



PROGRAMME MANUAL

ELIGIBILITY OF EXPENDITURE

version 6,
approved by the Monitoring Committee on 24 September 2020

	Content of the modification	Approval date
V6	<i>SECTION 4 Eligibility period</i> - Extension of the end of eligibility of expenditure until 31 December 2022.	24 September 2020
-	<i>SECTION 5 CONVERSION INTO EURO</i> - Inclusion of a reference to the Synergie guides « How to certify expenditure and issue an FCL certificate in Synergie CTE » and « Specificities of the conversion to Euro functionality on Synergie CTE ».	15 April 2020
-	Publication of an annex to the factsheet concerning specific provisions of eligibility of expenditure related to cancelled/postponed activities due to COVID-19 epidemic and health restrictions	13 March 2020
V5	<i>SECTION 4 Eligibility period</i> - Alignment with article 4.6 of the subsidy contract, requirements for the eligibility of implementations expenditure. Since this is a correction of an error, the rule can be applied retroactively since the signature of the Contract. <i>SECTION 4 Travel and accommodation</i> - Inclusion of detailed information about per diem and rent-a-car by staff costs.	12 December 2019
V4	<i>SECTION 1 HIERARCHY OF RULES ON ELIGIBILITY OF EXPENDITURE</i> - Inclusion of Omnibus reference <i>SECTION 5 CONVERSION INTO EURO</i> - Reminder: Even if Synergie CTE calculate exchange of expenditure not incurred in euro currency, the FLC should to verify that the conversion has been carried out correctly when certifying the expenditure. <i>SECTION 6 BUDGET LINES SPECIFICATION / BL 1. STAFF COSTS</i> - Partners participating in on-going projects (approved before the third call for modular projects) and already using method has the possibility to change from method C (hourly rate) to method B (%). - Projects approved from the third call for modular projects CANNOT claim staff costs under method C (hourly rate). - More guidance about how to report the split of the "fixed percentage" per WP, in the case of use of method B (%). Remove of the inclusion in the job description declaration, when method "part time fixed percentage" is used, the split of the "fixed percentage" per WP (updated in version 3 of the factsheet).	20 December 2018

	<p><i>SECTION 6 BUDGET LINES SPECIFICATION / BL 3 TRAVEL AND ACCOMMODATION COSTS</i> - Remove the word "original" for tickets and another documentary evidence.</p> <p><i>SECTION 6 BUDGET LINES SPECIFICATION / BL 5 EQUIPMENT EXPENDITURE</i> - Remove the word "full" in example (situation 1) and wording in general principles.</p>	
V3	<p><i>SECTION 6 BUDGET LINES SPECIFICATION / BL 1. STAFF COSTS</i> - Inclusion in the job description declaration, when method "part time fixed percentage" is used, the split of the "fixed percentage" per WP. - Inclusion of the possibility to modify the % (method B) in the middle of an implementation period based on change of "tasks and responsibilities of the employee change based on the approval of new projects or the closing of on-going projects in the framework of the Interreg MED Programme".</p> <p><i>SECTION 6 BUDGET LINE SPECIFICATION / BL 3. TRAVEL AND ACCOMMODATION COSTS</i> - Clarification regarding the respect of the thresholds of daily rates for hotel and subsistence established by national eligibility rules.</p>	31 July 2018
V2	<p><i>SECTION 4 ELEGIBILITY PERIOD</i> - Inclusion of a reminder regarding the closing date for costs relating to the Programme's operations (30/06/2022). Information is already foreseen in article 4.8 of the Subsidy Contract.</p> <p><i>SECTION 6 BUDGET LINES SPECIFICATION / BL 1. STAFF COSTS</i> - In the case of the eligibility of overtime, a reference has been included to national eligibility rules. - Possibility of extrapolating the employment costs of at least 3 consecutive months to a 12 month period for the establishment of the "latest documented annual gross employment costs", in the framework of the calculation method C (Part-time assignment with a flexible number of hours worked on the project per month).</p> <p><i>GENERAL</i> Minor modifications included in order to make the factsheet more user friendly and to avoid possible misunderstanding (inclusion of reference to other factsheets or programme documents, rewording or clarifications, based on frequently asked questions of partners, change of the layout examples and audit trail list (staff).</p>	18 January 2018
V1	-	January 2017

This factsheet aims to outline the main financial requirements to be considered in the preparation of project proposals, the implementation of projects and the justification of project's expenditure.

As a complement, further guidance on how to develop a sound project budget can be found in factsheet "SOUND PROJECT BUDGET".

For further information on financial issues, please refer to factsheets "STATE AID", "PUBLIC PROCUREMENT", "CONTROLS, AUDITS AND VERIFICATIONS", "DECOMMITMENT" and "NET REVENUES".

1. Hierarchy of rules on eligibility of expenditure

Three levels of rules apply to the eligibility of expenditure in the framework of all Interreg Programmes, including Interreg MED Programme:

1. EU rules: Due to the fact that the Programme is co-financed by ERDF, all general rules concerning eligibility of expenditure regarding the structural funds are applicable. These include:

- Regulation (EU, Euratom) No 2015/1929 of the European Parliament and of the Council of 28 October 2015 amending Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union;
- Regulation (EU) No 1303/2013 (Common provisions regulation) where Articles 6 and 65 to 71 give specific provisions on applicable law as well as on eligibility of expenditure;
- Regulation (EU) No 1301/2013 (ERDF regulation) where article 3 gives specific provisions on the eligibility of activities under the ERDF;
- Regulation (EU) No 1299/2013 (ETC regulation) where Articles 18 to 20 give specific provisions on eligibility of expenditure applicable to Programmes of the European Territorial Cooperation goal;
- Commission Delegated Regulation (EU) No 481/2014 containing specific rules on eligibility of expenditure for cooperation Programmes;
- Regulation (EU, Euratom) 2018/1046 (Omnibus Regulation) 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.

In addition, in the case of partners funded by IPA Funds, the following rules are applicable as well:

- Article 9(3) of Regulation (EU) No 231/2014 (IPA II Regulation) establishing an Instrument for Pre-accession Assistance (IPA II);

- The financing agreements signed between the European Commission, the Interreg MED Programme Managing Authority and the Government of each IPA Participating State¹.
2. **Programme rules:** namely additional rules on eligibility of expenditure for the cooperation Programme as a whole. Except where otherwise noted, Programme rules apply to ERDF and IPA partners and **must be obeyed**.
3. **National eligibility rules:** they apply for matters not covered by eligibility rules laid down in the abovementioned EU and Programme rules and must be verified with your competent National Authority.

2. General eligibility requirements

As a general principle, expenditure is eligible for funding when fulfilling **all** of the following **general eligibility requirements**:

- It relates to the costs of implementing a project according to the latest approved Application Form;
- It relates to items that did not receive support from other EU Funds as this would result in **double funding**;
- It is essential for the implementation of the project and it would not be incurred if the project was not carried out;
- It complies with the principle of real costs except for costs calculated as flat rates and lump sums (when applicable);
- It complies with the principle of sound financial management (please refer to factsheet “SOUND PROJECT BUDGET”);
- It is borne directly by the beneficiary and supported by accounting documents justifying incurred expenses/payments (invoices, pay rolls...) except for costs calculated as flat rates and lump sums;
- It is incurred, engaged and paid out within the eligible period (as described here below in section « Eligibility period »);
- It is incurred within the MED area. In case it is incurred outside the MED area, the requirements indicated in the related section have been respected;
- It is registered in the beneficiary’s accounts through a separate accounting system or an adequate accounting code set in place specifically for the project (when applicable);
- It complies with eligibility rules at European, Programme and national level; and when applicable, the relevant public procurement rules have been observed;
- It has been validated by an authorised First Level Controller².

