



Interreg



EUROPEAN UNION

Danube Transnational Programme



Annex

Eligibility of project expenditures

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Programme co-fundé par les fonds de l'Union européenne (ERDF, IPA, ENI)

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1. Introduction

Programme level rules on the eligibility of expenditure necessary for the preparation of the Application Forms have been included in the relevant Applicants' Manual; however, the more detailed / specific rules and procedures to be followed during the project implementation period are laid down in this document which constitutes the Annex of both the Danube Control Guidelines and the Implementation Manual of the programme.

The supporting documents requested for each budget line are listed below the eligibility rules.

2. Legal background and hierarchy of rules

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, are collected in this section.

The following regulations shall be considered:

General regulatory framework on the financial management of EU funded programmes:

- REGULATION (EU, Euratom) No. 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union amending Regulations (EU) No. 1296/2013, (EU) No. 1301/2013, (EU) No. 1303/2013, (EU) No. 1304/2013, (EU) No. 1309/2013, (EU) No. 1316/2013, (EU) No. 223/2014, (EU) No. 283/2014, and Decision No. 541/2014/EU and repealing Regulation (EU, Euratom) No. 966/2012 ('Financial Regulation').
- COMMISSION DECISION (EU) No. 2018/1520 of 9 October 2018 repealing Delegated Regulation (EU) No. 1268/2012 ('Delegated Regulation') 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**)

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

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 above-mentioned 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

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

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

1. EU regulations (as listed above)
2. Programme rules on eligibility of expenditure outlined in the manuals approved by the Monitoring Committee¹.
3. National (including specific institutional) rules which apply for matters not covered by the EU regulations and programme rules.

Please, note: The eligibility rules laid down in this Annex shall not be overruled by national or institutional legislation

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

3. Eligibility of project expenditure

3.1 General eligibility criteria

The rules on eligibility of expenditure for the Danube Transnational Programme are developed based on the **Commission Delegated Regulation (EU) No. 481/2014**, hereinafter referred to as “Delegated Act” and in line with the EU Regulations listed above.

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 ENI, these are explicitly mentioned under the relevant sections.

1. General provisions

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

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

2. Ineligible expenditure

- Fines, financial penalties and expenditure on legal disputes and litigation
- Costs of gifts, except those not exceeding 50 EUR per gift and which are related to promotion, communication, publicity or information

- Costs related to fluctuation of foreign exchange rate
- Interest on debt
- Purchase of land and existing buildings
- Value added tax except where it is non-recoverable under national VAT legislation
- Contributions in kind, as defined in Article 69(1) of Regulation (EU) No. 1303/2013
- Project expenditure split among project partners (i.e. sharing of „common costs”)
- Second hand equipment

3. Force majeure

The term force majeure, as used herein covers any unforeseeable events, not within the control of the beneficiary and which by the exercise of due diligence neither beneficiary is able to overcome such as acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosion.

According to the EC guidance², force majeure describes a situation in which a person is completely prevented from complying with an obligation. In Union law, the notion of force majeure generally presupposes circumstances which a) are abnormal and unforeseeable, b) are beyond the control of the one claiming ‘force majeure’, and c) could not have been avoided despite the exercise of all due care. Where Union law refers to reasons of force majeure, all three conditions set out by the Court of Justice have to be fulfilled and properly demonstrated on a case-by-case basis. Force majeure may be conceived even more restrictively under national law.

4. COVID-19 pandemic³

The COVID-19 outbreak qualifies as a force majeure event in case non-fulfilment of any obligation of the Subsidy Contract, including project activities that are clearly due to circumstances related to the outbreak and therefore the related expenditure shall be considered eligible.

²<https://webgate.ec.europa.eu/fpfis/wikis/pages/viewpage.action?spaceKey=CORONAVIRUSRII&title=Coronavirus+Response+Investment+Initiative>

³ The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19), caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The outbreak was first identified in Wuhan, China, in December 2019. The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January, and a pandemic on 11 March 2020.

The force majeure event might be considered for all budget lines and types of expenditure, as well as for the timely fulfilment of the obligation of the Subsidy contract (e.g. reporting deadline, payment deadline of the last reporting period, etc.).

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 shall be defined in the Subsidy Contract, in accordance with the approved Application Form. In principle, the project starting date is defined after the final approval date of the project by the Monitoring Committee.

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

- a. **Preparation costs**, if any (see special eligibility rules in section 3.4.1);
- b. **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;
- c. **Costs reported in the last reporting period** and incurred before the end date of the project shall be paid within 60 days from the end date of the project; the deadline for payments will be explicitly given in the subsidy contract.

The checks for the eligibility in time are the followings:

- All expenditure have been incurred and paid between the starting date and end date of the project, with the exception of preparation costs, if any, the control costs and costs reported in the last reporting period.
- Approval date, starting date and end date of each project are given explicitly in the subsidy contract.
- As a general rule, the Partner Report has to cover the expenditure incurred in the eligible project period and paid until the end date of the given reporting period and the costs calculated as flat rate related to the given reporting period respectively.
- In case of the final report including the last Project Progress Report, all expenditure shall be paid within 60 calendar days from the end date of the project, according to the following rules:
 - Costs reported in the last reporting period shall be incurred before the end date of the project and have to be paid within 60 calendar days from the project end date at the latest, and
 - the 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 calendar days from the end date of the project at the latest.

