Danube Transnational Programme

# IMPLEMENTATION MANUAL

# for EUSDR Priority Area Coordinators

Version 2.0

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A stream of cooperation

Programme co-funded by the European Union

## Contents

## Table of Abbreviations

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| AA | Audit Authority |
| AF | Application Form |
| AfR | Application for Reimbursement |
| AM | Applicants Manual |
| ASP | Associated Strategic Partner |
| CA | Certifying Authority |
| CP | Cooperation Programme |
| CPR | Common Provisions Regulation (EU) No 1303/2013 |
| DR | Danube Region |
| DTP | Danube Transnational Programme |
| EC | European Commission |
| eMS | Electronic Monitoring System |
| ENI | European Neighbourhood Instrument |
| ERDF | European Regional Development Fund |
| FLC | First Level Control (named also Controller) |
| IPA | Instrument for Pre-Accession |
| JS | Joint Secretariat |
| JS FO | Financial Officer of the Joint Secretariat |
| JS PO | Project Officer of the Joint Secretariat |
| MA | Managing Authority |
| MC | Monitoring Committee |
| NCP | National Contact Point |
| OLAF | European Anti-Fraud Office |
| PP | Project Partner |
| PP1 | Project Partner 1 |

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|---|---|
| PPR | Project Progress Report |
| PR | Partner Report |
| PRAG | Practical Guide to contract procedures for EU External actions |
| SC | Subsidy Contract |

## Glossary

### Application for Reimbursement

The Application for Reimbursement (AfR) is a document prepared on the basis of a completed Project Progress Report, submitted by the Project Partner 1 to the MA/JS in order to claim the contribution from EU Funds (ERDF and/or IPA and/or ENI) for the project on the basis of verified expenditures, which needs the signature of Project Partner 1. Therefore, it is always submitted together with the Project Progress Report.

### Applicants Manual

The purpose of the Applicants Manual is to provide stakeholders and potential project applicants with appropriate and high-quality information about the programme, the options and conditions for the development of their project ideas into full-fledged project proposals and the assessment and selection procedures for proposals.

### Control Guidelines

The purpose of this document is to support the work of the Controllers to fulfil the verification of expenditure of the ERDF, IPA and ENI project partners in a harmonised way in each Danube Partner State, in accordance with the requirements set by the DTP.

### Electronic Monitoring System (eMS)

The electronic data exchange system used by the Danube Transnational Programme, developed by Interact, for management and monitoring of programme and project level implementation (including the fist level control tasks as well).

### FLC Certificate

It is a document issued by the Controller to the Project Partner containing the amount of validated expenditure for the concerned reporting period. By issuing this document, the Controller declares the legality and regularity of the expenditure according to EU, Programme and national rules.

### Final Report

An additional section of the last Project Progress Report that needs to be filled in by the Project Partner 1, with the support of the partnership, which summarises what the project has achieved.

### Output factsheet

An output factsheet is summarising and presenting the main characteristics of an output (general feature, how and by whom to be used, what benefit it brings and how can be sustained) delivered by the project. For each delivered output, Project Partner 1 has to prepare a separate output factsheet according to the type of the output (learning interaction, strategy, tool, pilot action, etc.), which is to be prepared on the template of Annex 2 uploaded to the relevant Project Progress Report.

## Partner Report (PR)

A tool to be used by the Project Partners (ERDF, IPA and ENI PPs) that has two major functions. The yearly Partner Report consists of Financial report / (part) and Activity report / (part). On the one hand, each project partner (including Project Partner 1) submits a Partner Report to declare its expenditure relevant for the reporting period for validation to the responsible Controller at national level. On the other hand, the project partner provides via the Partner Report adequate information for Project Partner 1 concerning the activity and financial progress of its project part, based on which Project Partner 1 will prepare the regular Progress Report of the project. The partner report can be submitted on an yearly basis or it can be submitted as interim report. The financial part of this report serves as basis for the FLC Certificate that the Controller will issue. The partner report shall be prepared and submitted to the Controller in the eMS.

## Project Progress Report (PPR)

A monitoring tool of the programme that Project Partner 1 shall prepare and submit yearly in eMS in order to provide up-to-date information about the progress of the project implementation as well as justify those expenditures that are claimed in the Application for Reimbursement, submitted together with the Project Progress Report. The Project Progress Report can be submitted on an yearly basis or it can be submitted as interim report. In case of interim reports these consist only of Financial report and a short summary of activities.

# 1. Introduction

The purpose of the PAC Implementation Manual, which together with the Applicants Manual for PACs form the Danube Programme Manual for PAC support, is to provide detailed guidance for Project Partners 1 (and project partners) of the approved projects in the implementation phase from contracting to project closure, including reporting obligations, payment of the contribution from the EU Funds (ERDF/IPA/ENI) and other programme-related requirements set in the Subsidy Contract. The project implementation has to be executed according to the regulations and rules relevant for the financial instruments of the programme (ERDF, IPA and ENI). This Manual describes the implementation rules for the ERDF, IPA and ENI Priority Area Coordinators, as well as the joint requirements for all partners. For specific problems related to particular operations, the DTP Joint Secretariat should be contacted for advice.

This Manual outlines the steps to be taken during the project implementation.

ATTENTION: Deadlines in the Implementation Manual always refer to calendar days!

# 2. Contracting

## 2.1 Contracting Procedure

Contracting is the procedure carried out in order to conclude a Subsidy Contract between Project Partner 1 (PP1) and the Ministry for National Economy hosting the Managing Authority/Joint Secretariat (MA/JS) of the Danube Transnational Programme, for the implementation of a project approved by decision of the Monitoring Committee (MC). The contracting starts after the final MC approval of the project application, i.e. after the direct approval (without conditions) or after the successful fulfilment of conditions.

Following the MA/JS notification about the final MC approval of the application, PP1 has to submit the following documents **in original format** to the MA/JS within 30 days from the date of receiving the MA/JS notification letter by email:

1. *Statement on Project bank account*:

   (a) document officially issued and signed by the Bank of PP1 proving that **a separate EUR bank account** has been opened for the project by the PP1 (**Annex 1/a**)

   *or*

   (b) document officially issued and signed by the Bank of PP1 proving that the **single bank account** of the organisation is available for the project (**Annex 1/b**).

   In this case, a separate sub-account or technical code or other technical arrangement allowing to identify, track and report all financial transfers and expenditure related to the project shall be used on the existing bank account.

2. *Proof of signature of the legal representative of PP1*: document proving the authorised signature of the person(s) entitled to sign the Subsidy Contract and the Application for Reimbursement. The document has to contain the original authorised signature of the legal representative(s) countersigned according to national rules, e.g. countersigned by a notary / legal department / private individual, etc.).

3. In case of changes in legal status of PP1, the documents proving the new legal status.

4. *Approved Application Form*

   *AF* (PDF), Project Partner 1 Confirmation and Signature officially signed and stamped by the legal representative of PP1 organisation.

5. *Original Declarations of co-financing* – one per each financing PP; officially signed and stamped by the legal representatives of the PPs

6. *Original State aid Declarations* - one per each financing PP; officially signed and stamped by the legal representatives of the PPs

7. *Original ASP Declarations* - (if relevant) one per each respective ASP; officially signed and stamped by the legal representatives of the ASP(s)

8. *Original Partnership Agreement* – officially signed by PP1 and each financing PP

Project Partner 1 has to submit the last version of the Partnership Agreement in accordance with the AF approved by the MC and signed by the entitled person on behalf of each project partner. Following the check of the submitted documents, the MA/JS will inform PP1 in written form if any correction or further completion of these documents is necessary. PP1 will be requested to submit preferably **within 10 days** from the MA/JS communication the completed documents.

Once PP1 submits all necessary documents, the MA/JS prepares the Subsidy Contract. The Subsidy Contract is to be signed first by the MA/JS on behalf of the Ministry for National Economy and will be sent to PP1 for signing in two originals, out of which one original remains with PP1. PP1 has to send back to the MA/JS the remaining one signed original **within 15 days** from the reception. The estimated timeframe of the contracting procedure is in general one month, depending on the time needed for PP1 to send all necessary documents for contracting. In case the necessary documents for contracting are not provided within three months from the date of receiving the MA/JS notification letter, the MA/JS notifies the MC, and on the basis of the MC decision, the MA/JS is entitled to withdraw from the contracting.

During the contracting procedure in eMS, the project handover procedure is carried out between the Applicant (which becomes LP) and the DTP JS. Once the project is handed over to PP1 in eMS, PP1 is expected to fill in and upload the necessary supporting documents in the *Supplementary information* section for which the "Factsheet - Access and first Steps in eMS" provides technical guidance for the LP.

## 2.2 The subsidy contract

The Subsidy Contract and its annexes establish the legal framework for the implementation of the project, specifiy the awarded amount of EU Funds (ERDF, IPA and ENI funds), the eligibility timeframe, the conditions for support, implementing arrangements (including reporting, validation and reimbursement), determine the rights and obligations of PP1 and the MA/JS. The approved Application Form and the Partnership Agreement (and its amendments) are integral parts of the Subsidy Contract. The Subsidy Contract template can be downloaded from http://www.interreg-danube.eu/relevant-documents/documents-for-project-implementation.

The general framework of the project implementation is regulated by the Subsidy Contract and the details are described in the different Chapters of this Manual, e.g. reporting and Application for Reimbursement, information and publicity requirements, audits, etc. The main rules on the modification of the Subsidy Contract are outlined in the Subsidy Contract, and regulated in detail in Chapter 5 - *Project changes*, of this Manual.

# 3. Project implementation

## 3.1 Project management

### 3.1.1 Starting up the project

The project implementation starts on 1st of January 2017 the earliest but the expenditures can only be reimbursed after the final approval of the application by the Monitoring Committee (MC). Therefore, the expenditures related to the project implementation are eligible from the starting date of the project. The project implementation period, defined by its starting and end dates, are explicitly given in the Subsidy Contract.

### 3.1.2 Project management

Once the project implementation starts, project management and coordination has a crucial role to ensure a successful implementation in order to achieve the project objectives. It is important that the partnership:

- Establishes sufficient and effective management structure and procedures;
- Ensures appropriate flow of information among the project partners within this management structure;
- Constantly monitors the progress of implementation in order to identify potential risks and deviations that might make necessary corrective interventions:
- Controls the quality of the work done and the deliverables, outputs produced;
- Keeps regular contact and communication with the programme management, the MA/JS on project, the NCPs, Controllers on partner level;
- Evaluates at the end the result, what is achieved, how much it is in line with the original objectives, what the conclusions and the possible follow-up measures can be.