The principle of sound financial management builds on three principles: economy, efficiency and effectiveness, please refer to factsheet “SOUND PROJECT BUDGET” for more details.

¹ The signature of the Financing Agreement of each concerned IPA Participating State was concluded in the following dates: Albania July 6th, 2017; Bosnia and Herzegovina July 19th, 2017, and Montenegro July 6th, 2017.

² First Level Controller is the body or person responsible for verifying at national level that the co-financed products and services have been delivered, that the related expenditure has been paid and that it complies with the applicable EU, Programme and national rules. For more information on the First Level Control system to be applied in each Participating State please refer to www.interreg-med.eu.

Please note that costs which are not eligible according to the applicable eligibility rules cannot be claimed, even if included in the approved Application Form.

3. Non-eligible expenditure

With regard to **non-eligible expenditure**³, provisions are given in the following section. The following expenditure should be considered as **not eligible**:

- In-kind contributions⁴, as defined in Article 69(1) of Regulation (EU) No. 1303/2013;
- Shared costs⁵;
- Fines, financial penalties and expenditure related to legal disputes and litigation;
- Costs of gifts, except those not exceeding EUR 50,00 per gift where related to project promotion, communication, publicity or information;
- Costs related to fluctuation of foreign exchange rate;
- Interest on debt;
- Purchase of land;
- Recoverable VAT according to national VAT legislation;
- Charges for national financial transactions;
- Costs for alcoholic beverages;
- Fees between beneficiaries of the same project for services, equipment and work carried out within the project;
- Heavy investments, infrastructures and works, as described by the Directive 2014/24/EU (annex II), with the exception of those defined as small scale investments in the framework of pilot actions.

4. Eligibility period

Expenditure is eligible according to the following periods:

A. Costs for the **implementation** of an approved project are **eligible from the date of the approval of the proposal by the Interreg MED Programme Steering Committee until its official ending date as set in the Subsidy Contract.**

³ For more information please refer to:

- Article 69(3) of the Regulation (EU) No. 1303/2013 and Article 3(3) of Regulation (EU) No. 1301/2013.
- Article 18 of Regulation (EU) No. 1299/2013.
- Article 2(2) of the Commission Delegated Regulation (EU) No. 481/2014.

⁴ Contributions in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices or documents of equivalent probative value has been made. No to be confused with own contribution, for more information see factsheet "PARTNERS CO-FINANCING AND LOCATION OF PROJECT ACTIVITIES".

⁵ Shared costs derive from activities carried out by one partner whose costs are covered by more than one project partner. Costs sharing systems are forbidden within the Interreg MED Programme.

All operational expenditure shall **relate to the implementation of an activity carried out before the official project's ending date** established by the Subsidy Contract. All costs can be paid out within two months after the project's end at the latest. Any expenditure paid out after those two-additional month shall be declared ineligible.

B. Costs for project **closure** (e.g. preparation of the last progress report, final report and costs for control of expenditure) are eligible. They must be committed and paid out within two months after the official ending date of the project.

However, as the closing date for costs relating to the Programme's operations is set for 31 December 2022, all projects ending after 31 October 2022 will have the additional period of two-month payment delay reduced in line with the limit date of 31 December 2022 (administrative expenses relating both to the closure and the implementation of the project).

In order to secure the closure of the Programme, standardised finalisation dates may be established according to the types of projects and calls. The end date of eligibility of expenditure for each project is mentioned in the Subsidy Contract.

In the case of partners issued from IPA countries, it would be not possible neither to request an advance payment nor to submit a payment claim before the signature of a Financing Agreement between the European Commission, the Interreg MED Programme Managing Authority and the Government of each IPA Participating State⁶.

5. Conversion into euro

The project budget must be developed in Euro and, in case of approval, reporting of project expenditure to the MA/JS shall be made solely in Euro.

Any expenditure incurred in a currency other than the Euro shall be converted into Euro using the monthly accounting exchange rate of the European Commission in the month during which that expenditure was submitted for verification by the concerned partner to its First Level Controller.

The European Commission publishes the monthly exchange rates on the first day of the month under: http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm

Please be reminded that the programme on-line monitoring tool, Synergie CTE, already foresees this calculation. However, the FLC is in charge to verify that the conversion has been carried out correctly when certifying the expenditure.

More information can be found in the Synergie guides « HOW TO ENTER AN EXPENDITURE », « HOW TO CERTIFY EXPENDITURE AND ISSUE AN FCL CERTIFICATE IN SYNERGIE CTE », and « SPECIFICITIES OF THE CONVERSION TO EURO FUNCTIONALITY ON SYNERGIE CTE », available in the Programme website.

⁶ The signature of the Financing Agreement of each concerned IPA Participating State was concluded in the following dates: Albania July 6th, 2017; Bosnia and Herzegovina July 19th, 2017, and Montenegro July 6th, 2017.

6. Budget lines specification

Project budget must be structured according to the following budget lines:

- 1) Staff costs
- 2) Office and administrative expenditure
- 3) Travel and accommodation costs
- 4) External expertise and services costs
- 5) Equipment expenditure

These budget lines apply to all Work Packages. The creation of additional sub-budget lines different to the ones established by the Programme is not allowed.

More information about the use of Synergie CTE for reporting of expenditure can be found in the website of the Programme. LP, partners and first level controllers are warmly invited to check more specifically the following guides: « HOW TO ENTER AN EXPENDITURE »; « HOW TO ENTER AN OUTSOURCING CONTRACT »; « HOW TO VALIDATE EXPENDITURE AS LP »; and « HOW TO CERTIFY EXPENDITURE AS FLCER AND ISSUE FLC CERTIFICATE ».

The expression «employment document» refers to any employment contract or other equivalent legal agreement that permit the identification of the employment relationship with the partner's organisation.

Staff costs for personnel working in one of the partner institutions on the basis of an employment/work contract and receiving a regular salary do not count as in-kind contribution, but as a cash contribution, since staff costs are actually paid by the partner institution.

BUDGET LINE 1. STAFF COSTS

This budget line refers to the costs of **staff employed by the partner institution** (Lead Partner or project partner) for implementing the project. Costs related to staff already employed by the beneficiary or contracted specifically for the project are eligible under this budget line.

Expenditure included under this budget line is limited to:

A. Gross salary payments fixed in an employment document (and/or in the appointment decision/contract) or by law relating to responsibilities specified in the job description of the staff member concerned. Salary payments have to relate to activities which the beneficiary would not carry out if the project was not undertaken.

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 provided that they are:

- Fixed in an employment document or by law;
- In accordance with the legislation referred to in the employment document and with standard practices in the country and/or institution where the individual staff member is working;
- Not recoverable by the employer.

General principles of expenditure allocated under staff budget line:

- Staff members must be assigned officially to the project in order to claim staff costs (inclusion in the list of the staff working in the project and in the respect of the internal policy of the structure with regard to the assignment of tasks, when applicable).
- Each partner must choose the staff calculation method to be applied for each employee involved in the project implementation. This choice is stated in the **list of the staff working on the project (template provided by the Programme)** to be signed by the project coordinator inside the partner structure. This document may be updated in exceptional cases foreseen by the Programme (explained further in the document).
- Claimed staff costs must be calculated individually for each staff member working in the project using the calculation method chosen for each staff member.
- The adequacy of staff costs must always be ensured. The First Level Controller must verify the adequacy in quality and/or quantity to the realised project deliverables and outputs, as listed in the approved Application Form, following the principle of proportionality.
- Taxable benefits⁷ are only eligible if they are foreseen in the signed contract, national or internal regulations, in line with the employment policy of the partner organisation (ad hoc regulations applicable only to the project are not allowed), directly linked to the salary payments and figure on the payslip or other documents of equivalent probative value.
- Unjustified ad-hoc salary increases or bonuses for project purposes are not eligible.
- Unpaid voluntary work is not eligible.

