



CENTRAL EUROPE

COOPERATING FOR SUCCESS.

ELIGIBILITY RULES

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1. INTRODUCTION

The “CENTRAL EUROPE Eligibility Rules” is the reference document for the eligibility of expenditure for the implementation of approved projects, and it is aimed at giving a clear reference to the national First Level controllers involved in the validation process according to Art. 16 of the EC Regulation no. 1080/2006.

This document is an abstract of the “CENTRAL EUROPE Control & Audit Guidelines” and it complements eligibility rules set up at national level, in compliance with Art. 13 of the EC Regulation no. 1080/2006.

The information herewith provided will be updated during programme implementation according to revisions of the “CENTRAL EUROPE Control & Audit Guidelines”. Changes will be promptly communicated to Financial managers and controllers of Lead Partners and Partners. Ad-hoc assistance will also be given by the Project Finance Managers working with the Joint Technical Secretariat on an on-going basis.

2. REGULATORY FRAMEWORK

- ❖ COUNCIL REGULATION (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as last amended by Regulation (EC) No 1341/2008 (*General Regulation*)
- ❖ REGULATION (EC) No 1080/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 July 2006 on the European Regional Development Fund (*ERDF Regulation*)
- ❖ COMMISSION REGULATION (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 (*Implementing Regulation*)

In addition, a number of specific regulations and directives are also to be considered and can be found in the programmes website. Moreover, and following Article 56 of the General Regulation, the national eligibility rules and, where existing, the national guidelines and/or manuals for first level control form an essential part of the reference corpus.

3. ELIGIBILITY OF EXPENDITURE

3.1. GENERAL ELIGIBILITY PRINCIPLES

Generally speaking, expenditure will be considered eligible for funding if:

1. It was actually paid,
2. The bodies concerned, the subject matter, as well as the time and place can be allocated to a project that was duly approved, implemented and settled within the scope of an operation as approved by the Monitoring Committee,
3. Its amount seems adequate for achieving the purpose of the project, and it
4. Is not in contradiction to specific eligibility criteria.

Based on these general principles, a number of specific considerations apply:

- Only paid out expenditure can be claimed as eligible and the effective payment of it must be proved;
- This expenditure must have been incurred and paid exclusively by any of the partners participating in the approved project. In addition, the expenditure must be included in the general accountancy of the concerned partner;
- The expenditure must be clearly linked to any action or output of the approved work plan and must be accompanied by the necessary documents proving that the expenditure is real and that the action has been implemented and/or the output has been delivered;
- It must have been incurred as from the eligibility starting date set in the subsidy contract¹;
- The general principles of sound financial management (i.e., economy, efficiency and effectiveness) have been respected when incurring the costs.

As far as eligibility criteria are concerned, requirements are provided in the following paragraphs of this Chapter. Nevertheless, the following expenditure should be considered as not eligible in all cases:

- VAT which is recoverable by whatever means cannot be considered as eligible even it is not actually recovered by the partner.
- Interest on debt, fines, financial penalties, expenditure on legal disputes and foreign exchange losses are not eligible.
- Costs for bank guarantees.
- Acquisition of land is not eligible in the framework of the CENTRAL EUROPE Programme.

In addition, certain limitations also apply in the following cases:

- Expenditure related to **housing** is eligible if in line with the general requirements set in Article 7 of Regulation 1080/2006 and the detailed specifications provided by Article 47 of Regulation 1828/2006 and its amendments.
- **In-kind contributions** shall be eligible expenditure if they fulfil the following conditions:
 - They are eligible according to national eligibility rules;

¹ Without prejudice to the eligibility of preparation costs and, where applicable, costs for the negotiation of the requests for improvement set forth by the Monitoring Committee.

- They consist of the provision of land or real state, equipment or raw materials, research or professional work or unpaid voluntary work and their value can be independently assessed and audited. In the framework of the CENTRAL EUROPE Programme, the provision of services between partners (e.g., estimation of costs for making available own premises for holding meetings and events) is not eligible;
- They are below 5% of the total partner's budget and do not exceed 5.000€² per partner;
- The amount of ERDF co-financing does not exceed the total eligible expenditure excluding the value of such contributions.

In-kind contributions do not constitute a budget line within CENTRAL EUROPE; they refer to costs belonging to different budget lines in relation to the nature of the contribution as well as to the provisions set up at national level for their calculation.

- **Internal costs incurred by public authorities** for the implementation of projects (e.g.: staff costs and costs related to the provision of services relating to the preparation and implementation of a project) shall be eligible only if these costs do not arise from their statutory responsibilities or day-to-day management, monitoring and control tasks and if double-invoicing at the expense of public budgets can be ruled out.

3.2. SPECIFIC PROVISIONS FOR EXPENDITURE INCURRED OUTSIDE THE EUROPEAN COMMUNITY

The Member States of the CENTRAL EUROPE Programme have agreed that funds allocated under the 10% flexibility provided for in Art. 21.3 of Regulation (EC) No 1080/2006 shall be spent under responsibility of a Lead Partner or Project Partner located in the EU CENTRAL EUROPE cooperation area (or assimilated to it) in order to ensure proper financial control. It is thus a responsibility of the control system set up by each Member State to foresee the necessary measures allowing the controllers to verify the financial supporting documents related to expenditure incurred in implementing activities outside the Community territory as requested in Art. 21.4 of the aforementioned Regulation.