In general, it is adviced that each project partner nominates at least one person in charge of the reporting towards the programme. PP1 should nominate also the contact person in charge of ensuring the smooth information flow between the project and the JS.

## 3.2 Information and communication management

### 3.2.1 Introduction

This chapter has been developed with the purpose of clarifying and streamlining the requirements in the field of information and communication to be fulfilled by the projects in the programming period 2014 – 2020.

**Legal Basis**

The obligations of beneficiaries regarding information and communication measures for the public are included in: Annex XII, section 2.2 of EC Regulation 1303/2013 (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0320:0469:EN:PDF).

The regulation contains a set of general, compulsory measures, but each Programme can develop additional requirements, which will be inserted in the Subsidy Contract and the Partnership Agreement.

**Transparency**

Full transparency of the activities implemented by the projects and how the EU funds have been used must be guaranteed. The Managing Authority is responsible for the publication, electronically or otherwise of the list of beneficiaries, the names of the operations and the amount of public funding allocated to the operations. Beneficiaries shall be informed that acceptance of funding is also an acceptance of their inclusion in the published list of beneficiaries. The MA/JS and NCPs shall also be authorised to publish other information about the project, if considered relevant and / or to distribute / publish any project output/deliverable that is of relevance.

All information and communication measures provided by the beneficiary shall acknowledge and promote the EU support received from the Danube Transnational Programme by displaying the DTP logo together with a reference to the Fund supporting the operation.

### 3.2.2 Requirements

The requirements to be followed are included in the above-mentioned Regulation (EC) 1303/2013, the Subsidy Contract and the Partnership Agreement to be signed by the beneficiaries, as a means to enhance projects' communication and visibility and facilitate further the sharing of knowledge and experience and future collaboration among projects.

**Logos and visual identity**

The Regulation (EU) No 1303/2013 (Annex XII, Article 2.2) requires all beneficiaries to follow a number of rules regarding the use of the logo of the European Union and the respective fund. All approved projects are obliged to use as well the Danube Transnational Programme logo on all their communication materials, outputs and deliverables (both hard copy and electronic) as well as to display it in events (More information on the use of the DTP logo can be find in Annex 8 and more information on the use of the EU emblem can be found in: http://europa.eu/about-eu/basic-information/symbols/flag/index_en.htm )

In addition to displaying information on the Programme and EU support, for the purpose of promoting the Strategy, PACs shall use the EUSDR Priority Area logo in all their written and audio-visual communication materials, deliverables and outputs. In order to respect the Commission Implementation Regulation (EU) No. 821/2014, PACs are requested to include an additional EU emblem of at least the same size in height or width as the EUSDR logo(see more details in Annex 9).

The Danube Transnational Programme logo must be always visible in a prominent place and of a comparable size to other logos used.

Non-compliance with the rules on branding could lead to negative effects including a potential decision on ineligibility of some costs decided by national controllers and other programme bodies. The DTP JS will help the projects in fulfilling these rules and support them constantly in all their communication activities.

**Poster**

Within six months after the approval of the project, each project partner has to place at least one poster with information about the project (minimum size A3), including the financial support from the EU, at a location visible to the public, such as the entrance area of a building (Regulation (EU) No 1303/2013, Annex XII Article 2.2 paragraph 2.b). The poster needs to stay visible for the whole duration of the project.

An editable template of a poster will be provided by the DTP JS but projects can create their own posters.

**Events**

Projects are invited to participate, whenever requested, in events organised by the programme with the purpose of presenting/discussing/developing/sharing project results and creating synergies with other projects and relevant organisations.

**Website**

The PA website should highlight the financial support from the programme and European Union with the inclusion of the compulsory logos (Annex 9), as well as a reference to the Fund/s supporting the project. The same rule applies for printed and digital publications, documents and presentations.

## 3.3 Financial management

### 3.3.1 EC regulations

The Danube Transnational Programme is financed from ERDF, IPA and ENI funding; therefore several EU Regulations shall be considered for the financial management of the programme. General regulations, as well as specific regulations relevant for the DTP programme, are collected in this section.

The following regulations shall be considered (<u>not exhaustive list</u>):

<u>**General regulatory framework on the financial management of EU funded programmes:**</u>

- Regulation (EU, Euratom) **No. 966/2012 (Financial regulation)** 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 the repealing Council Regulation (EC, Euratom) No 1605/2002

- 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**

**General rules concerning the EU Funds:**

- **Regulation (EU) No 1303/2013** of the European Parliament and 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 (**Common Provisions Regulation**)

- **Regulation (EU) No 1301/2013** of the European Parliament and 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 (**ERDF regulation**)

- **Regulation (EU) No 1299/2013** of the European Parliament and the Council of 17 December 2013 on **specific provisions for** the support from the European Regional Development Fund to the **European Territorial Cooperation goal** (**ETC regulation**)

- Commission **Delegated Regulation (EU) No 481/2014** of 4 March 2014 supplementing Regulation (EU) No. 1299/2013 of the European Parliament and the Council with regard to **specific rules on eligibility of expenditure for cooperation programmes** (**Delegated Act on Eligibility of expenditure)**

- **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**)

- Commission **Implementing Regulation (EU) No 447/2014** of 2 May 2014 on **specific rules for implementing** Regulation (EU) No. 231/2014 of the European Parliament and the Council establishing an Instrument for Pre-Accession Assistance (**IPA II**)

- **Regulation (EU) No 232/2014** of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instruments (**ENI**)

- **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 (**Common Implementing Regulation for External Actions**)

- REGULATION (EU) No 232/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 establishing a **European Neighbourhood Instrument (ENI)**

**Further rules to be considered:**

- **Regulation (EU) No 910/2014** of the European Parliament and of the Council of 23 July 2014 on **electronic identification and trust services for electronic transactions** in the internal market and repealing Directive 1999/93/EC
- **Implementing acts** and **Delegated acts** adopted in accordance with the aforementioned regulations
- **Guidance** issued by the European Commission relevant for the project financial management and verification of expenditure

**Control related Articles of the abovementioned regulations:**

The following articles of the EC Regulations are regulating the **setting up the control system** and requirements for the **verification of expenditure**:

- **Article 23 (4)** of Regulation (EC) No. 1299/2013 (ETC Regulation) – setting up the control system
- **Article 125 (4)** of Regulation (EC) No. 1303/2013 (CPR) –verification of expenditure
- **Article 125 (5)** of Regulation (EC) No. 1303/2013 (CPR) – verification procedures

The EC regulations relevant for the **eligibility of expenditure** are the followings:

- **Article 3** of Regulation (EC) No. 1301/2013 (**ERDF Regulation**) – scope of support from the ERDF, i.e. specific provisions on the eligibility of activities
- **Articles 6** of Regulation (EC) No. 1303/2013 (**CPR**) – regulates the "applicable law"
- **Articles 65 to 71** of Regulation (EC) No. 1303/2013 (**CPR**) – specific provisions on eligibility of expenditure
- **Articles 18 to 20** of Regulation 1299/2013 (**ETC Regulation**) – specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal
- Commission **Delegated Regulation** (EU) No 481/2014 – specific rules on eligibility of expenditure for cooperation programmes, with regard to the following **expenditure categories**: staff costs, office and administrative expenditure, travel and accommodation costs, external expertise and service costs, and equipment expenditure

### 3.3.2 Control System in DTP

#### 3.3.2.1 National Control System

According to Article 23 (4) of the Regulation EC No 1299/2013 (ETC Regulation) each Partner State shall set up a control system to validate the expenditure at national level. For this purpose, each Partner State shall formally designate the Controller responsible for verifying the legality and regularity of the expenditure declared by each project partner participating in the project (the "Controller").

The control system is **centralised in 9 Partner States** of the Danube Transnational Programme, including **Bosnia and Herzegovina, Croatia, Czech Republic, Hungary, Montenegro, Romania, Serbia, Slovakia and Slovenia**, and a **decentralised control system** is set up **by Austria, Bulgaria, Germany, Moldova and Ukraine**.

**The designated controllers** and the control requirements for each Partner State are available at the Programme's website (www.interreg-danube.eu/relevant-documents/programme-main-documents).

#### 3.3.2.2 Control procedure

The Danube Control Guidelines are developed at programme level, in order to ensure the common understanding of the rules and the requirements for control. The requirements on the verification of expenditure set by the DTP are described in the Danube Control Guidelines for the Controllers of the Partner States.

The FLC Checklist for projects, as standard template of the Control Guidelines, contains the eligibility rules and the documentary evidence needed to prove project expenditure. Therefore, it can be used as self-assessment by PP1 / Project Partners before submitting the project expenditure to validation their Controllers.

The Danube Control Guidelines are available for downloading on the DTP website (www.interreg-danube.eu/relevant-documents/programme-main-documents).

The control costs are financed by national public sources in case of centralised control systems except Croatia. Therefore, the verification of expenditure is ensured free for the project partners coming from these Partner States. In case of the decentralised systems and centralised system in Croatia, the control costs are planned to be paid by the PPs from their project budget.

#### 3.3.2.3 FLC Certificate

The Controller verifies the expenditure declared by each PP, as well as PP1, on the basis of the invoices or accounting documents of equivalent probative value, verifies the delivery of the co-financed products and services, the soundness of the declared expenditure, and the compliance of such expenditure with EU rules and relevant national rules.

Following the completion of the verification, the Controller issues the FLC Certificate in eMS. There is no requirement at programme level to issue the FLC Certificate on paper basis in original version(s) (however, at national level it can be regulated differently).

The FLC Certificate contains detailed information on the administrative verifications and on-the-spot checks performed for the given reporting period, irregularities.

#### 3.3.2.4 Timeframe of verification

Within the timeframe specified in Art. 23 of the ETC regulation, the Controllers shall verify the expenditure of the PPs in due time, in order to ensure the timely submission of the PPR and AfR at project level.

Considering the timeframe needed for the preparation of the Partner Report at PP level and the preparation of the PPR and AfR by PP1, the Controllers shall fulfil the verification of expenditure within **60 days**[1].

| **Verification process** | **Verification timeframe and indicative deadlines** | | |
|---|---|---|---|
| Preparation and submission of Partner Report by all **Project Partners** to the Controller from the end of each reporting period | **15 days** | | |
| Verification of expenditure and issuing the FLC Certificate by the **Controller** | | **60 days** | |
| Preparation and submission of the Project Progress report and Application for Reimbursement for the whole project by **Project Partner 1** to the MA/JS | | | **15 days** |

[1] **Cooperation Programme (CP) 5.3.8 Control System:** "In principle, each Partner State should ensure that the expenditure can be verified within a period of two months from the submission of the documents by the project partners allowing for timely submission of PRs by the LB within a three months period from the end of each reporting period."

