Programme Management and Control Manual *(PMCM)*

Version 1

The Programme is co-funded by the European Union, Instrument for Pre-Accession Assistance (IPA)

LIST OF ACRONYMS

AA	Audit Authority
AF	Application Form
AR	Application for Reimbursement
BC	Beneficiary Country
BL	Budget Line
CA	Certifying Authority
CBC	Cross-border Cooperation
CC	Candidate Countries
CF	Cohesion Fund
DVE	Declaration on Validation of Expenditure
ERDF	European Regional Development Fund
EC	European Commission
EU	European Union
FAQ	Frequently Asked Questions
FB	Final Beneficiary
FLC	First Level Controller
FLCO	First Level Control Office
GoA	Group of Auditors
IM	Implementation Manual
IPA	Instrument for Pre-accession Assistance
JMC	Joint Monitoring Committee
JTS	Joint Technical Secretariat
LA	Lead Applicant
LB	Lead Beneficiary
LP	Lead Partner, corresponds to Lead Beneficiary
MA	Managing Authority
MS	Member State
NC	National Co-financing
NUTS	Nomenclature of Territorial Units for Statistics
OLAF	European Anti-Fraud Office
PCC	Potential Candidate Country
OP	Operational Programme
PP	Project Partner, corresponds to Lead Beneficiary/ Final Beneficiary
PRAG	Practical Guide to Contract procedures for EU external actions
SME	Small and Medium-size Enterprise
WP	Work Package

LIST OF VERSIONS

Number of the version	Date of the version
Vs. 0	27 July 2011
Vs. 1	26 July 2012

TABLE OF CONTENT

1. INTRODUCTION 8
1.1. Terminology 9
1.2. Regulatory Framework 12
2. PROJECT DEVELOPMENT AND CONTRACTING 13
2.1. Project Development 13
2.2. Objectives, expected results and outputs 13
2.2.1. Indicators 14
2.3. The work plan 16
2.3.1. Project management and coordination activities 17
2.3.2. Communication and Dissemination activities 19
2.4. The project budget 20
2.5. Contracting Phase 21
2.5.1. Partnership Agreement 21
2.5.2. IPA Subsidy Contract 22
3. PROJECT IMPLEMENTATION 23
3.1. Project Start-up 23
3.1.1. Partnership responsibilities and decision-making structure 23
3.1.2. Establishing the audit trail system 24
3.1.3. The kick-off meeting 26
3.2. Programme Management and Information System (M.I.S.) 26
3.3. Project Monitoring 27
3.4. Project Changes 28
3.4.1. Changes 28
3.4.2. Substantial changes of the approved Application Form 29
3.4.3. Administrative adjustments 31
3.5. Specific provisions for Associates 31
3.6. Programme website 31
4. COMPLIANCE WITH EU POLICIES AND OTHER RULES 32
4.1. The principle of cost efficiency and transparency 32
4.2. Public procurement 32
4.2.1. In-house providing 34
4.2.2. Derogation to rule of origin and nationality 34
4.3. Sub-granting 35
4.4. State aid and "de minimis" regime 36

4.5. Equal opportunities 37
4.6. Protection of the environment 38
4.7. Other applicable rules 38
4.7.1. Conflict of interest 38
4.7.2. Double funding 38
4.7.3. Treatment of revenues 38
4.7.4. Interest and equivalent benefits from pre-financing 40
4.7.5. De-commitment of IPA co-financing (n+3 rule) 40
4.8. Detection of unduly paid out expenditure, including irregularities 41
4.8.1. Recovery of funds from running projects 41
4.8.2. Recovery of funds from closed projects 42
5. PROJECT EXPENDITURE AND APPLICABLE RULES 43
5.1. General eligibility principles 43
5.1.1. Overview of eligible and not eligible costs 44
5.1.2. Specific provisions for expenditure incurred outside the Programme eligible area 45
5.2. Period of eligibility of expenditures 46
5.3. Eligibility of expenditure by budget line 47
5.3.1. Staff costs 48
5.3.2. Overheads 51
5.3.3. Travel and Accommodation 54
5.3.4. External expertise 56
5.3.5. Meetings and Events 58
5.3.6. Promotion costs 59
5.3.7. Equipment 60
5.3.8. Investments 63
5.3.9. Financial charges and guarantee costs 66
6. REPORTING, CONTROL AND REIMBURSEMENT 69
6.1. Reporting Activity 69
6.1.1.1. Requirements for the costs to be reported 70
Budget limits 71
Conversion into Euro 71
Display of figures 71
6.1.1.2. Timing for reporting 72
6.1.1.3. Voiding expenditure documents 72
6.1.2. (Final Beneficiary) Progress Report 73
6.1.2.1. Activity Report 73
6.1.2.2. Financial Report 74