Member States have also agreed that the 10% limit shall also apply at project level and for verifying this respect specific functionalities have been included in the Application Form. Monitoring of the amounts related to actual implementation is foreseen in the checklist annexed to the Control & Audit Guidelines.

3.3. PROJECT BUDGET AND APPLICABLE RULES

The different budget lines in which the total budget of approved projects must be broken down are presented in the Application Manual, where also clarifications on how to allocate the different costs to each budget line are provided.

In this document, explanations on how to report these costs are given. In addition, an indicative list of the relevant supporting documents for each category of expenditure that need to be made available for the controllers is also provided. Also, country-specific information (contacts available on the programme web-page) should be consulted on details of how and where supporting documents should be provided. Finally, eligibility requirements are presented.

3.3.1. Staff costs

² Respect of these thresholds does not apply for every single reporting period, but shall be subject to verification when issuing the last validation of the concerned partner.

Definition

This budget line refers to all personnel costs (including salary, tax, employer's contribution for national social security schemes, etc. - all calculated in accordance with the national legislation) for staff directly employed by the partner organisations officially listed in the Application Form. This staff can be either already existing staff or staff contracted ad-hoc for project purposes. Where eligible, it also includes costs of internal independent controllers.

Reporting staff costs

The following documents must be provided to the controller:

- At the beginning of the project, full list of staff foreseen to work on the project, stating name of the employee, qualification (i.e., direction staff, technical staff, administrative staff), function in the project, percentage of work dedicated to the project and total salary. The list has to be updated if necessary.
- Working contracts and service orders stating tasks to deliver and indicative amount of days/hours or other indication of planned involvement in the project.
- For people working part-time for project purposes: total salary, calculation of daily/hourly cost based on real worked hours and total amount charged to the project.
- Where not provided by national eligibility rules, the calculation of staff costs for people working part-time for project purposes must be based on the following formula³:

$$\frac{\text{Gross salary} + \text{social charges}^4}{\text{Total real working days/hours}^5} \times \text{project worked days/hours}$$

- Monthly timesheet, properly filled in with a description of the tasks carried out per day and duly signed, both by the employee and the responsible person in the institution⁶.
- Proof of payment, both of salary (i.e., payroll) and of all compulsory taxes.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of staff costs is subject to the following:

- These costs must be calculated on the basis of the actual salary rate stated in the regular employment contracts used in the respective partner institution, meaning that no unjustified ad-hoc salary increases for project purposes are possible.
- Social charges must relate only to contributions paid by the employer and must be limited to those which are compulsory according to the national labour contract/national law. Voluntary contributions (e.g., institutional pension schemes) shall be excluded from the calculation.
- As stated, these costs must be based on real worked hours. Should the institution not

³ The formula can only be applied on an annual basis. In case of periods less than a year, planned real working days/hours should be applied and a correction based on actual real working days/hours should be done in the next possible progress report

⁴ Including salary costs of sickness absence and holidays

⁵ Excluding sickness absence and holidays

⁶ Timesheets for full-time employees may not be needed if such possibility is foreseen according to national rules, but only for staff carrying out tasks related exclusively to one single work package and in case no difference exists between the planned and the actual number of worked hours. Both conditions must be met simultaneously.

<p>keep full time records, in the project specific timesheets not only the project hours but also the total worked hours must be provided.</p> <ul style="list-style-type: none"> • Where foreseen by contract, <u>over hours</u> are eligible for full-time employees or for part-time employees with a contract related exclusively to the project. In all other cases, over hours can only be eligible if contracted and transparently and proportionally allocated to the project. • Performance bonuses or other additional payments to employees are only eligible if foreseen in the signed contract, national or internal regulations (ad-hoc regulations applicable only to the project are not allowed), unless not-eligible according to national rules.
<p>Other relevant information</p>
<p>Staff costs of any institution acting as associated institutions should be validated under the “External expertise” budget line, provided that these costs are finally borne by any partner institution officially listed in Section 4 of the Application Form. Should it not be possible to meet this requirement, such costs cannot be considered as eligible. In cases of in-house subcontracting, these costs, including staff costs, must be also validated under the “External expertise” budget line⁷.</p>

3.3.2. Administration costs

<p>Definition</p>
<p>Administration costs include all direct general costs (i.e., costs deriving exclusively from the project) and indirect general costs (overhead related to the operation’s activities, based on real costs and eligible expenditure, and calculated on a pro rata basis according to a duly justified, fair and equitable method).</p> <p>Administration Costs may include cost items such as:</p> <ul style="list-style-type: none"> • Stationery • Photocopying • Mailing • Office rent • Telephone, fax and Internet • Heating, electricity • Costs for opening and running project specific accounts • Transnational bank charges for transfer of funds to partners • Other administration expenditure absolutely <u>necessary</u> for the successful completion of the project.
<p>Reporting administration costs</p>
<p>Administration costs can be either direct or indirect. Depending on it different documents must be provided to the controller:</p> <p>A) Direct costs:</p>

⁷ Please refer to section 3.3.2 for further information on in-house subcontracting.