- These exceptions shall not affect the timeframe of the validation of expenditure for the last Partner Report, as the last Project Progress Report and Application for Reimbursement have to be submitted to the MA/JS within three months after the end date of the project. This means that the verification of expenditure for the last Partner Report shall start without requesting that all expenditures are paid at the time of the submission of the Partner Report. The FLC Certificate can be issued by the Controllers only after all proof of payments are presented.
- **Control costs of the last reporting period** in case the project partner is paying for the control costs:
 - The Controller can issue the FLC Certificate for the last reporting period after performing the verification of all expenditure incurred in the last reporting period except the one related to the control service. After the Controller has issued its invoice related to the last reporting period, the Project Partner finalises the Partner Report and includes the invoice of the paid control costs and then the Controller issues the “corrective/amended” FLC Certificate including the costs of last reporting period and the control costs as well. This is one of modalities on how to report the control costs related to last reporting period. However, other modalities are also acceptable in line with the eligibility requirements.
 - In case the control costs of the last reporting period are not paid within the 60 calendar days from the project end date (deadline given explicitly in the subsidy contract), these costs shall not be included in FLC Certificate and the project partner has to cover this expenditure from his own resources.

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 five expenditure categories of the Delegated Act. In addition, based on the decision of the Partner States, the Danube Transnational Programme established an additional budget line “Infrastructure and works” for the project activities where the expenditure cannot be covered by any of the expenditure categories of the Delegated Act.

Project expenditure is eligible under the following budget lines:

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

Please, note: in case of PAC support and SMF projects the budget lines 'Equipment expenditure' and 'Infrastructure and works' are not applied.

Sections 3.3.1 to 3.3.6 below contain detailed provisions regarding eligibility of expenditure per budget line. Besides the eligibility provisions, the **list of supporting documents necessary for each budget line is stated.**

The following general documents – that are not strictly related to a particular budget line – will be available in the eMS or presented to the Controller with the first Partner Report or with each Partner Report:

- Subsidy contract and amendments (if any) – Lead Partner should keep the original while project partners should have copies
- Application Form and all amendments (if any)
- Partnership Agreement and its amendments (if any)
- Evidence of the accounting system: either separate accounting system or adequate accounting code is maintained for all project-related transactions by all Project Partners
- Confirmation that the project partner's organisation is the owner of the bank account communicated to the Lead Partner
- Partner Report
- List of expenditure by budget line, including invoice number, invoice date, specification of invoice, supplier name, amount, VAT, payment date, expenditure outside of the programme area
- Project outputs such as studies, agendas of meetings, etc. in accordance with activities reported in the Partner Report
- Publicity items such as brochures, publications, webpage, etc. in accordance with activities reported in the partner report
- Confirmation of receipt of ERDF / IPA / ENI from the previous reporting period
- Confirmation of receipt of national, regional, local public contribution, if applicable
- Documentation of net revenue generated, if applicable
- Declaration on the VAT status of the project partner, signed by the authorised person of the project partner's institution

3.3.1 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 (including bonuses) must be directly linked to the salary payments and figure on the payslip and shall be in line with the employment policy and/or the internal rules of the beneficiary's organisation. Ad-hoc regulations for additional benefits, ad-hoc salary increases or bonuses applicable only to the project are not eligible.

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

Overtime is eligible only in case it is directly related to the project, it is foreseen in the employment document and it is in line with national legislation and the standard practice of the beneficiary, and on the basis of appropriate time registration system. In case of part time employment, overtime shall be proportionally allocated to the project.

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

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

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

ATTENTION: under **SMF projects** the staff cost shall be reimbursed only on a real cost basis, the flat rate method cannot be applied.

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:

1. Part-time with a fixed percentage of time worked per month, in line with a fixed percentage of time worked on the operation, with no obligation to establish a separate working time registration system
2. 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
3. On an hourly basis

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 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.

Part-time assignments with a flexible number of hours worked per month

- The reimbursement of staff costs shall be calculated on a **single hourly rate basis**⁴ determined either by:
 - i. dividing the **monthly gross employment cost** by the **average monthly working time** expressed in hours taking into account the working time as fixed in the employment document as well as fixed by law or agreements between the social partners on the relevant level; or
 - ii. Dividing the latest documented **annual gross employment cost** by **1,720 hours** for persons working full time, or by a corresponding pro-rata of 1,720 hours for persons working part time. Where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the contract for employment, duly adjusted for a 12 month period.⁵
- The **single hourly rate** 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 (or contract for employment) at the time of signature of the Subsidy Contract⁶. The hourly rates would remain fixed for the project duration. For newly employed staff and staff newly assigned to the project the hourly rate should be set within the first 3 months from the date of their employment or assignment.
- Under method point (ii) the denominator of the formula for the calculation of the hourly rate (i.e. 1,720 hours or applicable pro-rata of 1,720 hours) cannot be changed irrespective of contractual conditions applicable.
- 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.)

⁴ Amendment of the Commission Delegated Regulation (EU) No. 481/2014, decision C (2019) 769. 7.2.2019. The clarification should apply to the entire programming period in order to ensure a coherent set of rules, i.e. as of the date of entry into force of the Delegated Regulation (EU) No. 481/2014 (14 May 2014). Consequences deriving from this amendment are to be counterchecked with the EC.