**Please note:** Controllers can set up different reporting deadlines for the Project Partners (instead of 15 days) in the national control guidelines if any. In case less than 60 days are available for control, the project partner can submit the Partner Report, but risking that the validation cannot be fulfilled within the deadline of submission of the Project Progress Report and Application for Reimbursement.

### 3.3.3 Eligibility of expenditures, compliance with EU policies and other rules

The sound financial management of the project is based also on the eligibility of expenditure. The eligibility of expenditure will be verified by the Controllers for each PP at national level according to the requirements of the DTP and the relevant EU and national rules.

#### 3.3.3.1 General eligibility criteria

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 3.3.1 of this manual as well.

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

In general, in order to be considered **eligible the expenditures have 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
- All expenditure are incurred and paid by the PP indicated in the AF during the eligibility period of the project
- All expenditure relate to activities that have not been 100% financed from other financial instruments
- All expenditure are supported by invoices or other documents with probative value directly attributable to a certain PP with the exception of the costs calculated as flat rates
- All expenditure are in line with eligibility rules on EU, programme and national eligibility rules

**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 PPs (i.e. sharing of „common costs")
- Second hand equipment

#### 3.3.3.2 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 31st December 2022**.

The project period is defined in the Subsidy Contract, in accordance with the approved Application Form.

**Eligible project expenditure shall be <u>incurred and paid within the project period</u>** defined by the starting date and end date of the project according to the Subsidy Contract with the exception of:

- **Control costs related to the last Project 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 is indicated in the subsidy contract.

#### 3.3.3.3 Eligibility of expenditure 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 four 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**

## 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 had to choose one of these reimbursement options already in the Application Form, which **remains 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.
- In case of use of annual gross employment cost method, the hourly rates would be set based on the latest available gross employment costs at the time of signature of the subsidy contract. The hourly rates would remain fixed for the project duration.
- Under method point (ii) the denominator of the formula for the calculation of the hourly rate (i.e. 1,720 hours) cannot be changed irrespective of contractual conditions applicable. In case of part time with a flexible number of hours worked per month calculated with the monthly hourly rate, holidays and sick leave would usually not be considered as eligible staff costs (in the absence of any specific contractual clause the maximum monthly working time should be considered).
- 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).**

| *Examples for the calculation of staff costs:* | |
|---|---|
| **Type** | ***Calculation*** |
| **Full time employment** | **100% of the gross employment costs** are allocated to the project<br><br>***Example:*** |

| | | |
|---|---|---|
| | | • *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.*<br><br>• *Project reporting is on 6 months basis.*<br><br>• *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).*<br><br>• *During a particular month, project manager is working solely on project related tasks.*<br><br>• *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).*<br><br>• *No obligation to establish a separate working time registration system – no timesheet necessary* |
| **Part time employment** | **a. with a <u>fixed percentage of time worked per month</u>** | The **percentage set in the employment document** (work contract/job description/other equivalent document) is **multiplied by the monthly gross employment costs**.<br><br>***<u>Example:</u>***<br><br>***50% of working time is allocated to the project***<br><br>• *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.*<br><br>• *Project reporting is on 6 months basis.*<br><br>• *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).*<br>• *During a particular month, financial manager is working 50% of her/his working time on project related tasks.*<br>• *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).*<br>• *No obligation to establish a separate working time registration system* |
| | **b.(i) with a flexible number of hours worked per month <u>calculated with a monthly hourly rate</u>** | *Number of hours worked in the project multiplied by the pre-calculated monthly hourly rate.*<br>***hourly rate = monthly gross employment cost/ monthly working time fixed in the employment document (expressed in hours).***<br>***<u>Example:</u>***<br>• *monthly working hours according to the contract: 168 hours*<br>• *gross employment costs for June: EUR 3,500.00 → hourly rate: 3500/168 = 20.83 EUR*<br>• *total number of hours worked for the project (June): 80h*<br>• *total project costs: 80h* 20.83 EUR = 1,666.40 EUR*<br>• *time registration system covering 100 % of the working time of the employee is established.* |
| | **b.(ii) with a flexible number of hours worked per month <u>calculated with a yearly hourly rate</u>** | *Number of hours worked in the project multiplied by the pre-calculated yearly hourly rate.*<br>***hourly rate = latest documented annual gross employment cost/ 1,720 hours***<br>***<u>Example:</u>***<br>• *gross annual documented employment costs:* |

| | | |
|---|---|---|
| | | *42,000.00 EUR → hourly rate: 42.000/ 1,720.00 = 24.41 EUR*<br>• *total monthly hours worked for the project (June): 80h*<br>• *total project costs (June): 80h*24.41 = 1,952.80 EUR*<br>• *time registration system covering 100 % of the working time of the employee is established.* |
| | ***c. with a flexible number of hours worked per month calculated <u>on a contracted hourly rate basis</u>*** | ***number of hours worked** for the project **multiplied by the hourly rate set in the employment document**.*<br>***<u>Example:</u>***<br>• *hourly rate set in the employment document: 16 EUR*<br>• *total number of hours worked for the project (June): 80h*<br>• *total project costs: 80h*16 EUR=1,280 EUR + 345 EUR social charges paid by the employer = 1,625 EUR.*<br>• *time registration system covering 100 % of the working time of the employee is established.* |

**<u>Please, note:</u>** Further information on the calculation of staff costs can be found in the Control Guidelines.

### b. <u>Staff costs are reimbursed on flat rate basis:</u>

The flat rate for staff costs **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 to be reimbursed under the travel and accommodation costs, external expertise and service costs, equipment expenditure and infrastructure and works budget lines. The expenditure to be reported under office and administration is not considered as direct costs, therefore it is not 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**) in case PP 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 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. Office and administrative costs (15% flat rate) can be introduced, or deleted from a Project Partner budget by budget change, only before PPs of the project start preparing their Partner Report in eMS for the first request for reimbursement. **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 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

## 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 PPs can choose from the following two 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

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.

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

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 PPs to prepare WP3, etc.

- The duration of the travel shall be clearly linked to the concerned event/meeting and shall not 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 in section 3.3.3.4 of this Manual)

- Daily allowances are eligible according to national legislation / internal rules of the partner's organisation. In case neither national nor internal rules of the partner's organisation are available, the daily allowances according to the Commission Delegated Regulation (EU) 2016/1611 of 7 July 2016 shall be applied. Hierarchy or rules (internal and/or national, EU) 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 hotel accommodation costs are eligible according to national legislation / internal rules of the partner's organisation. In case neither national nor internal rules of the partner's organisation are available, the daily rates for the hotel accommodation costs according to the Commission Delegated Regulation (EU) 2016/1611 of 7 July 2016 shall be applied. Hierarchy of rules (internal and/or national, EU) shall be kept. 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 PP can select the service provider of $CO_2$ 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.[2]

## 4) External expertise and service costs

[2] Carbon offsets are achieved through financial support of projects carried out by organisations that act as service providers of $CO_2$ compensation that reduce the emission of greenhouse gases in the short- or long-term (see Part 6 section VII Environmental sustainability)

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 including ASPs:

a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks)

b. Training

c. Translations

d. IT systems and website, modifications and updates[3]

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 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

- In case of public procurement 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 and ENI partners, with the PraG rules in line with the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two) and the Delegated Regulation (Chapter 3 of Title II of

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

Part Two) and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority

- In case the controller is appointed or designated at national level and its costs is paid by the project partner, the rules for the selection of the external experts shall not be applied as the project partner is not free to select a controller

- 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 3.3.4.) (applicable only for ERDF component of the DTP)

- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment

- Project partners and their employees 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

- Travel and accommodation costs of Steering Group members related to the participation of steering group meetings shall be declared under this budget line based on the service contract concluded

- 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

#### 3.3.3.4 Expenditure of the Associated Strategic Partners

**EU partners and non-EU partners of the programme** can contribute to the project without separate budget as **Associated Strategic Partners (ASP) with the following conditions**:

- 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 during the implementation of the project**.**

- 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 3.3.3.3.

- These costs have to be included in the budget "sponsoring" ERDF PP

- The **ASP** is **indirectly financed** from the project budget, therefore the **costs of the concerned ASP shall be paid or reimbursed by the "sponsoring" ERDF PP** and 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.

- ASPs cannot be subcontracted by project partners as external experts.

#### 3.3.3.5 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 PP1 or ERDF PP and shall be paid and validated by the PP1 or ERDF PP**;

- 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, financed by an ERDF PP);

- 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 financed, by an ERDF PP).

### 3.3.4 Procurement procedures

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 and ENI 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).
- ENI partners shall follow the PraG procurement rules
- 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 rules, if any, shall be applied.

**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 rules (if any) | Procedure to be checked at national 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 level tenders** |
| Above EU public procurement thresholds | National public procurement law | **EU level 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** to be submitted for all contracting amounts above 5,000 EUR (excluding VAT) and below the national and EU thresholds in case three comparable offers are not available from any other resources (e.g. price list from internet)**. In case three offers are not received/ arrived**, **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. If at national/institutional level stricter rules have to be applied the national/institutional rules must be followed.

- IPA and ENI partners shall follow the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two) and the Delegated Regulation (Chapter 3 of Title II of Part Two) and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority. The threshold specified in the Delegated Regulation must be 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 according to EU legislation, national and internal rules 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 set up at national level (the details are described in the public procurement regulations as an exemption to apply public procurement) 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 are ensured as well. In case of in-house contracting, only the actual costs are eligible to be reimbursed, no profit margin can be charged by the company contracted with (e.g. subsidiary company). The Controllers have to check that the requirements set up at national level for in house contracting have been fulfilled.

  **Sub-contracting of project partners** of the same project or any of the staff of the other project partners of the same project 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. The national level law regulating this issue shall be taken into account as well.

  - 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')

### 3.3.5 State aid rules

In the PAC call no state aid is granted by the Programme and state aid regulations which determine exemptions will not 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.

# 4. Monitoring project progress

## 4.1 Reporting

Reporting is one of the tools used by the Programme to monitor on a regular basis or at certain stages of the project implementation, the physical and financial progress and performance of the project, its deliverables, outputs, achievements and contributions to the Programme objectives and output indicators. Reporting is also the basis for the reimbursment of the EU contribution part (ERDF and, if applicable, IPA and ENI contribution) of the project expenditures to PP1 and through PP1 to the partners. Based on the contractual obligation, PP1 has to regularly submit yearly Project Progress Reports (PPR) including the Application for Reimbursements (AfR), according to the deadlines set in the SC. In the Project Progress Report, PP1 reports about the project progress proving that the implementation is in accordance with the approved AF and justifies the reported, validated expenditures in connection to the AfR of the contribution from EU Funds (ERDF, IPA and ENI). The yearly Project Progress Report contains both the description of the implemented activities in the framework of the DTP financing, as well as the information necessary for the EC and EUSDR bodies to assess the progress in implementing the actions and achieving the targets set at Priority Area level.