- Proof that public procurement rules have been respected (where applicable)⁸.
- Contract laying down the services to be provided, with clear reference to the project and the programme.
- Proof of expenditure (i.e., invoice) with clear demonstration of project relevance
- Proof of payment

B) Indirect costs:

- Calculation method for charging a certain percentage to the project. Where not defined by national eligibility rules, partners must use the following calculation key:

$$hL/hT$$

hL = project working hours, according to the figure reported under staff costs

hT = total actual worked hours of the partner institution. Depending on the internal structure and the invoicing system, these hours can refer to the whole institution or only to the unit/department involved in the project.

- Full list of expenditure.
- Proof of expenditure (i.e., invoices). In centralised systems, if the procedure does not foresee that all invoices are checked, this process must be undertaken during the on-the-spot checks to be performed during programme lifetime.
- Proof of payment for all expenditure items.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of administration costs is subject to the following:

- No lump sums or flat rates are allowed, nor are arbitrary calculation keys. In these cases, the whole claimed amount must be considered as not eligible.
- Must not include costs claimable in other budget categories (e.g., staff costs, equipment cost).

Other relevant information

Where applicable, administration costs linked to the services provided by external experts must be validated in the budget line "External expertise".

3.3.3. External expertise

Definition

External expertise includes costs paid on the basis of contracts or written agreements and against invoices or requests of reimbursement to external service providers who are sub-contracted to carry out certain tasks of the project (e.g. studies and surveys, translation,

⁸ Please refer to sections 3.3.1 and 3.3.2 for further details in this respect.

coordination, financial management or audit of the project if sub-contracted and in line with relevant national requirements).

Reporting costs for external expertise

The following documents must be provided to the controller:

- Evidence of the selection process, following a bid-at-three procedure, the national procurement rules or the Community procurement rules depending on the amount contracted⁹.
- Contract laying down the services to be provided, with clear reference to the project and the programme. For experts paid on the basis of a daily fee, such fee together with the number of days contracted and the total amount of the contract must be provided.
- Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme and the description of the services provided in line with the contents of the contract. For experts paid on the basis of a daily fee, the invoice must include a clear quantification of the days charged, price per unit and total price.
- In case of subcontracting to in-house or other affiliated companies, the invoice must be accompanied by detailed reports or any other mean giving evidence that costs are charged on a real costs basis without any profit margin. Upon request, all documents supporting the project related expenditure incurred by in-house or other affiliated companies (e.g. payslips, timesheets, plane tickets, etc.) should be made available to the controllers.
- Deliverables.
- Proof of payment.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for external expertise is subject to the full respect of procurement rules. Also, all external expertise has to be clearly mentioned in the Application Form or, if not the case, must have been agreed by the Managing Authority/Joint Technical Secretariat beforehand in order to be considered as eligible. A prior approval of the Managing Authority/Joint Technical Secretariat is not needed in case that the amount of the external expertise not foreseen in the Application Form is below the 10% budget flexibility rule¹⁰.

The deliverables produced by the experts, especially as far as studies are concerned, must also respect the necessary publicity requirements required for promotional products.

Furthermore, and where allowed by national rules, additional contracts of external expertise nature signed with own staff of the partner institution must strictly apply transparent selection and, where applicable, public procurement procedures. Costs of such staff can be allocated to the budget line external expertise only. Such staff must provide timesheets covering total working hours (employment contracts and expert contracts) to exclude the risk of double-funding.

Finally, payment of contractual advances in accordance with normal commercial law and practice on the basis of contracts entered into by a final beneficiary or final recipient, and which are supported by receipted invoices (e.g., advance payment for a consultant carrying out a study) are eligible but dependent to later confirmation that the service has been delivered (at the latest by the end of the finalisation month as quoted in the application

⁹ Please refer to section 3.3.1 and 3.3.2 for further details in this respect.

¹⁰ Please refer to section 4.2 paragraph a) of the Programme Implementation Manual.

form).

3.3.4. Travel and accommodation

Definition

This cost category refers to the travel and accommodation costs and subsistence allowances of employees of the partner institutions officially listed in the Application Form related to their participation in meetings, seminars and conferences taking place both in the territory of the EU and, if applicable, in Third Countries.