⁷ I.e. Lunch vouchers, bonus payments, relocation benefits, commuting to work, compensation related to termination of an employment contract.

- As far as eligible according to national eligibility rules, overtime is eligible, provided that it is foreseen by the employment document, project related and in conformity with national legislation and the standard practice of the partner. Overtime must be paid in addition to the salary and figure clearly on the payslip or other documents of equivalent probative value.

Which are the methods to claim staff costs authorised by the Programme?

Depending on the assignment (full-time, part-time, contracted on an hourly basis) to work on the project, staff costs of each individual are calculated **based on real costs** using one of the following methods:

Staff members must be assigned officially to the project in order to claim staff costs.

- Method A: Full-time in the project
- Method B: Part-time assignment with a **fixed percentage** of time worked on the project per month
- Method C⁸: Part-time assignment with a **flexible number** of hours worked on the project per month
- Method D: Contracted on an hourly basis

ATTENTION: Methods B and C are simplified cost options and the Programme and controllers shall not carry out any re-calculations/checks against the real costs.

In order to simplify and secure the project's staff cost calculations, projects approved from the third call for modular projects **CANNOT** claim staff costs under **method C: Part-time assignment with a flexible number of hours worked on the project per month**.

Partners from previously approved projects and already using method C are highly encouraged to consider reporting staff costs in their next declarations, using method B and following the guidance included in section "How to modify the method of calculation chosen?" of the present factsheet.

The table below summarizes the different methods for the calculation of the staff costs available in the framework of the Interreg MED Programme.

⁸ Following a Programme decision and in order to simplify and secure the project's staff cost calculations, calculation method C does not apply to projects approved from the third call for modular projects. Partners from previously approved projects already using method C are highly encouraged to consider reporting staff costs in their next declarations using method B and following the guidance included in section "How to modify the method of calculation chosen?" of the present factsheet.

Methods	Description	Specific supporting documents
Method A: Full-time in the project	An employee dedicates 100% of his/her working time to the project. Staff costs = total of the gross employment cost	<ul style="list-style-type: none"> • Employment document and/or job description declaration (Programme template) including the full-time involvement in the project • No registration of the working time (e.g. time sheets) required.
Method B: Part-time assignment with a fixed percentage of time worked on the project per month	An employee dedicates a fixed percentage of his/her working time to the project. Staff costs = fixed percentage x monthly gross employment cost	<ul style="list-style-type: none"> • Employment document and/or job description declaration (Programme template) setting out the % of involvement of the employee per month. • No registration of the working time (e.g. time sheets) required.
Method C: Part-time assignment with a flexible number of hours worked on the project per month⁹	An employee dedicates a flexible share of his/her working time to the project. The applicable <u>hourly rate</u> per year shall be calculated by dividing the latest documented annual gross employment costs by 1.720 hours. Staff costs = number of hours actually worked on the project x hourly rate obtained through 1720 method	<ul style="list-style-type: none"> • Registration of the working time (e.g. time sheets) providing covering 100% of the actual working time of the employee. • Calculation of the hourly rate (dividing the latest document gross employment costs by 1.720 hours) for the related reporting period.
Method D: Contracted on an hourly basis	An employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project. Staff costs = number of hours worked on the project x hourly rate stated in the employment document	<ul style="list-style-type: none"> • Employment document including the hourly rate. • Registration of the working time (e.g. time sheets) providing covering 100% of the actual working time of the employee.

It is to be underlined that the above categories refer to the **relation of the employee vis-à-vis the project** and not to the employer.

⁹ Following a Programme decision and in order to simplify and secure the project's staff cost calculations, calculation method C does not apply to projects approved from the third call for modular projects.

Partners from previously approved projects already using method C are highly encouraged to consider reporting staff costs in their next declarations using method B and following the guidance included in section "How to modify the method of calculation chosen?" of the present factsheet.

Information appearing in the present Programme Manual concerning calculation of costs and audit trails must be made available to FLC.

How to apply each method of calculation of staff costs?

The following is a detailed description of each of the available methods, as well as examples that are intended to assist in their understanding and use. In case of doubt, contact the JS.

Before making any decision on the method(s) to be used please check all the methods here after detailed, the relationship of the employee with the partner organisation and how the partner is organized internally in order to ensure that the administrative requirements of each chosen method can be respected.

★ **Method A:** Calculation of costs of **staff working full-time** in the project

Staff member that dedicates 100% of its working time for the project: all his/her month gross employment cost must be allocated to the project. No further method of calculation is needed.

The full-time assignment to the project must be mentioned in the employment document (and/or in the appointment decision/contract) or in the job description declaration (Programme template).

EXAMPLE:

➔ **Employee 1:** New staff member contracted for the project implementation of an Interreg MED project. He/she is working only in this project.

The calculation of the staff costs will be the following one:

Monthly gross employment cost: EUR 2.000

Staff costs claimed: EUR 2.000

The calculation must be done for each month of project implementation, based on the real monthly gross employment costs paid by the partner organisation.

★ **Method B:** Calculation of costs of **staff working part-time** in the project, **with a fixed percentage of time worked** on the project per month

Staff members employed by the partner to work part of their time on the project according to a fixed percentage of time per month: the staff cost claimed must be calculated by **applying the percentage stipulated in the employment document** (and/or in the appointment decision/contract) or in the job description declaration (Programme template) **to the month gross employment cost**.

Partners should take into consideration that even in case of occasional and limited involvement of staff, method B can be applied. In any case the monthly percentage of involvement should be calculated based the quantity and the frequency of the involvement (Using the compulsory Programme template and based on a realistic estimation of **the percentage of participation per month**).

EXAMPLE:

➤ **Employee 2:** Staff with ten years of experience in the partner organisation. His/her employment document/job description declaration states a 25% of work time of work in an Interreg MED project.

The calculation of the staff costs will be the following one:

Monthly gross employment cost: EUR 2.000

% of time worked in the Interreg MED project established: 25%

Staff costs claimed: EUR 2.000 * 25% = EUR 500

The calculation must be done for each month of project implementation, based on the real monthly gross employment costs paid by the partner organisation.

If claimed staff costs are not adequate in quality and/or quantity to realised project deliverables and outputs, a correction may be applied based on the principle of proportionality.

★ **Method C:** Calculation of costs of staff **working part-time in the project with a flexible number of hours worked** on the project per month¹⁰

Staff members employed by the partner to work part of their time on the project without a fixed percentage of time per month, the staff cost claimed must be calculated by **applying the real number of hours worked in the project in the concerned month to the applicable hourly rate per year.**

The applicable hourly rate per year must be calculated for each staff member by dividing the latest documented annual gross employment costs by 1.720 hours.

The « latest documented annual gross employment costs » corresponds to the available data for last 12 consecutive months of employment costs paid by the partner organisation.

If data concerning the last 12 consecutive months is not available (e.g. for staff employed by the beneficiary as from less than 12 months, or in sick or maternity leave at some point during the last 12 months), it is possible to extrapolate the employment costs of at least 3 consecutive months to a 12 month period for the establishment of the hourly rate (for more information see here below the example concerning « employee 4 »).

The partner has the possibility to use the same hourly rate calculated for the first reporting period throughout the project duration or to recalculate it for each reporting period.