⁵ For projects in advanced stage of implementation (1st call projects and 1st call PAC projects) at the time of application of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 only the documented **annual** gross employment costs and 1,720 hours should be used as the basis for calculation of hourly rate. The exception is only granted for newly employed staff and staff newly assigned to the project which can use the method in its entirety (applicable also from the date of application of the above mentioned Regulation).

⁶ For 2nd call projects that were signed prior to date of application of the above mentioned Regulation, and in order to ensure the equal treatment of 2nd call projects, the hourly rate should be set based on information available within the first 3 months of project implementation but after the date of application of the above mentioned Regulation.

- Time registration system covering 100 % of the working time of the employee shall be established.

Part time assignment on an hourly basis

- Staff costs related to individuals who, according to the employment document, work on an hourly basis, shall be eligible by 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

Additional explanations:

- In case of full time employment, holidays and sick leave are eligible (costs are incurred by the employer). For part-time employment with fixed percentage of time worked per month, holidays and sick leave are also eligible and shall be declared proportionally.
- In case of part-time assignments with a flexible number of hours worked per month (Art. 3(6) (i) and (ii) of the Delegated Act), as well as in case of assignments on an hourly basis (Art. 3(7) of the Delegated Act), only the actual hours worked on the project are to be multiplied with the determined hourly rate. Holidays and sick leave (as well as the working time not spent on the project) are not eligible for the project under these methods and are to be paid by the employer as normal monthly salary.
- In case of flexible number of hours worked per month calculated with a monthly hourly rate, sometimes the number of hours in the employment document is not expressed by using the month as a reference (but rather week or day). In this case, number of hours on a monthly basis should be established. For this purpose, the principle number of working days per month is 22 (to be applied for all months). In case weekly working time is stated in the employment document, monthly working time can be calculated in the following manner: (number of weekly working hours divided by number of working days per week) times 22 (e.g. in most case in would be $(40/5) * 22 = 176$ hours).
- In case of flexible number of hours worked per month applying yearly hourly rate where it is not possible to use specific employee data for the calculation, the annual gross employment costs of a comparable position employed full-time can be used to calculate the yearly hourly rate for a person working part-time on the project.⁷

⁷ This only applies to projects in advanced stage of implementation (i.e. 1st call projects and 1st call PAC projects) at the time of introduction of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018) as other projects have sufficient flexibility to obtain the hourly rate from the actual employee data.

<i>Examples for the calculation of staff costs:</i>	
Type	Calculation
Full time employment	<p>100% of the gross employment costs are allocated to the project</p> <p><u>Example:</u></p> <ul style="list-style-type: none"> ➤ 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. ➤ Project reporting is on 6 months basis. ➤ Gross employment cost of project manager is 3,500 EUR (including gross salary, social charges paid by the employer and other payments related to salary including taxes paid by the employer). ➤ During a particular month, project manager is working solely on project related tasks. ➤ At the end of the reporting period, relevant Partner Report is prepared by the project partner. In the Partner Report the expenditure is claimed for project manager in the amount of 21,000 EUR (6 * 3,500 EUR). ➤ No obligation to establish a separate working time registration system - no timesheet necessary
Part time employment	<p>The percentage set in the employment document (work contract/job description/other equivalent document) is multiplied by the monthly gross employment costs.</p> <p><u>Example:</u></p> <p>50% of working time is allocated to the project</p> <ul style="list-style-type: none"> ➤ Financial manager is assigned to work 50% on the project. This is clearly stated in the relevant employment document along with the role within the project and the relevant tasks. ➤ Project reporting is on 6 months basis. ➤ Gross employment cost of financial manager is 3,500

		<p>EUR (including gross salary, social charges paid by the employer and other payments related to salary including taxes paid by the employer).</p> <ul style="list-style-type: none"> ➤ During a particular month, financial manager is working 50% of her/his working time on project related tasks. ➤ At the end of the reporting period, relevant Partner Report is prepared by the project partner. In the Partner Report the expenditure is claimed for financial manager in the amount of 10,500 EUR = $6 \cdot (3500 \cdot 0,5)$. ➤ No obligation to establish a separate working time registration system
	<p>2. (i) with a flexible number of hours worked per month <u>calculated with a single monthly hourly rate</u></p>	<p><i>Number of hours worked in the project multiplied by the pre-calculated monthly hourly rate.</i></p> <p><i>Hourly rate = monthly gross employment cost/ average monthly working time fixed in the employment document (expressed in hours).</i></p> <p><u>Example:</u></p> <ul style="list-style-type: none"> ➤ Monthly working hours according to the contract: 176 hours ➤ Gross employment costs for June: EUR 3,500.00 → hourly rate: $3500/176 = 19.88$ EUR ➤ Total number of hours worked for the project (June): 80h ➤ Total project costs: $80h \cdot 19.88$ EUR = 1,590.40 EUR ➤ Time registration system covering 100 % of the working time of the employee is established.
	<p>2. (ii) with a flexible number of hours worked per month <u>calculated with a yearly hourly rate</u></p>	<p><i>Number of hours worked in the project multiplied by the pre-calculated yearly hourly rate.</i></p> <p><i>Hourly rate = latest documented annual (or other applicable) gross employment cost (or employment cost derived from the contract for employment)/ 1,720 hours (or pro-rata of 1,720 hours)</i></p>