Reporting costs for travel and accommodation

The following documents must be provided to the controller:

- Authorisation of mission, stating the employee(s) travelling, the destination and the start and end date of the mission.
- Proof of expenditure for costs paid directly by the partner institution (e.g., invoice of travel agent, plane tickets, boarding cards).
- Reimbursement request from the employee, either based on per diem or on real costs. All necessary documents proving the real costs claimed must be provided (e.g., bus or metro tickets, meal receipts).
- In case of use of own car or company car, mileage calculation sheet with statement of the distance covered, the cost per unit according to national or institutional fares and total cost.
- Other supporting documents (e.g., invitation, agenda, list of participants, minutes).
- Proof of payment of costs directly paid by the institution respectively proof of reimbursement to the employee.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for travel and accommodation is subject to the following principles:

- The most cost-efficient mean of transportation shall be used. No business or first-class tickets for air transport are eligible irrespective the fact that this may be allowed by the internal rules of the institution. For other transportation means national eligibility rules must be respected.
- The duration of the mission must be clearly in line with the purpose of it (e.g., from the day before to the day after the concerned meeting).
- Costs for any longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g., extra hotel nights, extra per diems) do not exceed the savings eventually made in the costs for transportation.
- Costs must be definitely borne by the partner institution, meaning that direct payment by the employee is not sufficient as proof of payment.
- Where based on per diem, reimbursement must foresee the necessary reductions in the amounts due for those cases in which costs have been partially covered by the hosting partner (e.g., lunch or dinner costs reported under "Meetings and events").

Other relevant information

The travel costs of any external experts participating in project activities and to be financed by the project have to be validated under “External expertise”. The same applies to travel and accommodation costs of institutions acting as associated institutions.

3.3.5. Meetings and events**Definition**

Costs related to the organisation of meetings (renting of premises and equipment, catering, interpretation, printing, etc.) paid on the basis of contracts with and invoices from external providers. Public procurement rules must be observed in selecting the company or individual, which will carry out the assignment. It may also include the cost of external speakers and external participants in project meetings and events if the cost will be definitively paid and borne by partners officially listed in the Application Form.

Reporting meeting costs

The following documents must be provided to the controller:

- Evidence that the most cost-efficient option has been selected and, where applicable, proof that public procurement rules have been respected.¹¹
- Contract laying down the services to be provided and the date of provision, with clear reference to the project, the programme and the specific meeting/event.
- Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, description of the services provided in line with the contents of the contract, quantification of the services, price per unit and total price.
- Deliverables (agenda, list of participants, minutes).
- Proof of payment.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for meetings and events is subject to the full respect of procurement rules and of publicity rules. Furthermore:

- Representation expenditures (e.g., flowers, presents) as well as costs for alcohol are not eligible.
- One-off cultural events are only eligible if they are part of the approved work plan. Costs for interventions of artists are in all cases not eligible.
- Complementary activities (i.e., visits) linked to internal or external events must have clear project relevance. Otherwise, costs linked to them are not eligible.

3.3.6. Promotion costs

¹¹ Please refer to sections 3.3.1 and 3.3.2 for further details in this respect.

Definition
Costs resulting from press releases, inserts in newspapers, leaflets, TV shows, brochures, newsletters and other publication costs not linked to specific events or seminars. These costs shall be paid on the basis of the contracts with and invoices from the service providers.
Reporting promotion costs
<p>The following documents must be provided to the controller:</p> <ul style="list-style-type: none"> • Evidence that the most cost-efficient option has been selected and, where applicable, proof that public procurement rules have been respected.¹² • Contract laying down the services to be provided, with clear reference to the project and programme. • Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, description of the services provided in line with the contents of the contract, quantification of the services, price per unit and total price. • Deliverables (brochures, newsletters, leaflets, gadgets). • Proof of payment.
Specific eligibility requirements
In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of promotion costs is subject to the full respect of procurement rules and of publicity rules.

3.3.7. Equipment

Definition
This budget line refers to the purchase of IT equipment - including software - for <u>office use</u> (i.e., not linked to any investment) and necessary for successfully running the project. Where strictly necessary, office furniture is considered as eligible expenditure and should also be charged to this budget line.
Reporting equipment costs
<p>The following documents must be provided to the controller:</p> <ul style="list-style-type: none"> • Evidence that the most economic option for the features requested has been purchased. • Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, detailed description of the goods purchased, quantification of the goods, price per unit and total price. • Proof of payment.
Specific eligibility requirements

¹² Please refer to sections 3.3.1 and 3.3.2 for further details in this respect.

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, it has to be ensured that the equipment (for both, new and second-hand equipment):

- has not already been financed by other subsidies (e.g. EU, national or regional) and
- has not already been depreciated and
- is not claimed in another category such as the administration budget line.

Being mostly depreciable assets, their full cost can only be claimed as eligible if the period going from the date of purchase to the end date of the operation is longer than the normal depreciation period for each type of equipment. Otherwise, only the portion of the equipment's depreciation corresponding to the share of actual use for the purpose of the project may be taken into account. Cost of low-value assets which are not depreciable shall be charged in full in the period in which payment has intervened.

These purchases have to respect public procurement rules. The most economic type of equipment should be chosen and the equipment features/functions should be in line with the actual context of use.

Equipment for which the exclusive use in the framework of CENTRAL EUROPE project cannot be demonstrated should be charged on a pro-rata basis, also as far as depreciation is concerned.