In any case, for each reporting period a unique hourly rate must be used for each concerned staff member.

Please have in mind that the recalculation of the hourly rate in each reporting period is administratively demanding time for both partner and controller. In order to avoid miscalculations or audit trail issues it is highly recommended to use the same hourly rate up to the end of the project.

In order to know the number of hours worked by employees in the project, a **working time registration system (e.g. time sheets)** providing information on the number of hours spent per

¹⁰ Following a Programme decision and in order to simplify and secure the project's staff cost calculations, calculation method C does not apply to projects approved from the third call for modular projects. Partners from previously approved projects already using method C are highly encouraged to consider reporting staff costs in their next declarations using method B and following the guidance included in section "How to modify the method of calculation chosen?" of the present factsheet.

The compulsory use of « 1.720 hours » for the calculation of the hourly rate is established by article 68.2 of Regulation (EU) No 1303/2013.

month on the project is required. More detailed information regarding the content of those documents can be found on the « audit trail » section further on.

EXAMPLE:

➔ **Employee 3:** Staff with several years of experience in the partner organisation.

The calculation of staff costs to be claimed will be done as follows:

Latest documented annual gross employment costs: EUR 30.000

Hourly rate: EUR 30.000 / 1.720 = 17,44 EUR/hour

Number of hours worked by the employee in the project (as resulting from the time-sheet covering 100% of the employee worked time): 70 hours

Staff costs claimed: 17,44 EUR/hour * 70 hours = EUR 1.220,8

➔ **Employee 4:** Staff with no annual gross employment costs to be used for the calculation or the hourly rate (s/he has been working less than a year from the last month of the reporting period, s/he has been in leave for a period during the last 12 months).

Addition of the last available months' employment costs (3 months): EUR 9.000

Extrapolation of the annual gross employment costs: 9.000 / 3 = EUR 3.000 x 12 = EUR 36.000 + any particular additional costs foreseen in national or internal rules regarding staff costs, for example additional holidays or so called "13th month" or equivalent (according to national legislation and organisation policy).

Hourly rate: EUR 36.000 / 1.720 = 20,93 EUR/hour

Number of hours worked by the employee in the project (as resulting from the time-sheet covering 100% of the employee worked time): 55 hours

Staff costs claimed: 20,93 EUR/hour * 55 hours = EUR 1.151,15

★ **Method D:** Calculation of costs of **staff contracted on an hourly basis**

In the case of staff members employed by the partner to work on the project on an hourly basis, the staff cost claimed must be calculated by applying the real number of hours worked in the project in the concerned month to the applicable hourly rate in the employment document (and/or in the appointment decision/contract).

EXAMPLE:

➡ **Employee 5:** Staff whose contract states the number of hours to work in the project as well as the hourly rate. The costs will depend on the number of hours worked per month.

The staff costs should be claimed as follows:

Hourly rate stated in the employment document: EUR 20

Number of hours worked by the employee in the project (as resulting from the time-sheet covering 100% of the employee worked time): 50

Staff costs claimed: 20 EUR/hour * 50 hours = EUR 1.000

How to formalise the involvement of the staff working for the project and the method of calculation to be used?

In the framework of the Interreg MED Programme, two additional documents are needed to formalise the involvement of the staff working for the project: the **list of the staff working for the project** and the **job description declaration**. More detailed information regarding the content of those documents can be found on the « audit trail » section further on.

Both documents must be produced no later than when the first control of expenditure of the partner starts and submitted to the JS through the webplatform of the Programme within the first FLC certificate including staff costs. Documents may be updated in the cases foreseen here below for each new reporting period before the submission of the expenditure for the verification of the first level controller and any update must be submitted during the relevant reporting procedure.

How to modify the method of calculation chosen?

At the end of each reporting period, the method of calculation for the following periods may be amended¹¹ in the cases provided here below:

- Changes in the staff working in the project (inclusion/exclusion of staff members);
- Changes in the employment documents, i.e. modification of the work contract and/or of the appointment decision;
- Changes in the level of involvement of the partner from one module to another in the case of multi-modular projects, foreseen in the approved Application Form or approved by the Programme (project modification);
- Changes in the participation of the partner organisation in the project, based on a modification of the project approved by the Programme (project modification);
- Changes in tasks and responsibilities of the employee.

To go from method C to method B....

- 1) Verify that the involvement period declared in the list of staff is coherent with the reality and the project implementation dates.
- 2) Update the Job Description Declaration (Programme template), specifying the date of entrance into force of the update (this date shall correspond to the starting date of the implementation period from which the modification is done).
- 3) Print, sign and stamp (if needed) and inform your LP, so the document would be uploaded in the webplatform.

A limit to modifications to be respected is that a staff member affected part-time with a fixed percentage (method B) may not be then assigned part-time with a variable number of hours (method C).

The modification cannot intervene in the middle of a reporting period, except for cases where the working time of the staff member in the partner organisation changes (change of employment document), tasks and responsibilities of the employee change based on the approval of new projects or the closing of on-going projects in the framework of the Interreg MED Programme, or for cases of *force majeure*¹². In those specific cases, changes must be properly argued and justified in the job description declaration (Programme template), and the request must be approved by the JS.

ATTENTION: Kindly be reminded that any update of the method used requires the modification of the all the relevant documents accordingly, and their submission to the JS through the webplatform during the reporting procedure, in order to ensure the eligibility of the related costs.

¹¹ The following modifications of method are possible, taking into consideration the guiding principles included in the present section: from A to B, or D; from B to A or D, from C to A, B and D; from D to A or B. In the case of Method B, the modification concerns the percentage used.

Any modification to or from method D requires a modification of the employment document.

¹² *Force majeure* means finalizing or prolonged suspension of the employment relationship between the employee and the partner institution, and a work stoppage or extended leave. In case of force majeure, it is possible to assign, totally or partially, the tasks of the leaving staff member to one or more other employee(s) already working for the project; in that case the total of the new allocation percentage will be inferior or equal to the percentage declared for part time staff previously to the change. In case the entity chooses to replace the employee by another employee not already assigned to the project, the percentage of allocation to this new employee is also inferior or equal to the one of the replaced staff member.

Taking into account that the national regulation on this issue might be different from country to country, the Programme does not provide a generally applicable definition of the terms used. Partners are required to clarify this according to national law and their institutional regulation, as well as with their first level controllers, and report the conclusions to the JS before claiming such expenditures.

The option chosen by the partner organisation for each staff member at the beginning of the project cannot be changed during the project implementation, except in specific cases mentioned in the Programme Manual.

Natural persons working for the partner institution:

Payments to natural persons working for the beneficiary under a contract other than an employment/work contract may be assimilated to salary payments and such costs are eligible if:

- The person works under the beneficiary's instructions and, unless otherwise agreed with the beneficiary, on the beneficiary's premises;
- The result of the work carried out belongs to the beneficiary;
- The costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

If aforementioned conditions are not met, this expenditure must be allocated under budget line external expertise and services costs.

Audit trail: The following main documents must be available for control purposes:

- **Employment document** (Employment/work contract and/or appointment decision/contract), including the name of the project, and **additional specific information depending on the type of method used**. When the standard practice in the partner organisation does not require the use of specific appointment decisions, Programme documents will be sufficient to establish such involvement.
- **List of the staff working for the project, COMPULSORY template made available by the MED Programme**, including the method of calculation to be used for each staff member), signed by the project coordinator.
- **Job description declaration, COMPULSORY template made available by the MED Programme**, including the involvement of the employee in Interreg MED projects, other Interreg projects or any other project financed by European, National and/or Regional funds shall be included¹³), signed by the project coordinator and the employee.
- Any other document that the first level controller might require for checking compliance with labour national legislation.
- **Specificities for methods A and B:**

¹³ For each "participation" partners are invited to include the following information: name of the Programme and of the related project, and the method used to calculate the staff costs (according to the rules established by each Programme). If the method "part time fixed percentage" is used, percentage allocated in the framework of each other project must be included as well.