Furthermore, in order to facilitate the work of the PACs by providing cash-flow, **up to 4 interim PPRs can be submitted per year.** They consist only of a **summary of activities and the financial report. The minimum amount to be requested in each FLC Certificate is 2,000.00 EUR per EU Funds.** Nevertheless, a lower amount can be accepted in duly justified cases.

While the Project Progress Report is prepared by PP1, each PP (ERDF, IPA and ENI) must contribute to the compilation of the PPRs by preparing and submitting their *Partner Reports* (PR). Project Partners provide adequate information for PP1 concerning the activity and financial progress of their project part via the Partner Report in relation to a certain reporting period.

The Partner Report at the same time contains the financial data of the expenditures reported by the partner to be validated by the Controller at national level, based on which the Controller issues the FLC Certificate. The PP has to submit the Partner Report through the eMS to its designated Controller by the deadline defined by the respective Controller in the national control guideline or, if the national control guidelines are not available, by the deadlines outlined in point 3.3.2.4. of this Manual (more information on the validation procedure is provided in sections 3.3.2 and 4.1.4 of this manual).

### 4.1.1 Reporting system and process

The whole reporting procedure is integrated into and managed through the electronic online information and monitoring system used by the DTP (Electronic Monitoring System, further referred as eMS). The DTP *Factsheet - Access and first Steps* provides guidance for the PP1 and each PP (ERDF, IPA and ENI) on how to access eMS.

First, Project Partners (including the PP1) have to prepare and submit their Partner Reports (PR) through eMS to their designated Controller at national level. The *Guidelines for Partner Report* provides detailed guidance on how the PR is to be prepared and submitted in eMS. The Controller, after validation of the reported partner expenditure, issues the FLC Certificate to the Project Partner in eMS as well. Further information on the control process can be found in the Control Guidelines (e.g. which supporting documents need to be provided for the verifications of expenditure by the FLC). PP1 has view-access to the PRs and the FLC Certificates of each PP, based on which PP1 compiles the Project Progress Report (PPR) in eMS, uploading the necessary supporting documents, including the scanned version of the Application for Reimbursement, (AfR) signed by the legal representative of PP1. The *Guidelines for Project Progress Report* provides detailed guidance on how the PPR is to be prepared and submitted in eMS. The MA/JS checks the submitted PPR (including the AfR), in all its parts and annexes and, after its verification, the MA/JS initiates through the Certifying Authority the reimbursement of the related EU contribution part (ERDF / IPA / ENI) to PP1's bank account. PP1 is responsible for transferring the ERDF / IPA / ENI contributions to the PPs according to the approved AfR.

### 4.1.2 Reporting deadlines

PP1 has to submit the Project Progress Report, including the Application for Reimbursement (AfR), **on a yearly basis.** The reporting periods are regulated in the Subsidy Contract.

The Project Progress Report and Application for Reimbursement have to be submitted by PP1 to the MA/JS **within 3 months from the end date of each reporting period**.

The deadlines for submission of Project Progress Report and AfR are defined explicitly in the Article 4 of the Subsidy Contract.

The PPR received after the deadlines may be rejected. In this case, the PPR can be submitted in the next reporting period.

As the PP1 can submit PPR only on the basis of information received and expenditure validated on partner level, the deadline for submission of the PPR affects also the time schedule for preparing PR, validation of expenditure at partner level, and preparation of PPR by the PP1. The PP1s have to consider that generally about two months are needed for the Controllers to issue the FLC Certificate from the date of submission of a PR. This means that considering this general two months and the timeframe to prepare and submit the Partner Report to the Controllers, less than a month will be available for PP1s to finalise the Project Progress Report for the whole project. It is to be considered that the financial part is included in the PPR by the PP1 by simply ticking the FLC Certificate, issued by the Controller, listed in the PPR.

### 4.1.3 Preparation of the Annual[4] Project Progress Report

Considering that the **Annual Project Progress Report reflects the activities implemented in a certain year**, it is important that PP1 describes the progress of the project implementation in sufficient details and quality in each PPR and the Project Partners help the PP1 in this by preparing their PR at the same level of quality. The *PAC Guidelines for Partner Report and the PAC Guidelines for Project Progress Report* besides the description of the technical details needed for the preparation of the Partner Report, as well as Progress Report, clarify what PP1 and the PPs should focus on, when filling in the different parts of their respective reports from a content point of view. The AfR shall be prepared accordingly when the PPR is completed and finalised by PP1.

Furthermore, the Annual Project Progress Report to be submitted to the MA/JS will contain the EUSDR-relevant information needed by the EC, avoiding any submission of additional reports to the EC.

#### 4.1.3.1. Reporting on activities and reporting on finances

The Project Progress Report (and the Partner Report as well) is divided into Activity report and Financial report parts.

***Activity part of the Partner Report and the Project Progress Report***

The Activity part of the Project Progress Report (PPR)is based on the Partner Report (PR), therefore the activity part of the PR follows mainly the structure of the PPR. In the activity part of the PPR, PPs are expected to describe what has been achieved in the partner level project implementation, how it is progressing, how the target groups are reached, what activities were carried out and the status of the related deliverables/ outputs, which ones shall be uploaded in case of completion while draft versions can also be uploaded for FLC purposes.

Based on the activity report prepared by PPs, in the activity part of the PPR , PP1 should give a comprehensive account of the general progress of the whole project: what has been achieved and delivered, what is the progress towards reaching the specific objectives of the project: which target groups and how were reached and involved by the partnership; what were the contributions to the horizontal principles, as well as if there is any kind of deviation from the original plans. Detailed description is needed concerning which activities have been carried out and by which PPs within the different work packages and what is the status of progress in relation to the activities, deliverables and outputs of these work packages in comparison to the initially envisaged targets. In PPR, deliverables and outputs are to be uploaded only when completed. The specific descriptions of the activities and outputs should at the same time justify the reported expenditures of the different project partners that are claimed in the connected AfR.

[4] In case of interim report the narrative part consists only of a summary of activities.

The *Additional Information document* to be uploaded in the Attachments section of the respective PPR, provides complementary information not covered by the eMS scheme, offering a concise overview of the progress of the project (Section A), including the contribution to EUSDR (Section B) and previous Applications for Reimbursement (Section C).

The progress report also has to provide information on the results of the main coordination activities, for example, outcomes of the steering committee/coordination group, results of the cooperation with stakeholders, progress in achievements, policy aims, etc.

**Reporting about project outputs**

In the activity part of the PPR, the PP1 is expected to present regularly the progress in: achieving the project outputs, implementing the activities and reaching the deliverables, including the progress towards reaching the related target values.

*Output factsheet*

PP1 has to present each finalised output of the project in an Output factsheet  for which the relevant template is provided by the DTP (Annex 2 of this Manual) . The description is expected to be non-technical, easy to understand also by someone not being expert in the specific field and also sufficient for communicating to the general public what the project has achieved. The following aspects of an output are to be described in the factsheet:

- General description of the output
- How the output contributes to programme and project objectives, output indicator and result, as well as how the output contributes to the targets set for the Priority Area concerned;
- How the output can be used and by whom (target group), what is the benefit and the impact for these target groups and the target area / Danube Region
- How the sustainability of the output can be ensured and where and to whom it is going to be transferred

**Final Report**

After the finalisation of the project implementation, as additional section of the last PPR, PP1 must prepare the final report part (FR) as well for which an additional part can be opened up in eMS.

Beyond the periodical focus of the PR, in the Final Report, PP1 has to provide a comprehensive overview of the project achievements, its contribution to programme/EUSDR and project objectives, the outputs delivered, how the relevant target groups were involved and how they will use these outputs; the measures ensuring durability and transferability of the outputs. The report shall also give account of the expected impact and the lessons learnt etc. The Final Report is focusing mainly on the qualitative aspects of the implemented project.

***Financial part of the Project Progress Report***

The **financial report** part of the PPR presents the expenditures validated by the Controllers at national level in relation to the reported activities of the project, which are incurred and paid by PP1 and the ERDF / IPA/ ENI PPs during the reporting period. As a first step these expenditures of PP1 and the ERDF / IPA/ ENI PPs have to be verified by the controllers at national level.

**Only validated expenditure can be reported by the project partners to PP1, according to the following procedure.**

Each Project Partner, as well as PP1, has to report and submit, in relation to the activities reported in the Partner Report its expenditures incurred and paid, relevant for a reporting period for validation to the designated Controller in its Partner State. **Each project partner – including PP1 – is responsible separately for having its expenditure validated by the designated Controller in its Partner State.**

The **Controller verifies the expenditure** submitted by the Project Partner on the basis of the invoices or accounting documents of equivalent probative value, verifies the delivery of the products and services co-financed, the soundness of the expenditure declared, and the compliance of such expenditure with EU rules and relevant national rules. After verification, the Controller **issues the FLC Certificate** to the Project Partner (see Annex 8.3 of Danube Control Guidelines - standard form of the FLC Certificate).

**Currency exchange**

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/inforeuro/inforeuro_en.cfm) in the month during which **expenditure was submitted for verification to the controller.**

The date of submission of expenditure for verification to the controller is the day on which the project partner submitted for the first time the Partner Report to the Controller through the eMS.. This means that an expenditure incurred and paid in reporting period 1 is submitted by the Project Partner only in reporting period 2 to the Controller, therefore the exchange rate relevant for reporting period 2 shall be applied. The eMS is automatically calculating the costs reported in currencies other than EUR.

This method shall be **applicable to all project partners**.

This ensures that the expenditure authorised and reimbursed by the Certifying Authority are converted into Euro according to the same method.

**Application for Reimbursement**

The **Application for Reimbursement** is the basis for requesting the reimbursement of the contribution from the EU Funds (ERDF, IPA and ENI) by PP1 for the project after the verified expenditures. The AfR is shall be prepared when the PPR is completed and finalised. It has to be signed by PP1 , then scanned and uploaded to the PPR before it is submitted to the MA/JS.

The data of the AfR is based on the validated expenditures reported in the financial part of the PPR. The related FLC Certificates selected by PP1 in eMS will be autmatically enclosed to the PPR.

In case the FLC Certificates are not available from each project partner for a given reporting period, PP1 shall submit the AfR on the basis of the FLC Certificates available for the reporting deadline.