6.1.2.3. Attachments to the Progress Report (supporting documents) 74
6.1.2.4. Submission of the Progress Report 75
6.1.3. Project Progress Report 76
6.1.3.1. Submission of the Project Progress Reports 77
6.2. Validation of expenditure 78
6.2.1. The different control levels 78
6.2.1.1. The First Level Control 78
6.2.1.2. On-going controls by the Managing Authority/Joint Technical Secretariat 78
6.2.1.3. Other Programme actors involved in control 79
6.2.2. Procedure for expenditure's validation 79
6.2.2.1. Administrative verification (desk-based checks) 81
6.2.2.2. On-the-spot checks 81
6.2.2.3. The Declaration on Validation of Expenditure (DVE) 82
6.3. Reimbursement 83
6.3.1. Pre-financing payment 83
6.3.2. Submission of the Application for Reimbursement 84
6.3.3. Programme reimbursement system 85
7. PROJECT COMMUNICATION AND VISIBILITY 88
7.1. Strategy and content of the Project Communication plan 89
7.2. Basic information on project communication and visibility tools 91
7.4 Publicity Requirements 94
7.2.1. Use of European flag and Programme logo 95
7.2.2. Disclaimer 96
7.2.3. Specific requirements for plaques and billboard 96
7.2.4. Specific requirements for project equipment 97
8. PROJECT CLOSURE 98
8.1. Final Report 98
8.2. Durability and ownership of the project outputs 99
8.3. Storage of project documents and accounting records 99
8.4. Other considerations 100
8.4.1. Costs for project closure 100
8.4.2. Revenues after project closure 100
Annex I 101
Annex II 102

LIST OF FIGURES

Figure 1: Reporting procedure at Final Beneficiary and Project level 70
Figure 2: Progress Report procedure 76
Figure 3: Validation Procedure Chart 80
Figure 4: Reimbursement procedure 87

1. INTRODUCTION

The **Programme Management and Control Manual** (hereinafter PMCM) provides detailed information on the development, the implementation and closure of the projects within the IPA Adriatic CBC Programme (hereinafter Programme).

The PMCM is one of the Programme's documents specifically devoted to the project implementation, mainly to the eligibility of expenditure, their reporting and payment, and, then, is aimed at providing further and/or complementary information on provisions laid down in:

- the IPA Adriatic CBC Operational Programme
- the Implementation Manual
- the Applicants' Manual and the relevant Call for proposals[1]
- Guidance for First Level Controllers.

Specifically, the PMCM is developed in order to ensure a common understanding of the relevant rules and the requirements for all actors involved in every stage of project's management and control, from the development through contracting, implementation, reporting and verification of expenditure, up to closure of the project.

Then Final Beneficiaries of all projects financed by the IPA Adriatic CBC Programme will find in this PMCM all the necessary information in order to ensure that all expenditure incurred during the implementation of projects can be validated on safe grounds and projects can be effectively implemented.

Whereas some chapters explain compulsory Programme requirements, others intend to set a harmonised baseline for all participating Lead Beneficiaries and Final Beneficiaries in order to ease their common working culture.

In particular, this document describes:

(i) rules and suggestions for the project development and management (chapters 2 and 3);

(ii) rules on eligibility of expenditure and procedures (chapters 4 and 5);

(iii) Final Beneficiaries' duties and responsibilities in every project phase, such as financial and technical reporting, verification procedures and reimbursement (chapter 6);

(iv) rules on communication and visibility activities (chapter 7);

(v) procedures for project closure (chapter 8).