Kindly note that if the employee uses the method "part time fixed percentage" in all his/her participations the addition of all % cannot exceed 100%. If the employee uses in his/her participations this method along with the method "flexible number of hours", a line covering the % allocated to related projects must be included in the working time registration system (e.g. time sheets), in order to verify that the allocation to the projects do not exceed the work time of the employee.

In the framework of the Interreg MED Programme it is highly recommended to use the same calculation method for a staff member participating in several projects.

Be reminded that in case of methods A and B, what must be controlled is that the total % of allocation per month included in the Job Description Declaration is respected. The split by WP is something that should be carried out by the partner to be able to declare costs according to the breakdown of the budget approved, and not to exceed the approved budget and respect the budget flexibility rules established by the Programme.

The split of the monthly % of involvement per WP can be established in the Job Description Declaration or by any other means acceptable for the FLC. Partners are invited to include this information as a comment when entering expenditure in Synergie CTE, including both the general monthly % applied to the project per and the total distribution by WP, i.e. method B, 30% allocated to the project (50% to WP1, 30% to WP3 and 20% to WP4).

- Payslips or other documents of equivalent probative value related to staff costs declared for the current reporting period.
- Proof of payment of salaries and the employer's contribution related to staff costs declared for the current reporting period.
- Percentage of time to be worked on the project per month set out in the job description declaration (if not specified in the employment document or in the job description) (if applicable).

- **Specificities for methods C¹⁴ and D:**

- **Timesheets or equivalent working time registration system**, providing information on the number of hours spent per month on the project. The time registration system must cover 100% of the actual working time of the individual, including holidays, sick leaves, time worked in other EU projects or tasks.

Moreover, the monthly timesheet to record the actual time worked on the project must:

- Be filled in separately for each employee involved in the project;
- Indicate the number of monthly hours worked for the project;
- State briefly the activities performed within the project;
- Be signed by the employee and his/her supervisor.

- Document justifying the calculation of the hourly rate, including the detail of the « latest documented annual gross employment costs » used, including the proof of payment (for the 12 months period).
- Payslips or other documents of equivalent probative value related to the 12 months period used for the calculation of the « latest documented annual gross employment costs ».
- Proof of payment of salaries and the employer's contribution related to the 12 months period used for the calculation of the « latest documented annual gross employment costs ».

NOTE TO PROJECT PARTNERS

When entering an expenditure in Synergie CTE, do not forget to include a comment describing the nature of the expenditure (what? where? when? why? how? for whom?), so your Lead Partner, First Level Controller and the programme authorities may understand the amount and its link to the project.

For example, Travel mission – Mr. X attending to Steering comm. & kick off meeting / Rome 23-25.05.2019

In the case of staff costs reported with method B, include the name of the staff member, its total percentage allocated to the project and, if relevant, the participation in other WPs, ex. Mr. X, method B 25%, from which WP 1 : 10% and WP 2 : 15%.

For further tips and guidance, kindly see the Synergie guide « HOW TO ENTER AN EXPENDITURE IN SYNERGIE CTE ».

¹⁴ Following a Programme decision and in order to simplify and secure the project's staff cost calculations, calculation method C does not apply to projects approved from the third call for modular projects.

Partners from previously approved projects already using method C are highly encouraged to consider reporting staff costs in their next declarations using method B and following the guidance included in section "How to modify the method of calculation chosen?" of the present factsheet.

The office and administrative budget line includes equipment for general office use, for which the exclusive use in the project cannot be demonstrated. In consequence, this equipment shall not be allocated under the equipment budget line. Please refer also to section Budget Line 5. Equipment expenditure.

BUDGET LINE 2. OFFICE AND ADMINISTRATIVE EXPENDITURE

Office and administrative expenditure covers operating and administrative expenses incurred by the beneficiary and necessary for the implementation of the project.

Eligible cost items under this budget line are (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.g. paper, tonner, pens, folders, tables, chairs, reading lamps, flipcharts, etc.);
- e) General accounting provided inside the beneficiary organisation;
- f) Archives;
- g) Maintenance, cleaning and repairs;
- h) Security;
- i) IT systems (operating/administrative IT services of general nature, linked to the implementation of the project);
- 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 the project requires a separate account to be opened;
- l) Charges for transnational financial transactions.

Office and administrative expenditure shall be reimbursed by the Programme according to a flat rate of **15 % of eligible staff costs**. No detailed budget needs to be planned for this budget line since **the expenditure is automatically calculated by the on-line monitoring tool**.

None of the expenditure included in the previous list can be reported as expenditure in any other budget line and direct costs falling under this budget line are not eligible.

Audit trail:

By applying the 15% flat rate option, partners do not need to document that the expenditure has been incurred and paid, neither that the flat rate corresponds to the reality.

Attention: If direct staff costs used as calculation basis for determining office and administrative expenditure are found to be ineligible, the determined amount of office and administrative costs will be recalculated and reduced accordingly.

BUDGET LINE 3. TRAVEL AND ACCOMMODATION COSTS

Costs under this budget line refer to the expenditure on travel and accommodation of the **staff of the partner institution** for missions essential for the effective implementation of the project (e.g. participation in project meetings, project site visits, meetings with the Programme bodies, seminars, conferences, etc.).

Eligible cost items under this budget line are (exhaustive list):

- a) Travel costs (e.g. public transport tickets, travel and car insurance, fuel, car mileage, toll, and parking fees);
- b) Costs of meals;
- c) Accommodation costs;
- d) Visa costs;
- e) Daily allowances.

Any cost item listed in points a) to d) which is covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

When an employee from the partner institution (not involved in project implementation) is invited to participate in a project event, travel and accommodation costs shall be allocated under budget line travel and accommodation cost, as far as a specific document justifying the participation exists.

Travel and accommodation costs of external experts (including invited speakers, experts and chairpersons of meetings) and service providers, as well as those related to associated partners and in-house companies, can be only claimed under the **external expertise and services budget line**. Please refer to the information of this budget line.

Kindly bear in mind that, **during the drafting of the proposal**, the following activities may need some budget allocated under the travel and accommodation costs category: participation in events organised by the Interreg MED Programme, National Authorities, Horizontal Projects, other MED and Interreg projects working on the same subjects, etc. and that some of the latter may take place outside of the MED area.

General principles of expenditure allocated under travel and accommodation budget line:

- Travel and accommodation costs must be clearly linked to the project and be essential for effective delivery of the project activities.
- Travel and accommodation costs must be definitely **borne by the partner organisation**. Direct payment by a staff member of the partner organisation must be supported by a proof of reimbursement from the employer.
- The cost-efficiency should be ensured, taking into account the entire cost of the mission (travel cost, staff costs related to the travel, etc.).
- Maximum daily rates for hotel and subsistence should be respected, in accordance with the national eligibility rules¹⁵, **despite of the project partner legal status, public or private**.
- Daily allowances covering any of the costs referring to travels, meals, accommodation or visa (as listed above) cannot be claimed and reimbursed additionally to the daily allowance.

¹⁵ Kindly be reminded that the threshold to be respected may be different from one country to another. For specific information about the threshold to be respected for each partner, please contact your National Authority, National Contact Point or visit the national information page at the website of the Interreg MED Programme.