		<p><u>Example:</u></p> <ul style="list-style-type: none"> ➤ Employee working full time for the partner organisation ➤ Gross annual employment costs documented: 42,000.00 EUR → hourly rate: $42.000 / 1.720.00 = 24.41$ EUR ➤ Total monthly hours worked for the project (June): 80h ➤ Total project costs (June): $80h * 24.41 = 1.952.80$ EUR ➤ Time registration system covering 100 % of the working time of the employee is established.
	<p>3. with a flexible number of hours worked per month calculated <u>on a contracted hourly rate basis</u></p>	<p><i>Number of hours worked for the project multiplied by the hourly rate set in the employment document.</i></p> <p><u>Example:</u></p> <ul style="list-style-type: none"> ➤ Hourly rate set in the employment document: 16 EUR ➤ Total number of hours worked for the project (June): 80h ➤ Total project costs: $80h * 16 \text{ EUR} = 1.280$ EUR ➤ Time registration system covering 100 % of the working time of the employee is established.

Supporting documents:

- A document showing contractual relationship: employment/work contract, contracts considered as employment contracts for all persons reporting staff costs (part-time and full-time)
- Written agreement(s) and/or job description outlining work for the project for all persons reporting staff cost (part-time and full-time)
- A document specifying salaries and other related costs for each relevant month and each person working on the project (e.g., pay slips, print-out of the accounting system)
- Proof of payment of salaries and other related costs and employer's contribution (social contribution) (e.g., bank account statement, pay slips)
- Only in case of part-time work on the project based on a fixed percentage of time worked per month: document setting out the percentage of time to be worked on the project for each person reporting staff costs under this option, if not included in the employment contract or job description

- Only in case of part-time work on the project based on flexible shares or hourly rates: timesheets showing 100% of the work of the person, signed by the employee and the employer
- Only in case of part-time work on the project based on hourly rates calculated using 1,720 hours or pro-rata of 1,720 hours (if applicable): document showing the documented annual (or other applicable) gross employment cost based on the latest available data at the time of signature of the Subsidy Contract
- Only in case of part-time work on the project based on flexible shares or hourly rates: calculation scheme for salary costs for each employee working part-time on the project

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**).

B. Staff costs are reimbursed on flat rate basis:

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

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

No further justification 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 shall not 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 the basis of the calculation of the staff costs.

Supporting documents:

- No supporting documents needed.
- List of staff members working on the project shall be provided to the Controller on request (e.g. to check the eligibility of travel and accommodation costs)

3.3.2 Office and administration expenditure

Office and administration costs related to the project implementation shall be declared on a flat rate basis of **15% of the eligible staff costs of the project (i.e. costs declared under “Budget line 1 Staff costs” no matter if the flat rate or real costs method is used for the staff costs)** in case project partners decided to claim them in accordance with the approved Application Form.

No further justification or supporting document is needed from the project partners.

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

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

- a. Office rent
- b. Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances)
- c. Utilities (e.g. electricity, heating, water)
- d. Office supplies
- e. General accounting provided inside the beneficiary organisation
- f. Archives
- g. Maintenance, cleaning and repairs
- h. Security
- i. IT systems
- j. Communication (e.g. telephone, fax, internet, postal services, business cards)
- k. Bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened
- l. Charges for transnational financial transactions

Example:

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

Further eligibility rules:

- The **same flat rate** (15%) shall be automatically applied **for each reporting period**, by each project partner. **In case staff costs are not declared for the relevant reporting period, the office and administration expenditure cannot not be declared**
- Office and administration expenditure is eligible also in case the staff costs are declared on a 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)
- Office and administrative costs can be introduced or deleted from the project partner's budget only before the given PP starts preparing the Partner Report in eMS for the first reporting period.
- The 15% flat rate shall also be applied in case of budget changes affecting the amount of direct staff costs of a project partner's budget

Supporting documents:

- No supporting documents are needed.

3.3.3 Travel and accommodation costs

Project related travel costs of the project staff employed by the beneficiary are eligible for financing under the travel and accommodation costs budget line. The project partners can choose from the following 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.

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 the participation of the project is relevant, etc.) and the related activities shall be relevant for the implementation of the project, e.g. participation at the meeting with project partners to prepare project activities, 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, travel 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 travel 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
- Travel 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 outside of the Union part of the programme area, such as
 - non-EU countries or regions which are part of the programme area,
 - EU countries or regions outside the programme area,
 - and non-EU countries or regions outside the programme area
 are eligible costs; however, travels outside the programme area are subject to approval from DTP side.
- 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 of 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, it shall be according to the rules of the ERDF Sponsoring Partner’ institution for its own employees.

- Daily rates for hotel accommodation are applicable 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 hotel ceilings for 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, cost effectiveness due to the number of travelling persons, etc.
- Furthermore, it is recommended to use environmentally friendly means of transport (e.g. train over flight, green public transport vehicles over taxi/car etc.)
- Costs for flight carbon offsetting are eligible provided that the costs are included in the same invoice of the flight.