The content of the PMCM ***applies then to all projects financed within the IPA Adriatic CBC Programme both to ordinary projects and strategic projects***.

The information herewith provided will be, whenever required, further developed and updated during Programme implementation. An ad-hoc assistance will also be provided to Final Beneficiaries by the Joint Technical Secretariat on an on-going basis also through training seminars.

[1] In case of strategic project in the relevant Call for proposals or Terms of Reference.

1.1. Terminology[2]

A wide range of terms that may create problems in understanding the documents are listed below. Even if not covering them all, a general glossary of the most common terms used when dealing with financial control matters is herewith presented:

Application for payment	Document submitted by the Certifying Authority to the European Commission in order to claim IPA contribution.
Application for reimbursement	Document submitted by the Lead Beneficiary to Managing Authority in order to claim reimbursement for expenditure (fully or partially) incurred in the implementation of the project on the basis of the Declaration/s on Validation of Expenditure issued by the First Level Controllers.
Audit	The term "Audit" is used for the second level audit performed by the Audit Authority (Group of Auditors) or by external auditors on behalf of the Audit Authority in compliance with Art. 105 (1 a, b) and 107 of Regulation (EC) No 718/2007. Second level audit covers the verification, on a sample basis, of already validated and approved project expenditure.
Audit trail	The documentation kept by every partner that proves how all funds have been spent.
Audit Authority	Auditing officers of Abruzzo Region institution appointed for auditing the expenditures and the control system of the Programme, in accordance with Article 105 of the Commission Regulation (EC) No. 718/2007. It collaborates with the national auditing officers within the Group of Auditors.
Certifying Authority	Accounting officer of Abruzzo Region institution appointed for certifying the expenditures of the Programme, in accordance with Article 104 of the Commission Regulation (EC) No. 718/2007. In compliance with Article 4 (6) of the MoU, it is in charge of certifying and reimbursing the technical assistance expenditures to the Final Beneficiaries, as well as receiving the unduly amounts recovered by the Managing Authority.
Control	Verifications carried out at level of Beneficiary's Country, covering administrative, financial, technical and physical aspects of projects. Verifications shall ensure that the expenditure declared is real, that the products and services have been delivered, and that the projects and expenditures comply with relevant Community and national rules.
Control system	System established to validate the expenditure of the Lead Beneficiary/Final Beneficiary at national level, according to Article 108 of Regulation (EC) No. 718/2007).
Declaration on Validation of Expenditure (DVE)	Document issued by the National First Level Control Office containing the amount of verified and validated expenditure of a Progress Report submitted by a Final Beneficiary. By signing this document, the First Level Controllers declare the legality and regularity of the expenditure according to Community and national rules.
Final Beneficiary/Beneficiary/Project partner/partner	Body or firm, whether public or private, responsible for initiating or initiating and implementing projects. In the context of aid schemes, final beneficiaries are public or private firms carrying out an individual project and receiving public aid.
First Level Control Office (FLCO)	National controllers designated in each Participating Country for carrying out the First Level Control on the expenditures. -

[2] Main source: "Territorial Cooperation Objective - Financial Management Handbook" published by INTERACT.