Before submitting the AfR, in compliance with the Article 13(2) c and d) of the Regulation (EC) No. 1299/2013, PP1 shall verify the followings:

- The expenditure declared by the Project Partners participating in the Project has been incurred only for the purpose of implementing the project and corresponds to the activities agreed among those Project Partners in the frame of the approved Application Form;
- The expenditure declared by the Project Partners and included in the present AfR had been validated by the designated controllers at national level;
- The expenditure declared in the present AfR has not been included in any other previous AfR;
- The information included in the AfR, the related PPR and its Annexes are true and correct.

**Language of reporting**

The language of reporting is **English**: the Partner Report the Project Progress Report, including all additional parts (i.e. Additional information,), the AfR and the FLC Certificate shall be prepared in English.

### 4.1.4 Submission of Project Progress Reports

The PPR (incl. annexes) has to be submitted in the eMS to the MA/JS. The submitted PPR has to be fully completed.

Modification of a submitted PPR is possible only in case the MA/JS requires it.

**Documents to be submitted with the Project Progress Report**

In order to prove the progress of the project, the following documents have to be submitted , only in electronic / scanned version,with the PPR(certain documenst are to be submitted only in given implementation stages, specificallyindicated):

### A. Regular Annual PPR

| | |
|---|---|
| SECTION B – Work Packages | Only for the finalised outputs:<br>- Output factsheet;<br>- Output evidence.<br>All two above mentioned files have to be archived in a zip folder and uploaded in eMS.<br>Only for the finalised deliverables:<br>- Deliverable evidence |
| SECTION E – Attachments | - **Application for Reimbursement;**<br>- **Bank statement(s)** proving the transfer of the previous contributions to the partners;<br>- **Additional information** template filled in;<br>- **Annex 1** |

### B. Interim PPR

| | |
|---|---|
| SECTION E – Attachments | - **Application for Reimbursement;**<br>- **Bank statement(s)** proving the transfer of the previous contributions to the partners; |

### 4.1.5 Completion and rejection of the Project Progress Report

When the JS detects some inconsistencies or insufficient information in the activity report or in the AfR document(s), the JS requests the completion of the PPR and AfR from PP1 and the re-submission before the given deadline.

**Completion of the Project Progress Report and Application for Reimbursement**

a) In case the PR has to be completed or additional clarifications or missing documents have to be submitted, and the FLC Certificates do not need correction, the completed PPR should be re-submitted within **maximum 10 days** (shorter deadlines might be given according to the urgency or the type of completion) after the notice sent by the MA/JS.

   If PP1 does not fulfil all the requested corrections, the MA/JS can ask a second completion. PP1 has another **maximum 5 days** after receiving the notice of the JS to correct the mistakes of the PPR and to re-submit it.

b) In case the PPR and AfR have to be completed so that one or more FLC Certificates also need to be reissued, the corrected PPR and AfR, including the corrective version(s) of the FLC Certificate should be resubmitted to the JS within **maximum 20 days** from the e-mail notification to the PP1 by the MA/JS. In case it is not possible to reissue the FLC Certificate by the designated controller within the given deadline, or the reissued and resubmitted FLC Certificate is still not acceptable by the JS, the related costs of the given partner(s) shall be deducted from the amount of the AfR. In this case, the corrective (re-issued) FLC Certificate can be submitted in the earliest possible next AfR.

**Rejection of the Project Progress Report and the Application for Reimbursement**

After the second unsuccessful completion, the PPR and AfR might be rejected, in case it is still not possible to gain appropriate information from the PPR as a whole on the followings:

- the activities carried out by the project partnership in the given period;
- the progress of the project implementation and the status of achievement of project objectives, the quality of the outputs delivered and deliverables in the given period;
- clear and justifiable relation of the reported activities deliverables and outputs to the validated and reported expenditure of the partners, etc.

In case a PPR is rejected due to reasons listed above, the amount requested in the related AfR will not be paid to PP1 and the MA/JS is entitled to apply a proportional reduction to costs related to project management up to 25% based on the prior decision of the Monitoring Committee.

A rejected PPR and AfR can be resubmitted only once more. In such a serious case, when the resubmitted PPR and AfR that have already been rejected in the previous period, still don't meet the Programme requirements, the MA/JS has to finally reject the PPR and AfR of the project, the EU contribution (ERDF, IPA, ENI) part of the expenditure reported in the rejected PPR will not be reimbursed and there will be no more possibility for further corrections. This would also mean that PP1 was not able to appropriately fulfil its reporting obligations deriving from the Subsidy Contract, and the MA/JS is entitled to withdraw from the Subsidy Contract (Art. 13 (2) k of the Subsidy Contract) based on the prior decision of the Monitoring Committee.

### 4.1.6 Reimbursement of contribution from EU Funds

**Project Partner 1**

The following procedure applies for the reimbursement of the contribution from EU Funds to Project Partners 1 :

1. The reimbursement of contribution from EU Funds to PP1 will be initiated only after the

MA/JS verifies and accepts the PPR and the AfR.

2. The Application for Reimbursement for ERDF, IPA and ENI contributions cannot be approved by the MA/JS separately by type of funds.

3. The reimbursement of contribution from EU Funds will be transferred by the Certifying Authority after the verification process of the MA/ JS.

4. In case the ERDF/ IPA/ ENI balance of the DTP bank account handled by the Certifying Authority does not cover the total amount of contribution to be reimbursed, the Certifying Authority will temporarily suspend the reimbursement process until the transfer of the relevant contribution from the EC to the DTP bank account. In this case, the MA/JS notifies PP1 of the projects concerned on the suspension and the estimated timeframe.

5. In case the different funds are not available in full on the DTP bank account, the ERDF, IPA and ENI contributions might be transferred separately by the Certifying Authority,

6. Reimbursement of contribution from EU Funds will be executed on the EUR project bank account of PP1 (as indicated in the Subsidy Contract) where all financial transactions related to the project can be identified and tracked.

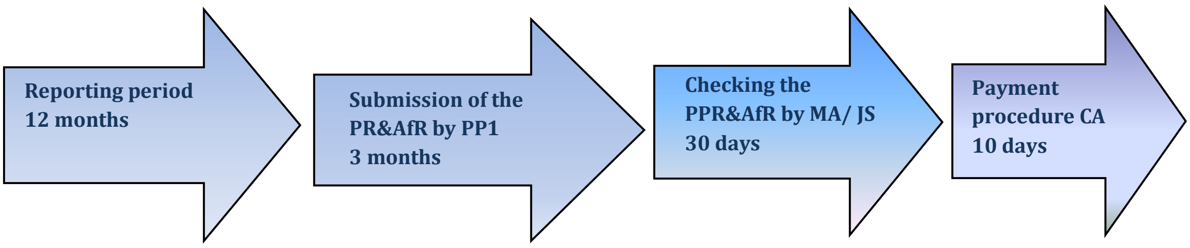
PP1 **is responsible to transfer the contribution from EU Funds** to each project partner according to the approved AfR as soon as possible but **at the latest within the deadline given in the Partnership Agreement**. No deduction, retention or any other specific charges can be made by PP1 concerning the approved amount when transferring the contribution and no legal dispute between the PP1 and the PP concerned could be subject to any compensation from the approved amount to be transferred by PP1 to the PP.

**Bank statements proving the transfers of contribution from EU Funds to each project partner** within the timeframe set in the Partnership Agreement have **to be submitted to the MA/JS with the following PPR and AfR.** In case of the last AfR, the proof of transfers shall be submitted to the MA/JS within 30 days from the date of transfer of the EU Funds of the last AfR to PP1 for the financial closure of the project by the MA/JS. In case PP1 does not transfer the EU Funds, an irregularity procedure could be initiated by the MA/JS.

**Timeframe of reimbursement**

PP1 and the project partners have to consider the timeframe of the reimbursement of Funds when preparing the time plan of their project activities.

The following flowchart **presents the procedures described in the previous sections with the indicative timeframes.**




It should be also taken into consideration that the timeframe for the checking of the PPR by the MA/JS is prolonged with the time needed for the completions by the PP1.

The MA/JS needs in general 30 days for the verification of the PPR at the time of the first submission. In case the content part or the financial part of the PPR is requested to be completed, additional 15 days for rechecking the completed PPR&AfR by the MA/JS should be calculated. After approval of the PPR and AfR by the MA/JS, the Certifying Authority initiates the transfer of the contributions from the EU Funds to PP1 generally within 10 days.

### 4.1.7 Financial progress and decommitment of the project

PP1 **has to ensure that each PP strictly follows its spending forecast** according to the approved AF.

The **Partnership has the possibility to deviate from the spending forecasts** laid down in the Subsidy Contract considering that in case of underspending compared to the original spending forecasts, the MA/JS is entitled to decommit the project by reducing the original project budget and the corresponding contribution from EU Funds.

In case PP1 **does not report validated eligible expenditure according to the approved spending forecast**, the MA/JS will assess the level of underspending and the reasons for lower financial performance and, in such a case, the MA/JS is entitled to initiate the decommitment of the projects, which deviated negatively from the spending forecasts.

In case of **MC decision on the decommitment of the project**, the MA/JS initiates the **modification of the Subsidy Contract** (detailed in section 5.2.5 on project changes of this Manual for the details of the Subsidy Contract modification). Through this process the distribution of the decommitment on project partner level will be defined, taking into consideration the financial performance of the different partners.

In case PP1 **submits the Project Progress Report and the Application for Reimbursement** or the project modification request **with unjustified delays, or more than two completions** of the same PPR and AfR are attributable to PP1, on the basis of the decision of the Monitoring Committee, the MA/JS is entitled to apply a proportional **reduction to costs related to project management up to 25%**.

# 5. Project changes

During the project lifecycle, due to unforeseen reasons some changes might be necessary in relation to the specific details of the project implementation defined in the Subsidy Contract, as well as in the approved AF and the Partnership Agreement that are integral parts of the Subsidy Contract. In all such cases, PP1 has to immediately contact the MA/JS to inform about the situation and the planned modification. The MA/JS, based on the type of modification, in accordance with the procedures described in the following sections, will inform PP1 about the procedure to be followed and the necessary documents to be submitted.

Depending on the impact of the changes on the project, there is a different procedure for minor and major project changes. **Minor changes** are possible within certain flexibility range to be implemented and need normally only the confirmation of the JS PO. **Major changes always need the approval of the MA/JS, or MC** and always concluded by the modification of the Subsidy Contract.