In case it is not included in the flight ticket, the project partner can select the service provider of CO₂ compensation and the costs are eligible provided that the related invoice contains the following details: project acronym/code, name of the passenger, flight number/destination.⁸

- Costs of cancelled travels are eligible in case of force majeure.

⁸ Carbon offsets are achieved through financial support of projects carried out by organisations that act as service providers of CO₂ compensation that reduce the emission of greenhouse gases in the short- or long-term

Supporting documents:

- List of staff working on the project (including the staff costs declared on flat rate basis, civil servants not eligible for staff costs, and the ASP members)
- Agenda or similar document presenting the objectives and topics of the meeting/seminar/conference
- Authorisation of the mission (if obligatory according to national/ institutional rules)
- Mission report signed by the travelling person
- If relevant: any other proof of participation (e.g. minutes of the meeting, event /signed list of participants/ email confirmation, etc.)
- Invoices or documents of equivalent probative value (hotel invoices, bus/train/plane tickets, etc.)
- In case of use of company/private car, calculation sheet according to national or institutional rules stating at least the distance, the unit rate and the total costs of the travel
- Payslip/accounting documents on daily allowance / per diems
- Proof of payment of travel and accommodation costs (e.g. bank statements)
- Proof of reimbursement of travel and accommodation expenditure to staff, in case the staff members pre-financed the expenditure

3.3.4 External expertise and service costs

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

- a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks)
- b. Training
- c. Translations
- d. IT systems and website, modifications and updates⁹
- 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)

⁹ The Danube Transnational Programme website will include and host one website per project.

- h. Participation in events (e.g. registration fees)
- i. Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services
- j. Intellectual property rights
- k. Verifications: Externalised control activities (FLC) for the verification of the project expenditure where it is relevant for the control system of the concerned Partner State
- l. The provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee
- m. Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers
- n. Other specific expertise and services needed for the given project

ATTENTION: Not the whole list is eligible under the SMF projects. Please consult the list of selected expenditure element set in the relevant Programme Manual available on the DTP website (<http://www.interreg-danube.eu/>).

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 in case of ERDF partners with the relevant national public procurement law in force, and in case of the IPA and ENI partners, with the provisions of the Financial Regulation and the Delegated Regulation if relevant, 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 are 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
- In case the control costs are paid by the project partner, further costs other than of the verification of expenditure cannot be charged to the Project partner
- Programme specific rules shall be applied for the ERDF component of the DTP in case of procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (see detailed rules in section 3.5.1)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment

- Project Partners and their employees shall not be contracted by another project partner within the same project 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 or any other supporting document shall state that only travel costs and accommodation costs supported by invoices will be paid
- In case of PAC projects, the travel and accommodation costs of Steering Group members related to their participation in steering group meetings shall be declared under this budget line based on the service contract concluded or any other supporting document
- The stakeholders' travel and accommodation costs not provisioned in the Application Form needs approval from the MA/JS
- If applicable, the deliverables shall 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 shall not be split among the project partners, i.e. common costs are not allowed

Programme rules on project logo and website development:

- In general, DTP projects are not allowed to develop their own project logo. They have to use instead the programme logo including the reference to the project acronym below. However, a specific logo might exceptionally be considered for an output/result with a lifetime going beyond the project if well justified in the approved Application Form
- DTP projects are not allowed to create their own website but to use the one hosted in the programme website. In exceptional cases, projects might still develop a separate website for tools or products with a life reaching beyond the project and being a project output itself and not a simple communication tool. The development of such a separate website will be subject to approval by the MA/JS and a specific justification will be required. In the event that this separate website is approved, the project will be required to follow the programme's visual guidelines

Supporting documents:

- Documents of the procurement procedure (selection of the external expert/service provider)
- Selected offer
- Service contract, or where it is relevant order for the service

- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules
- Proof of payment (e.g. bank statement)
- Calculation method showing the share allocated to the project and justification of the share allocated (only in case of experts and services that are not exclusively contracted for the project)
- Deliverables and other evidence of the work carried out by external experts

3.3.5 Equipment expenditure

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

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

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

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

Further eligibility rules:

- Equipment should be clearly and strictly linked to the project (features and functions are in line with the project needs) and exclusively used for the project implementation
- Only equipment listed in the approved Application Form (and associated costs needed for its installation and functioning) are eligible for financing. In case of any change necessary to the equipment, it shall be preliminary approved by the MA/JS according to the rules on project changes
- In case of public procurement the selection of the suppliers shall comply in case of ERDF partners with the relevant national public procurement law in force, and in case of the IPA and ENI partners, with provisions of the Financial Regulation and the Delegated Regulation if relevant, and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority

- Programme specific rules shall be applied for the ERDF component of the DTP in case of procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (see detailed rules in section 3.5.1)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment
- Equipment expenditure shall not be split among the project partners, i.e. common costs are not allowed

Projects granted under the 1st calls for proposals:

- As a general principle, for all project equipment (purchased before or during the project lifetime) **only depreciation costs should be allocated to the project**
- For project equipment that was purchased before the project starting date, not fully depreciated before and used for the project purposes, **only depreciation costs for the relevant project period** should be allocated to the project. Furthermore, depreciation costs of the equipment are eligible only if the acquisition of equipment is not financed from any other financial instrument (e.g. EU, national, international)
- The calculation of depreciation or equivalent division of shares of equipment should be done according to a justified and equitable method and be in line with the national or institutional regulations
- Depreciation costs of equipment shall be allocated to the time period when the equipment was used for the project purposes

Example:

An equipment item was used from beginning of January to end of June 2017. This would mean that the equipment was used throughout 6 months period. The price was EUR 4,000, with annual depreciation of EUR 1,200. By dividing this annual depreciation further by 12 months, the monthly depreciation would equal 100 EUR. In our example the project could report EUR 600 (=6 months x EUR 100).