The purchase costs of **second-hand equipment** are eligible provided that, in addition to the requirements listed above, the following three conditions are met:

- the seller of the equipment provides a declaration stating its origin and confirming that at no point it has been purchased with the aid of other financial instruments (EU, national or other grants)¹³;
- the price of the equipment must not exceed its market value and must be less than the cost of similar new equipment. Fulfilment of this requirement must be confirmed by means of an expert statement;
- the equipment must have the technical characteristics necessary for the project and comply with applicable norms and standards.

All equipment has to be clearly mentioned in the Application Form or, if not the case, must have been agreed by the programme bodies beforehand in order to be considered as eligible. A prior approval of the Managing Authority/Joint Technical Secretariat is not needed in case that the amount of the equipment not foreseen in the Application Form is below the 10% budget flexibility rule¹⁴.

Also in this case, the requirements concerning durability of operations, including those related to ownership, provided in article 57 of the General Regulation must be also respected.

Finally, when performing on the spot checks controllers must verify that such equipment exists and that it is clearly identified as project equipment.

¹³ Specific periods according to national rules must be respected.

¹⁴ Please refer to section 4.2 paragraph a) of the Programme Implementation Manual.

3.3.8. Investments

Definition

The investments budget line includes costs related to financing infrastructure and construction works as well as the purchase of physical objects not falling into the scope of the equipment budget line and which may be either linked or independent from the infrastructure and construction works themselves.

Costs for infrastructure and works may refer either to an investment that will be set up ex-novo or to adaptation of an already existing infrastructure. Whatever the case, these costs are only eligible if referring to pilot actions having a demonstrative effect.

Reporting investment costs

The following documents must be provided to the controller:

A) For works:

- Evidence of the selection process, following a bid-at-three procedure¹⁵, the national procurement rules or the Community procurement rules depending on the amount contracted.
- Contract laying down the works to be provided, with clear reference to the project and programme. For contracts based on a daily fee, such fee together with the number of days contracted and the total amount of the contract must be provided.
- Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, description of the works performed in line with the contents of the contract, quantification of the work, price per unit and total price.
- Proof of payment.

B) For investment-related equipment and other goods:

- Evidence that the most economic option for the features requested has been purchased.
- Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, detailed description of the goods purchased, quantification of the goods, price per unit and total price.
- Proof of payment.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, public procurement rules should be carefully respected when awarding contracts for the realisation of works. Likewise, publicity and information rules laid down in Article 8 of Commission Regulation (EC) No 1828/2006 should be strictly followed.

Furthermore, and depending on the nature of the investment, all compulsory requirements set by Community and national legislation related to the respective investment, and ensuring the respect of environmental policies (e.g., feasibility study, environmental impact assessment, building permission, etc.), must be fulfilled. In particular, any requirement

¹⁵ Please refer to section 3.3.1 for further details in this respect.

deriving from the different Directives in force must be strictly observed. These Directives are:

- The Environmental Impact Assessment or EIA Directive¹⁶
- The environment Directive¹⁷
- The Birds and Habitats Directive¹⁸
- The Water Framework Directive¹⁹
- The Waste Framework Directive²⁰
- The Landfill Directive²¹
- The Incineration Directive²²

All investments must be clearly mentioned in the Application Form and they must be subject to on-the-spot checks by the controllers. Equipment making part of the investment must fulfil all eligibility criteria presented for equipment costs. On-the-spot checks must cover investment-related equipment as well.

Also in this case, the requirements concerning durability of projects, including those related to ownership, provided in article 57 of the General Regulation must be respected as well. Eligibility of payments in advance related to the delivery of works applies under the same conditions presented for the “External expertise” budget line.

Other relevant information

Costs of feasibility studies and environmental impact assessments needed prior to realisation of the Pilot Actions and delivered during project implementation should be allocated to the “External expertise” budget line.

3.3.9. Other costs

Definition

Any cost not falling in the scope of all previous budget lines should be validated under the “Other costs” budget line. Nevertheless, only those costs mentioned as such in the approved Application Form can be considered as eligible.

Reporting other costs

- Depending on their nature, proof of expenditure shall vary from one case to the other. It is up to the controllers to decide which type of documentary evidence shall be provided on a case-per-case basis.
- Proof of payment.

Specific eligibility requirements

¹⁶ Council Directive 85/337/EEC, as last amended by Directive 2003/35/EC

¹⁷ Council Directive 90/313/EEC, as amended by 2003/4/EC

¹⁸ Council Directive 79/409/EEC and Council Directive 92/43/EEC

¹⁹ Directive 2000/60/EC, as last amended by Directive 2008/32/EC

²⁰ Council Directive 2006/2/EC

²¹ Council Directive 1999/31/EC

²² Council Directive 2000/76/EC

Apart from the requirement of being mentioned in the approved Application Form, together with the existence of the necessary proof of expenditure and proof of payment, the general eligibility principles shall apply.