The project change process in general is managed outside the eMS and once the change process is concluded by a programme level confirmation (in case of minor changes)/ decision and with signing the Addendum to the Subsidy Contract (in case of major changes), the modified project data is to be entered by PP1 into eMS (after consultation with the JS PO), uploading also all the documents of the respective project change. Modified project data of both major and minor changes are to be updated in eMS, except for the project budget in case of minor budget reallocations between Work Packages / Budget Lines (below 10% flexibility limit).

A modification requested by a project can be implemented and the related expenditures will be eligible only after it is approved by the responsible programme body (the exceptional case of a new project partner entering the partnership is described in section 5.2.1 of this Manual). Project changes will be accepted only in well justified cases.

## 5.1 Minor changes

Minor changes have more an administrative and technical character and do not have significant impact on the project implementation, its intervention logic (objectives, outputs, results), its transnational character..

Minor changes need in most cases the previous confirmation of the JS PO, but do not need the approval of the MA/JS, or MC and the Subsidy Contract is not to be modified.

Minor changes can be:

- Administrative changes
- Change of an Associated Strategic Partner
- Adjustment of the content/ minor adjustments in the work plan

- Budget reallocations within the flexibility limit

### 5.1.1 Administrative changes

Administrative changes can be the following:

- Change of contact details (PP1, PP, ASP),
- Change of Legal Representative/Contact Person (PP1, PP, ASP),
- Change of bank account of PP1
- Legal succession of PP1 or PP(s), needs confirmation from EC

Changing the legal entity of PP1 (Article 10 of the Subsidy Contract), or PP due to a legal succession is considered as an administrative change and not as a partner change if, based on the legal act and confirmation from EC, it is proved that the new legal entity is the legal successor taking fully the duties and obligations of the previous one (predecessor), as well as it still fulfils the partner eligibility criteria of the DTP. In case these conditions are not ensured by the legal succession, this will be considered as partner change, which follows a different procedure (see section 5.2.1 of the Implementation Manual).

**Necessary documents and procedure**

PP1 has to inform the JS PO about the administrative changes as soon as possible.

Change of bank account of the LP is possible at any time through the "Supplementary information" section of the eMS, uploading also the necessary supporting documen

- new Statement on Project bank account (if relevant)

For all other administrative changes the PP1 has to fill in the *Change-log file for minor changes* (Annex 5 a) indicating the data to be modified in comparison the latest approved AF and submit together with the necessary supporting documents (if relevant):

- new Proof of signature of the legal representative of PP1 (if relevant)

In case a legal succession of PP1 / PP organisation is foreseen, in order to clarify in time whether the change is to be considered as an administrative or partner change, PP1 should submit to the JS PO the following documents **within 10 days** from the date the related legal act enters into force:

- The specific act or other document justifying the legal succession in original language – (to be checked by the relevant NCP);
- The confirmation of the successor as PAC by the EC;
- Proof of signature of the new legal representative of PP1 (only in case of PP1)

The JS PO, in cooperation with the relevant NCP, examines the terms of legal succession and the eligibility of the new legal entity. In case the legal succession can be considered as administrative change, the JS PO confirms the change by email .

The modified project data is to be updated in eMS, when possible, based on the previous agreement with the JS PO.

### 5.1.2 Change of an Associated Strategic Partner

In case an Associated Strategic Partner, sponsored by an ERDF Partner, is to be replaced by a new ASP, or withdrawn without substitution or an additional, new ASP joins the partnership, such change can be considered as minor change. It is however not a minor change if, due to this change, there is also change of the sponsoring ERDF partner with the inclusion of budget reallocation between the affected ERDF PPs. Such change is considered as major change and the related rules and procedures are regulated in section 5.2.3.1 of this Manual.

**Necessary documents and procedure**

PP1 should communicate and justify as soon as possible to the JS PO, if an ASP is to be changed or added, fill in the *Change-log file for minor changes* (Annex 5. a) and submit together with the necessary supporting documents (if relevant).

- ASP Declaration - the signed document per each new ASP

The JS PO will check and confirm the minor character of the modification, or inform PP1 in case a major change is to be requested. The JS PO confirms the change by email after receiving the original ASP Declaration (if relevant).

The modified project data is to be updated in eMS, when possible based on the previous agreement with the JS PO.

### 5.1.3 Minor changes in the content of the project, including workplan

Minor adjustments in the work plan that do not affect the strategic approach of the project and do not risk the full completion of the project by the end date, need only the **previous confirmation of the JS PO**.

Minor adjustments can refer among others to:

- timing of activities, deliverables, or outputs;
- location of certain activities (e.g. project meetings, events);
- format of certain activities, deliverables (e.g. adjusting scope, merging);
- increasing the quantity of the outputs, deliverables

Minor changes cannot in any way:

- affect the project intervention logic (i.e. project main and specific objectives, outputs and result) and the transnational character of the project
- reducing the quantity, or change the nature, quality and use of the planned outputs
- decrease target values of indicators

**Necessary documents and procedure**

Before the change is implemented, PP1 should communicate and justify such minor changes to the JS PO by indicating the in the modified project data the AF in the *Change-log file for minor changes* (Annex 5. a), including supporting documents, if necessary.. The JS PO will check and confirm the minor change by email, or inform the **PP1** in case a major change is to be requested.

The modified project data is to be updated in eMS, when possible based on the previous agreement with the JS PO.

### 5.1.4 Budget reallocation within the flexibility limit

Adaptation of the project budget to the actual needs of the project implementation is possible with certain flexibility at different levels and within different limits. Budget flexibility refers **only to reallocations among work packages or budget lines separately**, but cannot be referred to budget reallocations among project partners or cannot be connected to any major change of the partnership, or the content of the project (see section 5.2 of this Manual). The MA/JS provides a budget reallocation monitoring tool (dowloadable from the DTP website) for PP1 to be able to follow and monitor the planned and actual budget adjustments in comparison to the flexibility limits.

When applying this flexibility, PP1 and the PPs have to consider the following restrictions:

- Reallocating budget among the different work packages and / or budget lines cannot alter the general character (objectives, outputs and result) of the approved project and cannot result that the affected work package would lose its relevance.
- Office and administrative costs (15% flat rate) can be introduced, or deleted from a Project Partner budget by budget change, only before PPs of the project start preparing their Partner Report in eMS for the first request for reimbursement. The proportions of the flat rate specified in the approved AF for budget lines “staff costs” and “office and administrative expenditures” of the ERDF / IPA/ ENI PP (if and which is relevant) cannot be modified by any type of budget reallocations

The budget reallocation below 10% won’t modify the project partners budget of the latest approved version of the Subsidy Contract or the project budget data in eMS,, but provide flexibility in reporting project expenditures. On overall project level, there is flexibility to reallocate budget parts among work packages, or among budget lines (calculated separately) **up to 10% of the total project budget amount (ERDF +ERDF, ERDF+IPA, or ERDF +ENI)**, without approval of the MC or modification of the Subsidy Contract and the AF.

Such budget adjustments **do not need any previous confirmation, or approval from the DTP management bodies**. It is the responsibility of PP1 to monitor the level of reallocations (using the budget reallocation monitoring tool), to take into consideration the restrictions listed above, as well as to report such minor budget changes in the following due Partner Report and the respective PR as well

WP / BL budget reallocation on project level going beyond the 10% flexibility limit is considered as major change and would need previous MC decision.

PP1 has the responsibility to monitor in advance at partner and project level the plans of all partners on budget reallocations among WPs or BLs to make sure that – when costs will be reported – the 10% limit is respected, or being able to initiate in time the request for appropriate project modification. Otherwise, the reporting and payment process will suffer delays.

**Flexibility limit calculation method**

- The **10% limit** is considered cumulatively on **project level**
- The limit refer **separately** to reallocations **among work packages** and to reallocations **among budget lines**
- The **division of expenditure** among work packages and budget lines, defined in the **latest approved version of the Application Form**, is the **reference basis**.
- First the **difference between the cumulated real costs** (validated and reported) of a WP / BL **and the budget of the same WP / BL in the latest approved version of the AF** is calculated.
- Then the **positive (+) differences** are summed up and **compared** to the total partner, or respectively to the total project budget (of the ERDF and if applicable IPA/ ENI partners) thus giving the proportion of the reallocated amount in %.

Major changes are considered to be substantial deviations from the approved AF. They are considered as exceptional cases, which need the previous decision of the MC or MA/JS, based on thorough justification of the project partnership. In case such change is approved by the MC or MA/JS, the Subsidy Contract and the AF of the project in eMS is to be modified accordingly.

Changes going beyond the scope and limits of minor changes, described in section 5.1 of this Manual are considered major changes and related to:

- Partnership

- Content of the project
- Budget of the project

**General process of a major project change:**

- PP1 should immediately contact the JS PO in case the project faces problems that would make necessary a project change.
- In case the MA/JS considers the change as a major one, PP1 has to fill in the "Request for project modification" (Annex 5), describing in detail the modification, including thorough justification, as well as indicating in the Change-log file for major changes (Annex 5. b)the relevant parts and project data of the project Application to be modified and submit to the MA/JS **within 15 days** from the date the JS PO acknowledge the necessity of the project change.
- Additionally, if relevant, PP1 has to send the electronic version of the supporting documents specified under the different type of major changes, which are related to the respective change.
- The JS PO checks the request and in case further information is requested, or the documentation is not complete, PP1 will be requested to provide the **completion within 10 days** from the JS PO communication.
- The Change-log file for major changes (Annex 5. b) with the revised AF data and the annexed documents together with the "Request for project modification" will be evaluated by the JS PO and together with the recommendation of the JS PO, will be put forward for decision to the MA/JS or the MC, depending on the type of project change.
- Following the decision, the JS PO notifies PP1 about the result of the MA/JS or MC decision and, in case of approval, requests the original, signed versions of all the necessary supporting documents to be submitted by PP1 **within 15 days**.

The finalised Addendum to the Subsidy Contract will be signed by the MA/JS and sent to PP1. The Addendum should be signed also by PP1 and one original shall be sent back to the MA/JS **within 15 days** from its reception.The project AF data modification in eMS will be carried out, when possible, based on the previous agreement of PP1and the JS PO.

**The expenditures related to the modified project part can usually be eligible from the date of the MA/JS or MC approval (for specific rules in case of new PP entering the partnership see section 5.2.1)**. The related costs can be validated only after the amendment of the Subsidy Contract is signed by each contracting parties.

Procedures of different types of major project changes might differ from the general one outlined in this section, which are always defined in the related sections.

### 5.2.1 Changes in the partnership

The project partnership is the backbone of the project implementation; each project partner has its role and task in it. In case a partner is to be withdrawn, PP1 is obliged to inform immediately the JS PO in written form and such change always needs the approval of the MC, as well as the modification of the Subsidy Contract and the AF.