- If according to the national legislation the **equipment is not depreciable** (e.g. low-value asset), **the full costs of purchase, lease or rent could be allocated to the project**. Equipment under this category does not have to be used for project purposes after the end of the project. Moreover, after use the equipment does not have to remain in the ownership of the project partner that had reported the related costs. (In case the full cost of purchase is allocated to the project and the equipment in question is later sold, please see section 3.6 on project revenues)

Projects granted under the 2nd and further calls for proposals:

- **The full costs of the equipment could be allocated to the project** (provided that national or institutional regulations allow that project equipment is reimbursed in full).
- In case only depreciation costs are declared to the projects, the eligibility rules relevant for depreciation costs (described above for the 1st call projects) shall be applied.

Equipment which is part of an investment:

- In case **equipment is part of or fully represents an investment item** which was approved in the Application Form, **the full cost of the equipment is eligible**.

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

- In case equipment belongs to this category, the following rules have to be observed:
 - The equipment must be a part of an investment as specified in the Application Form
 - The equipment should be solely used for the project purposes, during the project lifetime.

Equipment rented or leased:

- For equipment rented or leased for certain period during the project lifetime rental or leasing costs for the respective period are eligible

Supporting documents:

- Documents of the procurement procedure (selection of the suppliers)
- Selected offer
- Contract, or where it is relevant order for the equipment
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules
- Calculation schemes for depreciations (in case of depreciations)
- Proof of payment (e.g. bank statement)
- Proof of existence (pictures, deliverable note, etc.)

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

3.3.6 Infrastructure and works

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

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

Please, note that the total investment expenditure can be divided among different budget lines. The budget line 'Infrastructure and works' should only cover costs related to investment having the nature of infrastructure or works and not included under any other budget line. In line with Article 2 of EU Directive 2014/24/EU the budget line should include execution or both design and execution of works as well as site preparation, delivery, handling installation, renovation.

Eligible investments either:

- Follow a transnational physical or functional link over the national border (e.g. transport corridors) which has been analysed from transnational point of view and has a clear impact over the national borders **or**
- Create a transferable practical solution through a case study in one area, which is jointly evaluated by the project partners and transferred for testing in at least two other participating countries

Examples of possible investments :

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

Ineligible expenditure:

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

Examples of investments that are not eligible under DTP:

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

Further eligibility rules:

- In case of public procurement the selection of contractors of investments shall comply in case of ERDF partners with the relevant national public procurement law in force, and in case of the IPA and ENI partners, with the provisions of the Financial Regulation and the Delegated Regulation if relevant, and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.

- Programme specific rules shall be applied for the ERDF component of the DTP in case of procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (see detailed rules in section 3.5.1)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment
- Depending on the nature of investments and works: all compulsory requirements set by EU and national legislation, including the environmental requirements
- The purpose and ownership of the infrastructure shall not be changed for at least 5 years after the final payment to the project.
- The contractor shall not be a partner in the project
- Expenditure on infrastructure and works shall not be split among the project partners, i.e. common costs are not allowed

Supporting documents for Infrastructure and works:

- Documents of the procurement procedure (selection of the contractor)
- Selected offer
- Contract
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules
- Proof of payment (e.g. bank statement)
- Proof of existence (pictures, deliverable note, etc.)
- Required permits, feasibility studies, etc.

3.4 Special eligibility rules

3.4.1 Preparation costs

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

Please, note: In case of **PAC** support, **SMF** and **DSP** calls preparation costs shall not be claimed.

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

Further eligibility rules:

- The lump sum will amount to **17.500 EUR** per project. This amount represents the total budget for the preparation costs and the ERDF contribution part of this amount (which is 85% according to the programme rules) will be reimbursed to the Lead Partner.
- This amount shall cover all costs linked to the preparation of the Application Form and further costs related to the conditions clearing until the final approval date of the project.
- This amount shall be part of the Lead Partner's budget and it shall be planned under WP Preparation.
- The amount of 17,500 EUR of preparation cost shall be verified in the Partner Report under WP Preparation in the reporting period zero in the eMS, however the costs shall be declared by the LP (i.e. FLC certificate shall be included) in the first Project Progress Report.

