commission Delegated Regulation (EU) No. 481/2014, referred in the Applicants' Manual as "Delegated Act" and in line with the EU Regulations listed in section I of this document and thoroughly outlined in the Implementation Manual.

In principle, the same eligibility rules apply to ERDF, IPA and ENI Funds due to the integration of IPA and ENI 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 expenditure has to fulfil all the following criteria:

- All expenditure 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 expenditure must comply with the principle of efficiency, effectiveness and economy
- All expenditure must comply with the principle of real costs, with the exception of the costs calculated as flat rates and lump sums
- All expenditure are incurred and paid by the project partner indicated in the application form during the eligibility period of the project

² 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"

- All expenditure relate to activities that have not been financed from other financial instruments
- All expenditure 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 expenditure 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 section 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;
- **Expenditure incurred in the last reporting period** 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 expenditure by budget lines

In accordance with the Commission Delegated Regulation (EC) No. 481/2014 (as referred to “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 expenditure is 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**

III.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. Salary modifications during the project implementation are eligible in case they are well justified (e.g. an increase in the complexity of the implemented activities, additional tasks for the project team, external factors such as economic growth or inflation etc.)

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 which will remain unchanged through the entire project period.

III.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)** in case project partners decided to claim them in accordance with the approved Application Form.

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

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

The following types of expenditure 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

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 shall not 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 shall not 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

III.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. The project partners can choose from the following 2 options in accordance with the national/internal rules:

Option A)

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 laid down in the Danube Control Guidelines

b. Costs of meals

c. Accommodation costs

d. Visa costs

e. Daily allowances

In case travel costs, meals, accommodation costs or visa costs or any of these are covered by the daily allowance, the actual incurred expenditure related to the cost covered by daily allowance shall not be reimbursed as an addition to the daily allowance.

Option B)

Eligible expenditure includes:

a. Travel costs:

- Tickets for travels: flight tickets (including the costs for carbon offsetting), bus, train etc. (excluding local travel within the place of mission)
- 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 (excluding local travel within the place of mission) laid down in the Danube Control Guidelines.
- b. Per diems according to the **EC-funded external aid contracts**. In this context, per diems cover accommodation, meals, local travel within the place of mission and sundry expenses. The current per diem rates can be found on the EC website: http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm_en (the latest version should be considered)
- c. Visa costs

III.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 updates³
- 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

³ The Danube Transnational Programme website will include and host one website per project

- 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

III.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 shall not be reimbursed under any other budget line.

Eligible costs of project equipment:

- As a general principle, for all project equipment purchased during the project lifetime **the full costs of the equipment should be allocated to the project**, if in line with national and institutional regulations
- In case national or institutional regulation does not allow that project equipment is reimbursed in full, **only depreciation costs are eligible**.
- For project equipment that was purchased before the project starting date, not fully depreciated before and used for the project purposes, **only depreciation costs for the relevant project period** should be allocated to the project. Furthermore, depreciation

costs of the equipment are eligible only if the acquisition of equipment is not financed from any other financial instrument (e.g. EU, national, international)

- 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 of the case when only depreciation costs are eligible:

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 VII. 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 included and approved in the Application Form, **the full cost of the equipment is eligible.**

In general, equipment which is part of investment belongs to budget line Equipment.

- 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 Form
 - The equipment should be solely used for the project purposes during the project lifetime.

Please, note that the purpose and ownership of the equipment which is part of and investment shall not be changed for at least 5 years after the the final payment to the project.

III.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.

Please, note that the total investment expenditure can be divided among different budget lines. The budget line “Infrastructure and works” should only 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*

Please, note that the purpose and ownership of the infrastructure shall not be changed for at least 5 years after the final payment to the project.

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 or national fund**.

As general principle, the DTP shall not 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 Form and further costs related to the conditions clearing until the final approval date of the project
- This amount shall be part of the Lead Partner's budget and it shall be planned under WP Preparation.

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 travel and accommodation 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, expenditure of the **EU partners located outside the Programme area and non-EU partners of the programme area** shall not 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.
- ASPs cannot be subcontracted by project partners as external experts.

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 FLC Certificate as well

3) 20% activities

Project activities co-financed by the ERDF shall be located in the part of the Programme area comprising European Union territory (EU part of the Programme area).

Nevertheless, project partners can, in justified cases, implement part of ERDF-financed activities (i.e. participating in events, organisation of seminars, events or workshops) in EU countries outside programme area and/ or non-EU countries within the programme area.

Special conditions and eligibility of expenditure:

- costs to be spent according to the 20% ERDF flexibility rule must be traceable from the approved Application Form;
- **costs shall be clearly planned in the budget of LP or ERDF PP and shall be directly paid by the LP or ERDF PP under budget line External expertise and service costs;**

- the need for the activities outside the EU part of the programme area for the implementation of the project and the achievements of its objectives has to be clearly demonstrated;
- the benefit of the programme area has to be always demonstrated, in the description of the project proposal and during the implementation.

Eligible expenditure:

- costs of the organisation of joint meetings in EU countries outside programme area and/ or non-EU countries within the programme area (e.g. organisation of a workshop in the Republic of Moldova);
- costs for the implementation of specific activities of the project in EU countries outside programme area and/ or non-EU countries within the programme area (e.g. organisation and implementation of training activities in Montenegro).

V. 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:

- 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.
- The aid **comes from the State**, which is always the case for ETC programmes.
- The aid gives an **economic advantage** (a benefit) which an undertaking would not have obtained under normal market conditions.
- The aid is **selectively** favouring certain undertakings or the production of certain goods and it distorts or (threatens to distort) competition and trade between Member States.

Danube Transnational Programme does not finance state aid relevant activities and state aid regulations which determine exemptions won't be applied. All project partners are expected to

be familiar with the relevant state aid rules to ensure that their activities do not constitute state aid.

VI. Use of Euro and exchange rate

The method for the conversion of expenditure incurred in another currency than the Euro 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.

VII. 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, the eligible expenditure of a project 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 revenues⁴ are understood as revenues (as defined above) minus any operation costs and replacement costs of short-life equipment incurred during the corresponding period. Please note that operating cost-savings generated by the project shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

In case of revenue-generating projects, 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.

Expected net revenues are to be indicated in the Application Form by the applicants. 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 V.).

⁴ In accordance with Articles 61 and 65(8) of Regulation (EU) 1303/2013

VIII. Public Procurement

In the framework of the Danube Transnational Programme, different rules apply for ERDF partners and for IPA and ENI partners.

- ERDF partners shall apply the relevant national public procurement rules, and the programme specific rules;
- IPA and ENI partners shall follow the provisions of the Financial Regulation and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority. The threshold specified in the Regulation must be followed.

Detailed rules regarding public procurement for implementation purposes are available in the Danube Implementation Manual and Danube Control Guidelines which can be downloaded from the programme website.