**Principles**

- PP1 has to assure that, following the change(s) in the partnership, **the project still fulfils the minimum requirements for the transnational partnership** of the DTP and does not alter the general character and the intervention logic (objectives, outputs and results) of the original project.
- **The new partner is confirmed by the EC (and the related EUSDR National Coordinator) as PAC.**
- The partner leaving a project will remain **fully responsible and liable** for all activities that were carried out and outputs that were delivered by them until the date of withdrawal and **be financially responsible** for the activities completed including the responsibility for repayment of the amount unduly paid.
- Expenditures of the withdrawing partner are eligible if they are incurred and paid until the date of withdrawal, indicated also in the related Addendum of the Subsidy Contract.
- In case a withdrawing ERDF, IPA or ENI partner will be replaced, the new ERDF, IPA or ENI partner shall comply with all partner eligibility criteria of the DTP.
- The expenditures related to the activities and outputs of the new partner can be eligible already from the date of new PP entry, based on the ***Declaration of commitment to join the partnership*** (Annex 4)**,** signed by the new partner and PP1 and indicated also in the related Addendum of the Subsidy Contract - provided that the MC approves the new project partner. The costs of the new project partner can be validated only after the amendment of the Subsidy Contract is signed by each contracting parties.
  Since the nomination of the PACs is decided inside the EUSDR and confirmed by the EC, it might be the case that an ERDF PAC is replaced by an IPA or ENI one and vice versa. In this case the budget of the former PAC cannot be transferred to the new one and a decision of the MC for allocation of additional IPA/ ENI or vice versa is needed.
- In case of changing PP1, the new PP1 shall be an ERDF partner, bearing appropriate competences and capacities for this role. Instead of an addendum to the original Subsidy Contract, a new, tripartite (withdrawing PP1, new PP1 and DTP MA/JS) Subsidy Contract is settling PP1 change. The withdrawing PP1 is fully responsible and liable for the whole project activities and deliverables until the date of the last signature out of the three signatories, from which date the new PP1 takes over the full responsibility and liability for the project.

**Necessary documents and procedure**

Similar to the general project change process, PP1 shall immediately contact the JS PO in case the project faces partnership problem and such change is planned.

Once it is decided how the partnership change is planned to be solved, PP1 fills in and submits the *Request of project modification* (Annex 5)according to the general project change process description.

Additionally, the electronic version of the following supporting documents is to be enclosed:

- EC confirmation on changing the PAC
- *Declaration of withdrawal from the partnership* issued by the partner leaving the project (Annex 3 of this Manual - the document signed by the affected PP and countersigned by PP1);
- *Declaration of commitment to join the partnership* issued by the new partner, including the exact date of new PP entry - (Annex 4 of this Manual ) document signed by the new PP and countersigned by PP1;
- Change-log file for major changes (Annex 5. b), including the Lead Partner Confirmation and Signature sheet (of the AF), officially signed and stamped by the legal representative of PP1 organisation
- *New Declaration(s) of co-financing* of the affected partner(s) - signed document per each affected PP (if necessary)
- *State aid Declaration(s) of the new partner(s)* - signed document per each new PP (if relevant)
- *Declaration of International Organisations* – (if relevant) - signed document per each new PP
- *Amendment to the Partnership Agreement*

The decision of the MC is always necessary in the following cases:

- budget reallocation among ERDF partners, among IPA partners or among ENI partners from different countries due to the partnership change;
- extra budget allocation in case the replacing partner comes from a country receiving different type of funds as the withdrawal partner;
- change of PP1;
- the partner change affects the general character, intervention logic (objectives, outputs and results) of the original project;

In case of approval, the MA/JS requests the submission of the original, signed versions of all the above-listed documents **within 15 days**:

In case PP1 is replaced, a new Subsidy Contract is prepared defining the rights and responsibilities of the withdrawing PP1 and the new PP1, which will be signed by the MA/JS and sent to the withdrawing PP1. The new Subsidy Contract should be signed by the withdrawing PP1 **within 15 days** from its reception and forwarded to the new PP1, who after signing also the Subsidy Contract sends it back to the MA/JS **within 15 days** from its reception.

The related project AF data modification in eMS will be carried out, when possible, based on the previous agreement of PP1 and the JS PO.

### 5.2.2 Changes in the content of the project

A. *Changes in the activities of the on-going year*

Normally, PP1 and the whole project partnership have to assure that the focus of the project, including its intervention logic, is kept and all objectives, outputs and result defined in the AF will be achieved and delivered.

Significant modification of the project content that would affect its focus, having impact on the project objectives, or results, or modify the quantitative (decreasing), or qualitative aspects of certain outputs, defined in the approved AF are considered to be major changes affecting the basis of the original approval of the project. In all such cases, PP1 is obliged to inform immediately the MA/JS in written form bearing in mind that such changes always need the approval of the Monitoring Committee.

**Principles**

- The new modified activities and the related expenditures are eligible from the date of the MC approval. These costs can be validated only after the amendment of the Subsidy Contract is signed by each contracting parties.
- If following the change, the originally approved activities or outputs cannot be delivered anymore, or replaced by justified new activities or deliverables that guarantee equivalent value and quality for the whole project, the budget part related to the non-delivered activities, outputs will be proportionally reduced for the affected partners.
- PP1 and the project partnership should also consider the Article 13 2. j) of the Subsidy Contract regarding the right of the MA to withdraw from the contract and reclaim the ERDF, IPA or ENI contribution.

**Necessary documents and procedure**

The general project change procedure described in section 5.2 of this Manual is to be followed. In case the MC approve the change request, the following supporting documents are to be submitted electronically and in original by PP1 for the Addendum to the Subsidy Contract:

- Change-log file for major changes (Annex 5. b), including the Lead Partner Confirmation and Signature sheet (of the AF) officially signed and stamped by the legal representative of PP1 organisation
- State aid Declaration(s) - signed document per each affected PP

B. *Changes of the workplan for the following year*

By 31st October of the on-going year PP1 has to submit to the JS the workplan (Annex 10) for the following year.

**Principles:**

- The workplan does not have a negative impact on the outputs and result of the project. Nevertheless, an improvement of the intervention logic is expected (e.g. richer portfolio of outputs);
- The workplan has to provide a detailed overview of the activities to be implemented, (indicative) location, role of the partners, target group involvement and deliverables planned.

**Necessary documents and procedure**

The general project change procedure described in section 5.2 of this Manual is to be followed. In order for the MC to approve the change request, the following supporting documents are to be submitted electronically and in original by PP1 for the Addendum to the Subsidy Contract:

- Change-log file for major changes (Annex 5. b), including the Lead Partner Confirmation and Signature sheet (of the AF) officially signed and stamped by the legal representative of PP1 organisation
- State aid Declaration(s) - signed document per each affected PP

### 5.2.3 Budget changes

According to the type and scale of budget changes different procedures are applied. Although procedures are similar, changes affecting ERDF and / or IPA/ ENI funds are considered usually separately in a certain change.

#### 5.2.3.1 Budget reallocation among ERDF or among IPA or among ENI project partners

Reallocation of the budget among ERDF partners or among IPA partners or among ENI partners is affecting the financial balance of the partnership. Therefore, such a modification always needs the approval of the MA/JS or the MC, as well as the modification of the Subsidy Contract.

**Principles**

Budget reallocations are possible only among ERDF partners or among IPA partners or among ENI partners respectively (funds of different sources cannot be mixed), and only in the following cases:

- In justified case (without partnership change), if not affecting the main objectives, results and outputs of the project.
- Due to changes in the partnership (distributing activities and related budget among the project partners) – following the procedure outlined in section 5.2.1 of this Manual.
- When one ERDF partner takes over the responsibility to finance the participation of an

Associated Strategic Partner from another ERDF PP and the related budget part reallocated between the ERDF PPs.

The budget reallocation among ERDF partners or among IPA partners or among ENI partners must not risk the transnational character of the project and cannot result that any of the affected partners will not be able to deliver its contribution to the planned project outputs as the consequence of the modification.

In case following the budget reallocation among project partners, one or more of the originally planned activities or outputs will not be delivered or replaced by justified new activities or outputs that guarantee equivalent value for the whole project, the total budget of the project will be proportionally reduced.

**Necessary documents and procedure**

PP1 should immediately contact the JS PO in case some project partners face financial problems and such change is planned. In case the project change is necessary, the general procedure described in section 5.2 of this Manual will be followed. For the respective budget change, the following supporting documents have to be submitted electronically and in original by PP1 for the revision of the Subsidy Contract:

- Change-log file for major changes (Annex 5. b), including the Lead Partner Confirmation and Signature sheet (of the AF) officially signed and stamped by the legal representative of PP1 organisation
- Project budget change tool officially signed and stamped by the legal representative of PP1 organisation
- new Declaration(s) of co-financing of the affected partner(s) - signed document per each affected PP whose budget has been increased (if necessary)

When the budget reallocation among PPs is a consequence of changes in the partnership (case b), the procedure to be followed is described in chapter 5.2.1 of this Manual.

Budget reallocation among ERDF partners and among IPA partners or ENI partners from different countries has to be decided by the MC, while all other changes will be decided by the MA/JS.

#### 5.2.3.2 Budget reallocation among work packages and budget lines

When the budget reallocation(s) among work packages and / or budget lines reach 10% of the total project budget of ERDF, IPA and ENI partners (calculation method described in section 5.1.4.2 of this Manual), the approval of the MC is needed before proceeding with the project implementation according to the budget reallocations, and the modification of the Subsidy Contract should be requested.

**Necessary documents and procedure**

PP1 should immediately contact the JS PO when in the phase of planning the budget reallocation(s) among work packages or budget lines it is foreseen that the respective reallocation limit is going to be reached at project level - possibly before the PPs would start spending according to the modified budget. In case the JS PO considers the change procedure justified, the general procedure described in section 5.2 of this Manual will be followed. For the modification of the Subsidy Contract, PP1 has to submit electronically and in original the following supporting documents:

- Change-log file for major changes (Annex 5. b), including the Lead Partner Confirmation and Signature sheet (of the AF) officially signed and stamped by the legal representative of PP1 organisation
- Project budget change tool officially signed and stamped by the legal representative of PP1 organisation

### 5.2.4 Revision of the spending forecast

The spending forecast is to reflect how much the project and its PPs are following the originally foreseen spending flow of the implementation of their project. Therefore, **the project spending forecast is fixed in the Subsidy Contract and can be modified only in connection to substantial project changes listed in the Subsidy Contract and detailed in this Manual that affect the project budget.**

The revision of the spending forecast is to be made in accordance with the respective procedure of the project change that has the effect on the spending forecast.