3.4.2 Expenditure of the Associated Strategic Partners

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

- The **involvement** in the project of **ASPs** is possible, where it has an added value for the project
- The need for the involvement of the ASP for the implementation of the project and the benefit for the DTP area has to be always demonstrated, in the description of the project proposal and during the implementation
- The **ASP** are **indirectly financed** from the project budget, i.e. the concerned ASP contributes to the project without separate budget
- **The costs of the concerned ASP shall be planned in the budget of one "sponsoring" ERDF PP and shall be directly paid /reimbursed by the "sponsoring" ERDF PP,**
- In line with the rules set in Article 20(2) of Regulation (EU) No. 1299/2013 EC Regulation, expenditure of the **EU partners located outside the Programme area and non-EU partners of the programme area** shall not exceed 20% of the ERDF PPs' budget in total.
- **Only travel and accommodation costs** of the ASPs related to project activities are **eligible** according to the eligibility rules for BL3 travel and accommodation costs
- ASPs cannot be subcontracted by project partners as external experts.

Specific rules:

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

The checks for the eligibility of expenditure of the ASP are the followings:

- Expenditure of the ASP are directly related to the project and in line with the activities stated in the Application Form
- All expenditures are planned in the budget of the ERDF project partner concerned
- All expenditures are directly incurred and paid/reimbursed by the sponsoring ERDF project partner concerned
- Expenditure of the EU partners located outside the Programme area and non-EU partners of the programme area do not exceed 20% of the budget of the ERDF sponsoring partner
- Expenditure is reported only under BL Travel and accommodation (the only eligible budget line)
- Expenditure reported does not exceed the budget planned for the activities of the ASP.

3.4.3 20% activities

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

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

Special conditions and eligibility of expenditure:

- costs to be spent according to the 20% ERDF flexibility rule must be traceable from the approved Application Form
- costs shall be clearly planned in the budget of LP or ERDF PP under budget line External expertise and service costs the need for the activities outside the EU part of the Programme area for the implementation of the project and the achievements of its objectives has to be clearly demonstrated
- the benefit of the Programme area has to be always demonstrated, in the description of the project proposal and during the implementation.

Eligible expenditure:

- costs of the organisation of joint meetings in EU countries outside the Programme area and/or in 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 the Programme area and/or in non-EU countries within the Programme area (e.g. organisation and implementation of training activities in Montenegro, financed by an ERDF PP).

3.5 Compliance with EU policies and other rules

3.5.1 Public procurements

General principles

Public procurement is a process used by organisations and companies receiving public funds for choosing and contracting providers of goods, services and works by ensuring transparency and equal treatment of the potential providers. The public procurement procedures aim at a more efficient and transparent use of public funds as well as at increasing competitiveness.

The main principles to be followed when procuring goods, services or works are the principles of transparency, non-discrimination and equal treatment. Compliance with the procurement requirements is vital for the projects, as it ensures the eligibility of the reported costs of the particular goods, services and works.

In case of non-compliance with the rules on public procurement detected by the Controller and prior the certification is done, relevant financial corrections will be applied (see Guidelines for determining financial corrections to be made to expenditure financed by Union under shared management, for non-compliance with the rules on public procurement as set out in Commission Decision C(2013) 9527).

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 directive (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 and Delegated Regulation, if relevant
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

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with the Directive. The procurement rules at national level could be different due to the different types of procedure, contract value, etc. Moreover, different rules apply for ERDF partners and for IPA and ENI partners.

- ERDF partners shall apply the relevant national public procurement rules, and the programme specific rules.
- 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.

Summary of 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” rule¹⁰:

- The “bid-at-three” rule is introduced at programme level to ensure transparent selection procedures, equal treatment and cost efficiency for goods and services between 5,000 EUR (excluding VAT) and national public procurement 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/cannot be acquired, the activities undertaken to acquire the offers have to be documented.
- Compliance with market prices shall be proved by the project partners: it shall be documented that prices for similar goods, services or works have been compared (e.g. comparative offers, prices from internet, etc.)
- Project partners shall ensure the adequate selection of the candidates invited to present offers for bid-at-three procedure: evidence shall be available that all invited tenderers are qualified to perform the services requested (e.g. registry of the company that proves it is authorized to perform the activity for which the offer is made, in accordance with national legislation).
- The project partner shall ensure that the selection procedure is transparent, as well as the appropriate audit trail is 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 and the Delegated Regulation if relevant, and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority. The threshold specified in the Financial Regulation and the Delegated Regulation, if relevant, 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 organization according to the relevant public procurement rules. In principle, the public procurement of the framework contract when it is carried out by the project partner’s organisation shall be also checked by the Controller. In this case, the result of the

¹⁰ Revised rules are applicable for the bid-at three procedures initiated after the approval date (16.07.2020) of the Annex of the Danube Control Guidelines v7.0

audit/verification by other audit/control body can be taken into consideration for the purpose of the verification if it is available for the Controller and those checks and their scope is the same as the scope that the Controller would carry out for the first level check. The verification of the public procurement of a framework contract at governmental level (covering more than one institution) is not obligatory.¹¹

- **“In-house” contracting** can be eligible under condition that the requirements set up at national level (described e.g. in the public procurement regulations as an exemption to the application of public procurement) for in-house contracting are fulfilled. In addition, the costs shall be declared under the relevant budget line according to the rules on eligibility of expenditure and the reporting and audit trail of the Programme must be ensured. In case in-house contracting only the actual costs are eligible to be reimbursed, no profit margin can be charged by the service provider (e.g.: subsidiary company). The controllers have to check whether 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.
- **Conflict of interest**
 - 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.
 - Independence of the tenderers shall be ensured during the procurement process. Each project partner is responsible to ensure that the appropriate measures are taken to minimise any risk of conflict of interest. Although the character of the conflict of interest is diverse depending on the parties, types of the relationships and interests involved, transparency of the decision making process and fair treatment for all tenderers must be ensured in all cases. The national law applicable to conflict of interest situations shall be also taken into account.
 - Conflict of interest detected in the procurement procedure might have serious financial implications (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’)

¹¹ This procedure is being counterchecked with the EC.