Projects should foresee travel and accommodation costs for participation in events organised by other entities in which they might participate

In the case of staff members of the partner organisation (e.g. policy makers, directors, high hierarchy staff, etc.) invited to participate in project events, which do not participate in project implementation, a specific document must justify their participation. In such cases, only expenditures related to travel and accommodation are eligible. Staff costs is not eligible.

- If the partner's structure uses *per diem*, these can be accepted provided that the same requirements are respected as for daily allowances.
- Expenditure related to checked baggage and carbon footprint offset are eligible provided the cost is included or calculated in the price of the flight ticket.
- Services contracted by the beneficiary for arranging travel and accommodation of staff working on the project (e.g. travel agencies, etc.) can be claimed under travel and accommodation budget line.
- Rent-a-car used by staff can be claimed under travel and accommodation budget line provided that the same External Expertise requirements are respected.
- Unused travel tickets are not eligible, irrespective of the reason of the cancellation of the travel.
- Cancellation fees are eligible.
- Travel and accommodation costs of staff of organisations involved in the project as associated partners can be eligible, as long as they are finally borne by a partner organisation, and should be claimed under budget line External Expertise and Services. In the case of in-house companies, please check budget "4. SERVICES AND EXTERNAL EXPERTISE".

Travels outside of the Interreg MED area

Travel and accommodation costs linked to activities taking place in **EU regions outside the MED area** are eligible only if they are indicated in the approved Application Form or **previously authorised by the MA/JS**.

Travel and accommodation costs linked to activities taking place in **non-EU regions outside the MED area** are eligible only if they are previously authorised by the MA/JS when justified.

ATTENTION:

The request for the MA/JS approval of a travel outside of the MED area must bear at least the following information:

- Title and type of the event, dates, place, content and potential public/participants. Agenda of the event must be attached.
- Relevance of the event to the project and the Programme.
- Principle of additionally, justification that the participation in the event is essential for the project implementation.
- Name of the employees that will participate in the event and type of participation (attendance, speaker, organisers, etc...).
- Estimated cost of the travel for each participating staff.
- If needed, fees or any other charges to be paid.

Kindly be reminded that IPA countries participating in the Interreg MED Programme are considered as MED area, and in consequence no approval for travelling to these territories is needed.

It is recommended that travels outside the Programme area and the EU are kept limited as the focus is the cooperation in the transnational MED area.

For more information on the location of project activities please refer also to factsheet “PARTNERS CO-FINANCING AND LOCATION OF PROJECT ACTIVITIES”.

Audit trail: The following main documents must be available for control purposes:

- Signed mission request/authorisation stating the name of the employed person, date/duration, place and scope of the mission (according to the internal policy of the partner organisation, e.g travel order).
- Agenda or similar of the meeting/seminar/conference.
- In the case of travels outside of the MED area, Application Form or approval by the JS.
- Travel invoices paid directly by the project partner’s institution, tickets and all other original documentary evidence (e.g. invoice of travel agent, hotel bills, travel tickets).
- Proofs of payment (e.g. extract from a reliable accounting system of the partner organisation, bank statement).
- Daily allowance claims (if applicable).
- Reimbursement request from the employee, either based on daily allowance or on real cost (in the case of costs borne by a staff member of the partner organisation).
- Travel invoices paid by an employee claiming on real costs basis, tickets and all other documentary evidence (e.g. bus or metro tickets, meal receipts).
- Proof of effective reimbursement to the staff member (if applicable).
- In case of use of own car: reimbursement request through mileage sheet, according to national procedures and agreed values.
- Travel report or equivalent memo.
- Any other document that the first level controller might require for checking compliance with national legislation.

BUDGET LINE 4. EXTERNAL EXPERTISE AND SERVICES COSTS

Costs under this budget line refer to external expertise and services provided by a public or private body or a natural person outside of the partner organisation. The external experts and service providers are sub-contracted to carry out certain tasks or activities which are essential for the implementation of the project (e.g. studies and surveys, translation, promotion and communication, services related to meetings and events). External expertise and services costs are paid on the basis of contracts or written agreements and against invoices or requests for reimbursement.

Eligible cost items under this budget line are (exhaustive list):

- a) Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, hand-books);
- b) Training (e.g. venue and trainers);
- c) Translations;
- d) IT systems and website development, modifications and updates (e.g. setting-up and/or update of a project IT system or website);
- e) Promotion, communication, publicity or information;
- 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) Verification under Article 125(4)(a) of Regulation (EU) N 1303/2013 and Article 23(4) of Regulation (EU) M 1299/2013 (i.e. First Level Control costs);
- l) Certification and Audit costs on Programme level under Articles 126 and 127 of Regulation (EU) No 1303/2013 (i.e. Second Level Audit costs);
- m) Provision of guarantees by a bank or other financial institution where required by Union, national law or the Programme;
- n) Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- o) Other specific expertise and services needed for the project.

Activities such as FLC costs, subcontracting, travel and accommodation of persons not working as staff for the project fall under this budget line

When preparing your proposal, kindly bear in mind the following activities that should be allocated under the external expertise and services budget line: control of expenditure borne by the partners (First Level Controller), evaluation of the project, sub-contracted management and communication activities, translation, organisation of events and project meetings, travel and accommodation of speakers, stakeholders and possible associated partners.

In the case of associated partners, it is recommended to detail in the Application Form which of the partners will bear the expenditure incurred by each one of these bodies. For more information on associated partners, please refer to the related section.

Even if the Programme does not set formal thresholds for this budget line, the share of external expertise at project level **should not exceed 50% of the total eligible budget**, as beneficiaries of a project should be the actual implementers of the project.

General principles of expenditure allocated under external expertise and services budget line:

- External expertise and services must clearly and strictly be essential to the effective implementation of activities in the project.
- Eligibility of costs for external expertise and services is subject to the full respect of EU, Programme and national (including stricter institutional) public procurement rules and must comply with the principles of transparency, non-discrimination and equal treatment. For further information, please refer to factsheet on public procurement.
- External expertise and services have to be duly specified in Application Form by describing at least the nature of the expertise/service, the link to the relevant activity as listed in the working plan and the related budget of the concerned project partner. External expertise and services contracts of over EUR 30.000 not foreseen in the Application Form must be approved by the JS in advance.

In the case of beneficiaries planning to allocate the majority of their budget to an in-house body, it is recommended to place the in-house body as a partner of the project.

ATTENTION: The request for the JS approval of External expertise and services contracts of over EUR 30.000 must bear at least the following information:

- Type and main object of contract and selecting procedure;
 - Relevance to the project and related activity;
 - Principle of additionally, justification that the service is essential for the project implementation;
 - Estimated cost of the contract.
-
- No sub-contracting between project partners or associated partners is allowed.
 - Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the partner and the expert/service provider, supported by receipted invoices can be reported and claimed only after the confirmation the service has been properly and timely delivered. These costs are eligible only if they are submitted with the payment (first or final as foreseen in the contract) of the provided services.
 - Costs referring to project-related tasks sub-contracted by the beneficiary to in-house bodies, including staff and travel and accommodation cost, as well as costs referring to cooperation between public bodies, are eligible under this budget line as long as they are charged on a real costs basis – thus without any profit margin – and they comply with the applicable public procurement provisions (in line with the legal status of the in-house body). For further information about national requirements, partners are invited to contact their National Authorities.
 - Deliverables, promotion material and events must respect the publicity requirement as established in factsheet on the information and publicity rules.
 - Gifts are eligible up to a maximum value of EUR 50 per item, they must be branded in accordance with Interreg MED Programme publicity requirement and they must be linked to promotion, communication, publicity or information activities.
 - Awards to winners of competitions are eligible provided the link to the project is well justified, the award is necessary for successful project implementation, and the cost has been approved in advance by the JS. Monetary awards (prizes) are not allowed.