### 5.2.5 Decommitment of the project

In case the DTP is affected by decommitment of EU Funds, or in case the financial performance of a project has serious problems – based on the decision of the Monitoring Committee – the MA/JS is entitled to decommit the project by reducing the original project budget and the corresponding ERDF contribution and / or IPA/ ENI contribution..

**Necessary documents and procedure**

In case of MC decision on the decommitment of the project, the Change-log file for major changes (Annex 5. b)and the budget reallocation tool indicating the data modifications of the AF and its budget are to be submitted by PP1 within 15 days. The rest of the project change and Subsidy Contract modification procedure follow the general procedure described in section 5.2. for the modification of the Subsidy Contract, PP1 has to submit electronically and in original the following supporting documents:

- Change-log file for major changes (Annex 5. b), including the Lead Partner Confirmation and Signature sheet (of the AF) officially signed and stamped by the legal representative of PP1 organisation
- Project budget change tool officially signed and stamped by the legal representative of PP1 organisation

PP1 should provide the affected project partners the copy of the Addendum to the Subsidy Contract.

The related project AF data modification in eMS will be carried out, when possible, based on the previous agreement of PP1 and the JS PO.

### 5.2.6 Summary table of types of project changes and related procedures

<table>
<tr><th rowspan="2">Type of project change</th><th colspan="2">Procedure</th></tr>
<tr><th>Minor changes<br>Previous confirmation of JS PO;<br>No change of Subsidy Contract</th><th>Major changes<br>MA/JS or MC approval and Addendum to Subsidy Contract</th></tr>
<tr><td>Partnership change</td><td></td><td>Always need MA/JS, or MC decision</td></tr>
<tr><td>Project content change</td><td>• In case of minor content changes – previous JS confirmation;<br>•</td><td>Significant content change always needs MC decision</td></tr>
<tr><td>Budget reallocation among Project Partners</td><td>–</td><td>• Budget reallocation among ERDF / among IPA/ among ENI PPs from different countries decided by MC<br>• Other cases need MA/JS decision;</td></tr>
<tr><td>Budget reallocation among WP / BL</td><td>• Cumulated amount of reallocation(s) on project level remains below 10% – without previous JS confirmation;<br>• To be reported in due Project Progress Report</td><td>• In case cumulated amount of reallocation(s) exceed 10% on project level<br>• Need MC decision</td></tr>
<tr><td>Administrative changes</td><td>• JS to be informed</td><td>–</td></tr>
</table>

# 6. Audit of the project

## 6.1 Audit and process

As it is defined in the Subsidy Contract, PP1 is obliged to guarantee fulfilment of the audit of the projects in relation to all other PPs of the project, to be carried out by any of such responsible auditing bodies of the EU, the auditing bodies of the participating Partner States as well as the Audit Authority, MA/JS and Certifying Authority of the Danube Transnational Programme. The aim of these audits is to check the proper use of funds by PP1 or by the PPs.

The audit of the selected projects will take place at the premises of PP1 and selected PPs. PP1 and the PPs concerned will be notified in due time by the relevant authorities about any audit to be carried out on their reported expenditure.

The audits performed by the Audit Authority or by external auditors on behalf of the Audit Authority include in general sample checking of the validated and reported expenditure against the supporting documents and other relevant information at the premises of PP1 and / or PPs in order to verify the accuracy and validity of the related FLC Certificate(s), checking of the project documentation and audit trail, the accounting of project expenditure. In the interest of a successful auditing, PP1 has to make available all documents required, provide necessary information and give access to its business premises.

## 6.2 Irregularity and repayments of contribution from EU Funds

### 6.2.1 Handling of Irregularity

An "irregularity" is to be considered as any infringement of a provision of EU law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.

The body which suspected the irregularity (Controller, MA/JS, Audit Authority, etc.) reports it to the responsible body for handling of irregularities at the given Partner State whose territory the project partner concerned is located.

The **detection** of the irregularity and the **decision on the sanction is made at national level** by the responsible body at Partner State level, and **then reported to the European Commission** (OLAF report) **and to the MA/JS (OLAF report / Summary report).**

In case the **irregularity affects partly the project** (one project partner) and the **decision on sanction** by the responsible body of the Partner State **is the recovery of the contribution** from EU Funds unduly paid, the **MA/JS initiates the recovery procedure from PP1 in each case**.

When the **irregularity** reported by the Partner State **affects the whole project**, the Monitoring Committee is also entitled to make a decision about the irregularity. The **decision can be the**

**withdrawal from the subsidy contract, reduction of the contribution from EU Funds to the project financing under the Danube Transnational Programme**.

### 6.2.2 Repayment of contribution from EU funds

1. In case of repayment, the **MA/JS sends a request for repayment** on the amount of EU Funds unduly paid to PP1.

2. PP1 is obliged to secure repayments from the ERDF/ IPA/ ENI PP(s) concerned and repay the amount specified by the MA/JS before the due date. However, according to **Article 122(2) of EC Regulation No. 1303/2013 the MA/JS may decide not to recover an amount unduly paid** if the amount of contribution from the EU Funds – considered by Funds (ERDF/IPA/ ENI) – **does not exceed 250 EUR**.

3. Based on the request for repayment of the MA/JS, PP1 **has to ask the ERDF PP(s) and/or IPA/ ENI PP(s) concerned to repay the amount of EU Funds to PP1's project bank account in due time**, considering the deadline given by the MA/JS for the repayment. PP1 has to transfer this amount to the DTP bank account specified in the request for repayment of the MA/JS.

4. If a project partner commits an irregularity and the **Project Partner 1 cannot recover** the contribution from EU Funds unduly paid to a project partner on the basis of the partnership agreement existing among them, PP1 **shall inform the MA/JS in written form within the deadline for the repayment**.

5. The **repayment by PP1 is due within two months** from the receipt date of the request for repayment. The due date for the repayment will be explicitly given in the request for repayment. The receipt date of the request for repayment shall be the date of sending the email, regardless of the date of receiving any official letter in hardcopy version.

6. The MA/JS has the right to impose **interest on late payment** on the amount paid back by PP1 belatedly. In case of any delay in the repayment, the amount to be recovered shall be subject to interest on late payment, starting on the calendar day following the due date and ending on the actual date of repayment. The rate of interest on late payment shall be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing operations on the due date.

7. The MA/JS also has the right to recover the amounts specified in the request for repayment by deducting them from the AfR submitted by PP1. In case of **compensation**, the MA/JS informs PP1 on the **amount deducted from the AfR** concerned (including PP and PPR concerned).

# 7. Project closure

## 7.1 Project closure

In case the project is completed and the final Project Progress Report, together with the Final Report section is accepted by the MA/JS, the project closure of the project will be initiated by the MA/JS.

**Project closing and final payment cannot be initiated in case other processes** related to the project **are not closed such as audit report, irregularity and recovery procedures**. In those cases, the final payment to the Project is suspended until the closing of other processes.

**After the final payment to PP1, the proof of transfers to the PPs shall be submitted to the MA/JS within 30 days from the date of transfer of the EU Funds of the last Application for Reimbursement to PP1 for the closure of the project by the MA/JS**. In case this obligation of PP1 is fulfilled the project is considered closed and Project Partner 1 is informed about the closure.

In case PP1 does not submit the proof of transfers of the EU Funds to the Project Partners within the deadline, an irregularity procedure could be initiated by the MA/JS.

## 7.2 Retention of project documents

PP1 and all other PPs of the project are obliged to retain for audit purposes all files, documents and data about the project for a two year period from 31st December following the submission of the accounts in which the final expenditure of the completed project is included. The MA/JS will inform PP1 about the beginning of the mentioned two year period.

The following documents have to be retained as the project's audit trail.

| No. | Document | Project Partner1 | Project Partner |
|---|---|---|---|
| 1. | Approved Application Form | original | copy (of original signed by PP1) |
| 2. | Partnership Agreement (and its amendments) | original | original |
| 3. | Subsidy Contract | original | copy |
| 4. | Addendum to the Subsidy Contract | original | copy |
| 5. | Project Progress Reports and Final Report (including quality reports) | only electronic version | only electronic version |
| 6. | Applications for Reimbursement | only electronic version | only electronic version |
| 7. | Partner Reports | only electronic version | only electronic version |
| 8. | FLC Certificate | only electronic version/original[5] | only electronic version/ original[8] |
| 9. | Each invoice and accounting document of probative value related to project expenditure (originals to be retained at the premises of the project partner concerned) | only PP1's invoices in original | only PP's invoices in original |
| 10. | All supporting documents related to project expenditure (e.g. payslips, bank statements, public procurement documents, etc.) to be retained at the premises of the project partner concerned | only the supporting documents of PP1 in original | only the supporting documents of the PP in original |
| 11. | All project deliverables and outputs (materials produced during the project period including project communication related documents and materials) | all project deliverables and outputs in original | only the project deliverables and outputs of the PP in original |
| 12. | Output factsheets | copy | Not relevant |
| 13. | If relevant, documentation related to on the spot checks of the Controllers (to be retained at the | only PP1's on the spot check documentation in | only PP's on the spot check documentation |

[5] and [8] Depending on national requirement

| | | | |
|---|---|---|---|
| | premises of the project partner concerned) | original | in original |
| 14. | If relevant, documentation of monitoring visits of the MA/JS | original | copy |
| 15. | If relevant, audit reports | All audit reports, PP1 audit report in original, all other reports in copy | PP's audit report in original |

## 7.3 Ownership of project results

Ownership, title and industrial and intellectual property rights in the outputs of the project and the reports and other documents relating to it shall vest in PP1 and PPs to the extent allowed by the national regulation of PP1/PP.

Concerning the use of the outputs and results of the project, PP1 shall guarantee a widespread publicity of such outputs and results and to make them available to the public in line with the relevant national law.

The MA/JS as well as the National Authorities of the Partner States of the programme – including National Contact Points – reserves the right to use the outputs and results of the project for information and communication actions related to the programme.

# 8. Annexes

1. a Statement on project bank account (separate bank account)

1. b Statement on project bank account (single bank account)

2. Output Factsheet

3. Declaration of Withdrawal from the partnership

4. Declaration of Commitment to join the partnership

5. Request of project modification

5. a Change-log file for minor changes

5.b Change-log file for major changes

6. Partner Report (PR)

7. Project Progress Report (PPR) and Application for Reimbursement (AfR)

8. Danube Transnational Programme logo specifications

9. The use of the three logos

10. Workplan

11. Project Partner 1 confirmation and signature sheet