Examples:

Within the framework of projects with transnational relevance, usually a few cases of procurement would occur, such as:

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

The checks related to procurements are the followings:

- All procurements shall be properly documented (requests for offers, offers, contracts are available).
- In case public procurement of ERDF partners the procedure applied for the procurement of services, equipment or investments shall be in line with the national public procurement rules, and the programme specific rules.
- In case of IPA and ENI partners the procedures have to follow the provisions of the Financial Regulation and the Delegated Regulation if relevant, and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
- In case of “bid-at-three” procedures:
 - verification that all invited tenderers are qualified to perform the services requested (e.g. registry of the company that proves it is authorized to perform the activity for which the offer is made, in accordance with national legislation).
 - verification of compliance with market price based on comparable offers and/or on the complementary information provided by the project partner (e.g. market prices from internet, benchmarking, etc.). If there are no three comparable offers, the activities undertaken by the Project Partner to acquire the offers shall be documented unless stricter rules are to be followed at national/institutional level (in which case the compliance of these rules must be checked by Controllers).
 - verification of independence of the tenderers based on self-declaration of the tenderer and registry of the company collected by the project partner for the procedure.
- The requirements set up at national level for in house contracting have to be fulfilled (the requirements at national level might be different).
- In case of subcontracting, the external expertise cannot be provided by a project partner within the same project, and the staff of a project partner cannot be involved as external expert for another project partner of the same project.

3.6 Project revenues

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

Please, note: As a general rule, the eligible expenditure of a project shall be reduced by the net revenue generated by the project during project implementation as well as three years after project completion.

Net revenues¹² are understood as revenues (as defined above) minus any operation costs and replacement costs of short-life equipment incurred during the corresponding period. Please note that operating cost-savings generated by the project shall be treated as net revenues unless they are offset by an equal reduction in operating subsidies.

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

Treatment of revenues:

➤ Application phase

Expected net revenues shall be indicated in the Application Form by the applicants. Applicants shall not indicate expected net revenues in the Application Form if the specific project output generating net revenue is State aid relevant.

➤ Project implementation phase

Project Partners are responsible for keeping account of all the revenues and to have the required documentation available (e.g. for control purposes). The net revenues must be stated in the Partner Reports and must be deducted from the eligible expenditure. Project Partners have to provide their Controller with information on the revenues and net revenues generated in the reporting period and to support this with the accounting or equivalent documents.

➤ After the project closure

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

The checks related to project revenues are the followings:

a) The Project Partner reports revenues (foreseen in the approved Application Form and/or possible to estimate the amount of revenues):

¹² In accordance with Articles 61 and 65(8) of Regulation (EU) No. 1303/2013

- The expenditure reported as revenues are cash inflows directly paid by users for the goods and/or services provided by the project
- Evidence exists in the accounting documents of the project partner on the revenues generated by the project
- Calculation method is provided by the project partner to report the net revenues (the amount to be deducted from the total eligible expenditure reported)

b) The PP does not report revenues (not foreseen in the approved Application Form and the project does not generate revenues):

- Statement of the Project Partner is available containing that the project does not generate revenues
- The accounting documents of the project partner does not contain any revenues generated by the project

c) The PP does not report revenues generated (revenues generated are not declared):

- Evidence exists in the accounting documents of the project partner on the revenues generated by the project
- Suspected irregularity has to be reported by the Controller to the responsible body at national level
- Revenues not reported will be reclaimed by the MA/JS according to the recovery procedure of the DTP.

3.7 Currency exchange

The method for the conversion of expenditure incurred in another currency than the Euro is the following:

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

The following rules shall be applied for the conversion:

- The **date of submission** of expenditure for verification to the controller is the day in which the project partner **submitted for the first time** the Partner Report **online** through the eMS to the Controller:
 - Further submissions due to completion and/or clarification to the Partner Report, date of submission of documents to the Controller and date of on-the-spot checks by the Controllers shall not be considered. The expenditure not verified by the Controller within the Partner Report shall be kept pending in the eMS as “sitting duck”. This way the exchange rate applied to the given expenditure remains the same, irrespective of the Partner Report in which the expenditure will be verified.
 - Moreover, in case an expenditure incurred and paid in reporting period 1 is submitted by the project partner only in reporting period 2 to the Controller, the exchange rate relevant for reporting period 2 shall be applied.
- The date of online submission is registered through eMS which can be traced at any time in the system.
- As a general principle, expenditure incurred in euro shall be reported in euro in the Partner Report.
- In exceptional cases for travel orders, where more than one item is included in one accounting document/travel order, including expenditure both in euro and other currencies, these items can be reported in eMS as one single item either in euro or in other currency, with the use of a summary sheet.
- The same rules apply to all project partners and not only to beneficiaries located outside the euro-zone