3.3.10. Preparation costs

In the framework of the CENTRAL EUROPE Programme, preparation costs do not constitute a specific budget line, but a work package in itself. On this basis, they consist in the addition of costs for different budget lines, namely:

- Staff costs
- Administration costs
- External expertise
- Travel and accommodation
- Meetings and events

As a result, all requirements specified for these five budget categories are applicable also to the eligibility of preparation costs. In addition to these, the following requirements apply as well:

- Preparation costs are only eligible if foreseen in the approved Application Form;
- Only partners having stated preparation costs in Table 6 of the approved Application Form can claim this type of costs;
- Only the budget lines used in WP0 of Table 4 of the approved Application Form can be taken into consideration;
- These costs must relate exclusively to preparation activities carried out between 1 January 2007 and the date on which the Application Form has been submitted. Payment of these costs can nevertheless intervene in part or in full after the submission deadline;
- The eligible preparation costs are subject to a ceiling of EUR 20.000,-.

Please note that costs related to the negotiation of requests put forward by the Monitoring Committee and that must be fulfilled prior to contracting are in all cases to be considered as implementation and not preparation costs.

3.4. COMPLIANCE WITH EU POLICIES AND OTHER RULES

3.4.1. The principle of cost efficiency

Most Member States set clear requirements for ensuring transparency in the selection process when partners purchase goods and services below Community and national tendering thresholds. Nevertheless, from a transnational perspective, such thresholds may substantially differ in amounts among countries or may not be defined at all in others.

In order to ensure a harmonized approach in terms of ensuring transparent contracting procedures, equal treatment and cost efficiency, the CENTRAL EUROPE Programme applies the bid-at-three rule. This means that, unless stricter rules apply, project partners must collect at least three offers for all contracting amounts between 2.500€ (excl. VAT), and the threshold set by the Community and institutional, regional and national procurement rules.

The offers must be received in writing and have to be properly documented. If it is impossible to collect such offers, at least the activities undertaken in order to obtain them have to be documented.

3.4.2. Public procurement

The purchase of goods and services, as well as the ordering of public works, by public services or other public bodies, is subject to national, Community and institutional rules. The procurement rules aim at securing transparent and fair conditions for competing on the common market and should be followed by the operation partners when commissioning the above services, works or deliveries. Rules differ depending on the kind of goods and/or services to be purchased, as well as the value of the purchase. The information on EC competition and public procurement rules is available on the Web site of DG Internal Market at:

http://ec.europa.eu/internal_market/publicprocurement/legislation_en.htm

The most updated thresholds are provided in Commission Regulation (EC) 1177/2009 of 30 November 2009 and are available on the Programme's website.

In the framework of the CENTRAL EUROPE Programme, rules on public procurement are mandatory and have to be respected also by private bodies and international organisations.

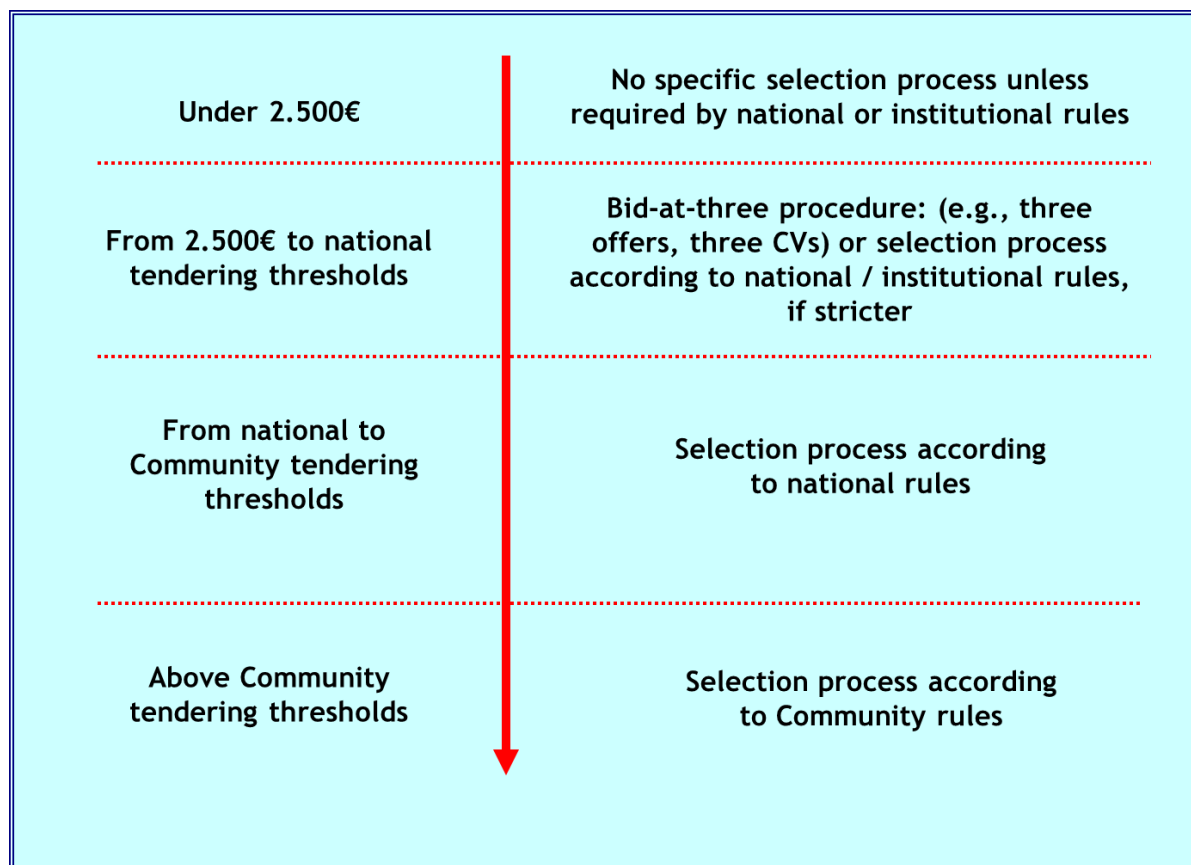
The CENTRAL EUROPE Programme will follow the contents of the "Guidance document on management verifications to be carried by Member States on operations co-financed by the Structural Funds and the Cohesion Fund for the 2007-2013 programming period"²³. In this respect, controllers are asked to verify the existence of evidence concerning the proper application of selection and tendering processes. This evidence should be based in the positive outcome of checks concerning, among others:

- The appropriateness of the procurement method being used in accordance with the awarding amount;
- The appropriateness of the selection and award criteria, the lack of confusion between both and the use of the published criteria during the evaluation process;
- The compliance of these criteria with the fundamental principles of the EC Treaty (transparency, non-discrimination, equal treatment);
- The adequateness of the level of advertisement of the contract;
- The lack of discriminatory technical specifications;
- The adequateness of the tender evaluation reports prepared by evaluation committees and the existence of complaints submitted to the contracting authority by the excluded bidders.

During early programme implementation stages, the on-going checks by the Managing Authority presented in point 1.3. B) will primarily tackle verification of the respect of public procurement rules in all participating Member States.

The following picture provides an overview of the selection processes to be implemented according to the amount of the contract to be concluded:

²³ COCOF 08/0020/03-EN



As far as **in-house subcontracting** is concerned, partners are reminded that the requirements deriving from the latest ruling in this matter by the European Court of Justice²⁴ imply that:

- 1) The public body awarding the contract must exert on the “in house” society an analogous control to that exercised upon its own internal services;
- 2) The “in house” society must carry out the main part of its tasks for the awarding public body.

As far as the first requirement is concerned, the participation - even if in a minority share - of a private enterprise to the society owned also by the awarding public body excludes the pre-requisites for considering that the analogous control actually exists.

When the conditions for an in-house subcontracting are given, costs of the contracted company must always be charged on a real-costs basis, thus without any profit margin. In addition, they should be always charged under the external expertise budget line.

Even if not frequent, and due to its negative financial effects in case of infringement, partners must check the fulfilment of all necessary requirements prior to awarding contracts from an in-house perspective.

Any other case of subcontracting to affiliated companies where public procurement does not apply has to follow the principle that costs of the contracted company must always be charged on a real-costs basis, thus without any profit margin.

²⁴ Judgement C- 26/03 of the European Court of Justice of 11 January 2005 (Stadt Halle).

3.4.3. Indirect State Aid

Whereas the respect of the provisions concerning State Aid is validated by the Member States' Relevant Authorities prior to project approval as far as funding limitations to partners are concerned, it is a task of the first level controllers to verify this respect in terms of indirect aid (i.e., aid provided by the partners to any final recipient).

On the basis of the specific assessment performed, any project proposal involving indirect State Aid will have specific contractual conditions in this respect. Controllers should verify the existence of these conditions in the subsidy contract and, during the validation process, request and receive all necessary evidence proving that the conditions have been respected.

Being the discipline of State Aid applied in CENTRAL EUROPE using the *de minimis* regime, for those cases in which the indirect aid is strictly of financial nature, controllers must request and receive proof that the aid threshold of 200.000€²⁵ for the last three fiscal years has been respected. Even if self-declarations can represent the most straightforward option, where existing, other national or regional sources of information (e.g., *de minimis* databases or registers) shall be taken into consideration.

3.4.4. Publicity rules²⁶

The Implementing Regulation sets out a number of specific obligations for beneficiaries of the programme as regards their publicity obligations. Based on this legal foundation, as well as specific programme requirements, the following information and publication responsibilities apply to beneficiaries of projects co-financed by CENTRAL EUROPE.

- 1) All information and publicity measures shall include the CENTRAL EUROPE programme logo in the form made available explicitly as download for project promoters on the website www.central2013.eu, i.e. in the version that includes the programme slogan "Cooperating for success".

The programme logo needs to be placed on the first page (or equally prominent place such as the front of a conference bag, exhibition display or power point presentation). The size of the programme logo should not be smaller than the size of other logos displayed on the same page or surface (e.g. project logo, logo of the Lead Partner institution) and the text "Central Europe" and "Cooperating for success" should be clearly readable.