Irregularity	According to Art. 2. of Reg. (EC) 718/2007, an irregularity is defined as '…*any infringement of applicable rules and contracts resulting from an act of omission by an economic operator*[3] *which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.*' In practical terms this means any act or conduct that affect the eligibility of expenditure – whether deliberately or accidentally.
Joint Technical Secretariat (JTS)	Expert team charged to assist the Programme bodies in the management and Programme implementation.
Lead Beneficiary/Lead Partner	One of the Final Beneficiaries responsible for ensuring the implementation of the entire project.
Lead Applicant	One of the potential Final Beneficiaries (FB) of a project appointed by the other potential FBs to submit the project proposal. It will be Lead Beneficiary, in case of approval.
Managing Authority	Authorising officer of Abruzzo Region institution appointed for managing the Programme, and, in case, the recovery of unduly paid amounts, in accordance with Article 103 of the Commission Regulation (EC) No. 718/2007.
Agreement on shared implementation (Memorandum of Understanding-MoU)	Agreement concluded between the Programme Participating Countries and the Programme Authorities in compliance with Article 118 of the Commission Regulation (EC) No. 718/2007.
Partnership Agreement	Is the contract concluded between the Lead Beneficiary and the Final Beneficiaries. It determines the rights and responsibilities of the Lead Beneficiary and the Final Beneficiaries.
Project Management Information System (MIS)	Web-based multi-user system for the management and control activities within the Programme.
Progress Report	Dossier referred to the "Activity Report", that provides information on the achievement of Project's results and outputs, and to the "Financial Report", which provides information on Project's expenditure, and the related Annexes as documents of evidence on the incurred expenditures. It is submitted to the FLCO for the expenditures validation.
Project Progress Report and Final Report	Documents submitted by the Lead Beneficiary, according to its contractual obligation, in order to regularly report the entire project progress proving that the implementation is in accordance with the approved Application Form and justifying the reported and validated expenditures relating to the activities carried out and the outputs, results delivered.
Real costs	The whole system of payments is based on this principle. Projects can only claim amounts that they have really been charged (amounts 'incurred') and can only claim them to the Programme after these amounts have actually been paid out.
Recovery	Process leading to claim and get back from project partner expenditure already reimbursed by the Programme bodies but which has been incorrectly (or 'unduly') paid out. The amount to be recovered can be deducted from following payment claims submitted during project implementation or it can also be requested when the project is already closed.

[3] To be understood as any Final Beneficiary (including Lead Beneficiary) participating in an approved project.

IPA Subsidy Contract	Is the contract concluded between the Lead Beneficiary – who represents the partnership in general – and the Managing Authority after project approval specifying the conditions upon which the Community and National contributions are granted for supporting the Project.
Validation of expenditure	Result of the verifications carried out by the First Level Control Offices in order to verify the legality and regularity of the expenditure reported by the final beneficiary/lead beneficiary.
Verification	Process of first level control in order to issue the Declaration on Validation of Expenditure.

1.2. Regulatory Framework

The IPA Adriatic CBC Programme has been designed under the objectives of the cross-border cooperation of Instrument for Pre-accession Assistance (IPA CBC), thus the Programme shall first and foremost be administered according to the regulations of the IPA Instrument.

The main reference documents for the Programme Management and Control Manual are:

- Council Regulation (EC) n. 1085/2006 of 17 July 2006 establishing an instrument for pre accession assistance (hereinafter "IPA Regulation").
- Commission Regulation (EC) n. 718/2007 of 12 June 2007 implementing Council Regulation (EC) no. 1085/2006 establishing an instrument for pre-accession assistance and following integrations and amendments[4] (hereinafter "*IPA Implementing Regulation*").
- IPA Adriatic CBC Operational Programme.
- IPA Subsidy Contract (the one applicable for the Call for Proposals under which the project was financed)
- Commission Decision C (2007) 2034 of 24 May 2007 on the rules and procedures applicable to service, supply and work contracts, financed by the general budget of the European Communities for the purpose of cooperation with third Countries, with the exclusion of Section II, 8.2 (hereinafter "IPA procurement rules") and the related EC guide on procurement and contracting procedures and rules which apply to EC external aid contracts "*Practical guide to contract procedures for EU external actions*" (shorted as "PRAG") which fully replaces public procurement rules of participating countries, within the limits set out by the decision C (2007) 2034 Council Regulation (EC) No. 1083/2006, as General Regulation.
- Commission Regulation (EC) No 1828/2006 has also to be taken into consideration where recalled (by Art. 13, setting out rules for the national control on expenditures, as called by Art. 103 (1), point c) of IPA Implementing Regulation (hereinafter "EU Control Rules").
- Regulation (EC) No 1998/2006, Council Regulation (EC) No 875/2007 and Council Regulation (EC) No 1535/2007, as Programme rules for State Aid and Vademecum Community rules on State Aid.