- Complementary activities to events (e.g. site visits) must have clear and demonstrable project relevance, otherwise costs linked to them are not eligible.
- Expenditure on legal disputes and litigation is not eligible.
- Travel and accommodation costs of external experts, (including invited speakers, experts and chairpersons of meetings) and service providers, as well as those related to associated partners, can be claimed only under the external expertise and services budget line. It is highly recommended that the travel and accommodation costs of external experts are directly borne by the partner organisation. If this is not the case, the partner must prove the reimbursement of those expenditure to the external experts.

ATTENTION: In order to allocate the costs mentioned in the last paragraph ALL general principles and audit trail of expenditure allocated under travel and accommodation budget line must be respected.

Audit trail: The following main documents must be available for control purposes:

- Evidence of the selection process, in line with EU, national or Programme procurement rules, depending of the amount contracted and the type of partner.
- Contract or a written agreement laying down the services to be provided with a clear reference to the project. For experts paid on the basis of a daily/hourly fee, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the public procurement rules and must be documented.
- Invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules. For experts paid on the basis of a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price.
- Outputs of the work of external experts or service deliverables.
- Proof of payment (e.g. extract from a reliable accounting system of the partner organisation, bank statement).
- Any other document that the first level controller might require for checking compliance with EU and/or national legislation.

BUDGET LINE 5. EQUIPMENT EXPENDITURE¹⁶

Costs under this budget line refer to equipment purchased, rented or leased by a beneficiary, used exclusively to carry out project activities, and to small scale facilities or infrastructures which are essential for the implementation of the project.

Eligible cost items under this budget line are (exhaustive list):

Costs of equipment for general office use not exclusively used for the project cannot enter under Budget Line 5. Equipment as they are already covered by the flat rate of the office and administrative expenditure budget line. Please refer also to section Budget Line 2. Office and administrative expenditure.

- 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 the project.

Equipment allocated to the projects shall be identified within the following categories. Kindly note that each category has different rules that should be applied accordingly.

1. Equipment for general office use as computers, office furniture, printers, telephones, cameras, etc. necessary for the implementation of the project and used **exclusively** for project purposes.

Equipment for general (office) use for which the **exclusive use** in the project cannot be demonstrated shall be considered as not eligible, since it is already covered by the flat rate of the office and administrative expenditure budget line.

Equipment for general (office) use **shall be reimbursed as depreciable asset** in compliance with national accounting rules and internal accounting policies of the beneficiary. The full cost of such equipment is eligible **solely** in the case that the depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project. In the case of equipment already in possession of the partner organisation, only the lap of the depreciation period overlapping the project implementation period may be reported.

2. Thematic equipment directly linked to (or forming part of) the project thematic activities, which will be used for the project implementation by beneficiaries and target groups in line with the project objectives.

Thematic equipment for which the exclusive use in the project cannot be demonstrated shall be charged **pro-rata** on the basis of a transparent method set in place by the beneficiary for allocating the share of its use in the project.

Thematic equipment **shall be reimbursed as depreciable asset** in compliance with national accounting rules and internal accounting policies of the beneficiary. The full cost of such equipment is eligible **solely** in the case that the depreciation period is shorter than the time lapse between the purchase of the equipment and the end of the project. In the case of equipment

¹⁶ This budget line may include "small scale investments" costs in the case of a project including pilot activities and territorial experiences.

already in possession of the partner organisation, only the lap of the depreciation period overlapping the project implementation period may be reported.

3. Small scale investment as facilities or infrastructures of limited size or scope, which are essential to the successful implementation of a pilot activity. Their **purpose** must be the demonstration of the feasibility and effectiveness of a proposed solution (e.g. services, tools, methods or approaches). This expenditure may refer either to an object (e.g. a light structure) that will be set up ex-novo or to the adaptation of an already existing infrastructure.

This last option will be possible only in the framework of pilot activities. Costs for small scale investment outside the MED Programme area are not eligible.

In case of doubt about how to allocate any expenditure, kindly contact the JS.

SUMMARY TABLE

	Equipment for general (office) use	Thematic equipment	Small scale investment
Definition and examples	Tools and devices purchased or already in the possession of a partner necessities for the daily work of the project staff and/or need for carrying out certain specific project activities	Tools, devices and goods purchased or already in the possession of a partner, linked to (or forming part of) the project outputs necessities for the successful implementation of a pilot activity	Facilities or infrastructures of limited size or scope necessities for the successful implementation of a pilot activity.
Examples	Computers, office furniture, printers, telephones, cameras, IT hard and software, etc.	Tools and devices: Technical IT software, devices, laboratory equipment, machines, instruments, vehicles, exhibition equipment, etc. Goods: fuel to run the equipment, planting seeds, animals, chemicals for a research activity, fluids, oxygen, metals, etc.	Light structures, space arrangement.
Exclusive use for the project	Yes	Not necessary	Yes
Amount to be claimed	In full, according to a depreciation plan	In full (if exclusively used for the project) or pro-rata (if shared use with other projects), according to a depreciation plan	In full, no depreciation plan needed
Activities linked to	Management WP	Content-related WP	Testing WP – Module 2 testing type of project
Timing	Purchased at the beginning of the project	Based on the calendar established for the related project activities	Based on the calendar established for the related project activities

EXAMPLE: How to claim equipment costs?

Equipment of general (office) use: In the case of a laptop used by the financial manager of the project, staff member of the Lead Partner working full-time on the project:

3 years project starting on March 2016

Full cost of the laptop: EUR 1.000

Depreciation plan: EUR 500 per year (2 years needed for claiming the total cost)

➔ **Situation 1:** laptop purchased during the project implementation and used solely for the project implementation, the cost of the laptop may be claim using a depreciation plan. If the depreciation plan is longer than the project implementation, only the part depreciation plan covered by the project implementation may be claimed.

Purchase date: March 2016 (starting date of the project)

Amount claimed: EUR 1.000 (EUR 500 * 2 years) – EUR 250 in each of the 4 first 6-months reporting periods. Nothing to be declared in the last 2 6-months periods.

➔ **Situation 2A:** laptop purchased before the project implementation and used solely for the project implementation, only the part of the cost falling under the project implementation period may be claimed.

Purchase date: March 2015 (on year before the starting date of the project)

Amount claimed: EUR 500 (EUR 500 * 1 years) – EUR 250 in each of the 2 first 6-months reporting period. The first year of depreciation cannot be claimed because it didn't fall under the project implementation period.

➔ **Situation 2B:** laptop purchased before the project implementation and used solely for the project implementation, only the part of the cost falling under the project implementation period may be claimed, **with a depreciation plan of 5 years (EUR 200 per year).**

Purchase date: March 2015 (one year before the starting date of the project)

Amount claimed: EUR 600 (EUR 200 * 3 years) – EUR 100 in each of each of the 6-months reporting period of the project. EUR 400 of the cost cannot be claimed under the project.

The first year of depreciation cannot be claimed because it didn't fall under the project implementation period.

The last year of depreciation cannot be claimed because the depreciation plan is longer than the project implementation.

➔ **Situation 3:** laptop not solely used for the project implementation, its use is shared with another staff member of the Lead Partner, the cost of the laptop cannot be claimed in any case because it is already covered by the flat rate of the office and administrative expenditure budget line.