- 2) All information and publicity measures shall also include the EU emblem with the references "European Union" and "European Regional Development Fund" in the form made available explicitly on the CENTRAL EUROPE website. The exact location and size of the EU emblem is left to good judgement. However, the text "European Union" and "European Regional Development Fund" should be clearly readable.
- 3) Both logos are available for download at the programme homepage as "Obligatory programme logo" and "Obligatory EU logo". The link to the download section on the programme homepage is the following:

<http://www.central2013.eu/working-with-central/document-center/maps-logos.html>

²⁵ 100.000€ for projects related to the transport sector.

²⁶ Contents as per CENTRAL EUROPE Implementation Manual.

Obligatory programme logo:



Obligatory EU logo:



- 4) In case both logos are placed close to each other on the same page/space it is recommended to use the following option that includes both logos in one file as well as the necessary references. This file is also available at the download section of the programme website as “Combined logo option”.

Combined logo option:



- 5) For very small spaces with an available print size smaller than 1 cm in height such as on pens or lanyards, where due to the lack of size the fonts would be too small to be readable, the following solution can be exceptionally (only for small spaces!) used. This file is also available at the download section of the programme website as “Small surface logo”.

Small surface logo:



- 6) For project websites it is compulsory to place the programme logo and the EU-Emblem (incl. the above-mentioned references to the EU and ERDF) on the homepage, i.e. the first page of the project website, and to place a hyperlink from the programme logo to the programme

homepage www.central2013.eu and from the EU Emblem to the homepage of DG Regio²⁷ using either both logos separately or the combined logo option.

- 7) In addition to displaying the appropriate logos, all promotion and publicity measures of beneficiaries shall also mention the project name and website address or the contact details of the Lead Partner (name, phone number and e-mail).
- 8) Pursuant to article 8 of regulation 1828/2006, in case projects with a total public contribution exceeding 500.000 Euro include the construction or rehabilitation of infrastructure or small-scale infrastructure, a billboard/plaque needs to be placed on site of each of these infrastructure-related measures, regardless of the cost of this measure.

In case that there are several constructions/ rehabilitation measures within one trans-national project, the billboards/plaques should be placed on all of them. The Lead Partner offices do not need to have billboards/plaques, unless there are construction/ rehabilitation measures undertaken that apply to the site of the Lead Partner offices.

Where it is not possible to place a permanent explanatory plaque on a physical object as referred above, other appropriate measures shall be taken in order to publicise the Community contribution.

These plaques must respect the requirements set both in Article 8 and Article 9 of Regulation 1828/2006.

3.4.5. Equal opportunities

The implementation of projects approved under the CENTRAL EUROPE Programme should be in line with Article 16 of the General Regulation, concerning equal opportunities for men and women as well as combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

For control purposes, self-declarations from the partners should be in principle sufficient in order to guarantee the respect of the principle of equal opportunities. These declarations should include the following minimum confirmations:

- That staff recruitment processes carried out in the project adhere to the principles of equal opportunities;
- That equality is promoted in the project's committees and boards;
- That the events organised by the project do not represent any barrier to participation (e.g., location favouring accessibility);
- That there are no other barriers to participation;
- That all national rules on the issue of equal opportunities have been respected.

Nevertheless, in the case of specific actions (e.g., trainings) foreseen in the project, the principles of equal opportunities should be particularly ensured. In this respect, further checks should be performed by the controllers by examining - for example - the list of participants.

3.4.6. Protection of the environment

Projects should also be coherent with the objectives of protection and improvement of the environment foreseen in Article 17 of the General Regulation and Article 6 of the Treaty. This requirement is especially relevant for those projects foreseeing infrastructure works and, in general, the realisation of investments. For this purpose, specific eligibility requirements - including the respect of the Directives in force - have been provided for the costs related to the budget line "Investments". In addition to this, for all soft measures foreseen in the work plan, partners should

²⁷ http://ec.europa.eu/regional_policy/index_en.htm

submit to the controllers for verification self-declarations stating the respect of all national laws in terms of environmental impact.

3.4.7. Annuling of Documents

One important element to be taken into account when participating in EU funded projects is the need for implementing measures to avoid **double funding** from different co-financing sources for the same expenditure item, in compliance of Article 54 of the General Regulation. Whereas analytical accounting systems help in this respect, more straightforward measures must also be foreseen, as for instance the annulling of original invoices and other probative documents.

Irrespective of the control system in place in the different Member States, the practice of annulling the originals of invoices and other probative documents is compulsory in the framework of the CENTRAL EUROPE programme. The annulling of the expenditure documents should be carried out by means of a stamp bearing at least the following information:

- the information that the expenditure has been co-funded by the CENTRAL EUROPE programme;
- the number and the name (acronym) of the project;
- if applicable (e.g. same document covering different cost items), a statement on the share claimed as eligible.

In case that invoices (and/or other probative documents) are available only on electronic support (i.e. no original can be identified) the minimum information included in the stamp (as mentioned above) has to be incorporated in the subject and/or in the body of the electronic document.