Thematic equipment: In the case of a device used by a researcher to calculate forecasts and develop tenths in the framework of a content-related WP:

3 years project starting on March 2016

Full cost of the device: EUR 20.000

Depreciation plan: EUR 8.000 per year (2,5 years needed for claiming the total cost)

➤ **Situation 4:** device purchased before or during the project implementation and used solely for the project implementation, the cost of the device may be claimed using a depreciation plan. If the depreciation plan is longer than the project implementation, only the part depreciation plan covered by the project implementation may be claimed.

Purchase date: March 2016 (starting date of the project)

Amount claimed: EUR 20.000 (EUR 8.000 * 2,5 years) – EUR 4.000 in each of the 5 first 6-months reporting period. Nothing to be declared in the last one.

➤ **Situation 5:** device purchased before or during the project implementation and not used solely for the project implementation, shall be charged pro-rata on the basis of a transparent method set in place by the partner for allocating the share of its use in the project.

Purchase date: March 2016 (starting date of the project)

% use in the Interreg MED project (on the basis of a transparent method): 50%

Amount claimed: EUR 10.000 (EUR 4.000 * 2,5 years) – EUR 2.000 in each of the 5 first 6-months reporting period. Nothing to be declared in the last one.

Small scale investment: In the case of the adaptation of an existing structure for the demonstration of the feasibility and effectiveness of a proposed solution in the framework of a pilot activity (Module 2 – testing type project; WP testing):

Full cost of the adaptation: EUR 15.000

➤ **Situation 6:** the full cost of the adaptation may be claimed. No depreciation plan is needed. All the expenditures related to the adaptation (service providers, materials, etc.) should be allocated under this sub-budget line.

Amount claimed: EUR 15.000 – total amount claimed at once.

General principles of expenditure allocated under equipment budget line:

- Equipment must be clearly linked to the project and be essential for its effective implementation.
- All costs related to equipment budget line have to be duly specified in the Application Form by describing at least the nature and quantity of the equipment to be purchased, the link with the relevant activity as listed in the work plan and the related budget of the concerned project partner. During project implementation, purchase of any equipment or any small scale investment not explicitly mentioned in the Application Form will have to be subject to prior approval by the JS.
- Eligibility of costs for equipment is subject to the full respect of EU, Programme and national (including stricter institutional) public procurement rules and must comply with the basic principles of transparency, non-discrimination and equal treatment. For further information, please refer to the factsheet on public procurement and the one on Controls and Audits.
- Full purchase cost of equipment that, according to national and internal accountancy rules, is not depreciable (e.g. low-value asset) is eligible.
- If the equipment is rented or leased, depreciation does not apply, and in consequence full cost can be reported.

- Equipment expenditure cannot refer to items already financed by other EU or third party subsidies (in order to exclude potential double funding).
- In the case of equipment already in possession of the partner organization, only the part of the equipment that has not been depreciated can be claimed. If the equipment has already been depreciated in full no cost can be claimed.
- Where applicable, equipment items must be branded in accordance with EU and Programme publicity requirement rules as provided in the factsheet on Information and Publicity rules.
- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the supplier, supported by receipted invoices (e.g. advance payment for the purchase of a machinery being part of an investment) can be reported and claimed only after the confirmation the equipment and the service (if applicable) has been properly and timely delivered. These costs are eligible only if they are submitted with the payment (first or final as foreseen in the contract) of the provided equipment and services (if applicable).
- Equipment cannot be purchased, rented or leased from another project partner or associated partner within the project.
- Purchase cost of second hand equipment is eligible provided that no assistance has been received for it from the ESI Funds, its price does not exceed the generally accepted price on the market in question, and the equipment has technical characteristics necessary for the project and complies with applicable norms and standards.
- In the case of purchase, ownership of the equipment cannot be changed for at least 5 years after the end of the project.

Equipment of general (office) use: specific eligibility requirements:

- Equipment of general (office) use costs can be claimed only if it is used **exclusively** in the framework of the project.
- Equipment for general (office) use for which the exclusive use in the project cannot be demonstrated (e.g. an office computer which could be used also by other staff of the beneficiary institution in addition to those working in the project) is not eligible. **A compulsory template** to prove the exclusive use of the equipment in the framework of the project is **provided by the Programme**.
- Equipment of general (office) use may be reimbursed in full, according to a depreciation plan in compliance with national accountancy rules and internal accountancy policies of the partner. The full cost of such equipment is eligible solely in the case that the depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project.
- The existence of office equipment and its clear identification should be verified in the framework of on-the-spot verifications on projects performed by First Level Controllers, as explained in the related factsheet. In case that equipment items are not checked on-the-spot, controllers shall verify their existence by other means of verification (as e.g. photo documentation).

Thematic equipment: specific eligibility requirements:

- Thematic equipment for which the exclusive use in the project cannot be demonstrated shall be charged pro-rata on the basis of a transparent method set in place by the beneficiary for allocating the share of use in the project.

- Thematic equipment may be reimbursed in full, according to a depreciation plan in compliance with national accountancy rules and internal accountancy policies of the partner. The full cost of such equipment is eligible solely in the case that the depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project.
- The existence of thematic equipment and its clear identification to the project must be verified on-the-spot by controllers for all items with a purchase cost equal or above EUR 2.000. In case of equipment items below such thresholds, on-the-spot verifications might be substituted by other means of verification (as e.g. photo documentation).

Small scale investments: specific eligibility requirements:

- In case of small scale investments, the full purchase cost is eligible.
- All the expenditure related to small scale investment (service providers, materials, etc.) should be allocated under this sub-budget line.
- The existence of small scale investments and its clear identification to the project must be verified on-the-spot by controllers in any case.
- Costs for small scale investment outside the MED area are not eligible.
- Ownership of the small scale investment cannot be changed for at least 5 years after the end of the project.

Audit trail: The following main documents must be available for control purposes:

- Approval of the purchase by the JS (if the element is not clearly mentioned in the approved Application Form).
- Evidence of the procurement process (announcement, selection, award) in line with the EU, national or Programme procurement depending on the amount of the contract.
- Photos of the equipment, including the branding.
- Invoice (or a supporting document having equivalent probative value to invoices, in the case of depreciation) providing all relevant information in line with the applicable accountancy rules.
- Calculation scheme of depreciation (if needed).
- Pro-rata method of calculation (if needed).
- Proof of payment.
- Any other document that the first level controller might require for checking compliance with EU and/or national legislation.

7. Other financial requirements

INFORMATION AND COMMUNICATION

Responsibilities of Lead Partners and project partners related to information and communication measures (including a set of instructions for project communication and branding) are laid down in EU regulations¹⁷ and specific Programme requirements must also be respected, all necessary information is available in the factsheet of the Programme Manual « PROJECT BRANDING, PROJECT INFORMATION AND PUBLICITY RULES ».

Please note that all information and communication rules apply to promotional material and are relevant for the organisation of meetings and events, the purchase of equipment and the realisation of small scale investments.

Promotional giveaways (e.g. project gadgets) will only be eligible for funding if they are the only way to reach one or more of the defined target groups and objectives. Such publicity material must be allocated under external expertise and services budget line

More details as well as guidance on information and communication requirements and the use of Programme branding is provided in the Programme website.

VAT

In accordance with Article 69 (3) of Regulation (EU) No 1303/2013, VAT is not eligible except where it is non-recoverable under national VAT legislation.

VAT which is recoverable by whatever means cannot be considered as eligible.

In practice, if a partner can recover VAT (regardless whether it actually does it or not), all expenditure reported to the Programme has to be reported without VAT.

¹⁷ Articles 115-117 and annex XII of Regulation (EU) No 1303/2013 as well as in Articles 4-5 of the Implementing Regulation (EU) No 821/2014.