Besides, it is suggested to consult the applicable Community and National legislation, not expressly recalled in this document.

Moreover, Guidance for First Level Controller forms an essential part of the reference corpus.

[4] At the day of publication of the present manual: Commission Regulation (EU) No 80/2010 of 28 January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA).

2. PROJECT DEVELOPMENT AND CONTRACTING

2.1. Project Development

Every project is different, but all projects start from one idea developed in order to achieve specific objectives with defined but limited resources and within a scheduled time-frame.

Hence the main stages of project development can be synthesized as follows (not necessarily in the order below):

- defining the objectives, results and outputs
- building the partnership
- constructing the work plan/activities
- setting up realistic budget and timeframe.

It is stressed that the projects financed by the IPA Adriatic CBC Programme principally need to comply with the specific Programme's and Calls of reference's requirements.

Therefore, the information given in the next sub-paragraphs will relay only on some general aspects of the steps listed above and are intended to be additional to the ones contained in the relative Call and Applicants' Manual, providing practical guidance and advice for Lead Applicants and potential Final Beneficiaries on some aspects of the developing project idea mainly to have clearly in mind what to do in order to plan adequately the needed resources.

2.2. Objectives, expected results and outputs

The most important step in developing the project proposal is to define the objectives and the expected results clearly and precisely since the beginning of the development process. 'Good' objectives and results clearly express what kind of changes and effects the project intends to bring about.

Generally speaking, the **objective** specifies positive aspects of a desired future situation to be reached.

According to what actually needed in the Project Application Form (AF), objectives are defined at two distinct levels:

- general objective is the expectation and the effects/benefit of the project in the long-term on beneficiaries' territories and for Programme's area beyond the specific project purpose and the temporary funding received;
- specific objectives are what the project is going to achieve concretely at the end of the project lifetime. What are the changes produced in the field tackled and on the project target groups.

Both of them must be concrete, quantifiable and realistic, thus it can be useful in defining them to answer to the following questions:

- what type of change/s is/are going to be achieved in the short and long run?
- where shall the change/s happen?
- for whom is it going to be done (project target group/s)?
- by when does it have to happen?

The **expected results** are direct and immediate advantages resulting from the project's activities and from the production of the outputs, they are the effects to which the outputs lead to and tell us about the benefit of funding the outputs. Compared to outputs, results imply a qualitative value, even if they should also be measured in concrete units (see below the § 2.2.1 Indicators). When planning the project results, the partnership can reach a common understanding answering the following questions:

- What kind of positive change does the project aim at?
- Where will the change happen?
- Who will be affected by the change?
- When will the change happen?
- What should be the quality of the planned result?
- What is the cross-border value of the result?

In addition, a project should define also outputs, which, practically, tell us what has actually been produced with the money given to the project. The project **outputs** are tangible deliverables and visible products of the project directly resulting from the activities carried out in the project (e.g. manuals, specific centres opened, events, and so on). They are typically measured in concrete units (see below the § 2.2.1 Indicators). When planning the project outputs, the partnership can reach a common understanding answering the following questions:

- What is the content of the outputs (e.g. database, action plan)?
- Who will be using the outputs (e.g. database) after the project?
- Who will be participating (e.g. in the network) after the project?
- How will the outputs (e.g. database, action plan, network) be used after the project?

When submitting the Application Form, both the defined results and outputs should be measured by indicator targets (*target value*), which define the level of achieving to be reached respectively for results and for outputs. The realization of the defined indicators will be taken into consideration to monitor the project performance, thus projects should indicate a realistic unit for the defined results and outputs that are likely that the project can achieve.

2.2.1. Indicators

The indicator targets set by a project in the Application Form define its level of ambition, help to monitor progress throughout implementation and allow to say at the end of the project whether the objectives have been achieved.

Therefore, the definition of the outputs and results indicators requires a special attention[5]. The table below shows some (not exhaustive and only for illustration purpose) examples of indicators set respectively for outputs and for results:

Output Indicator (immediate result of the project)	Results Indicator (effect/consequence of the immediate result)
Number of regional seminars on biomass held	Number of biomass policies improved/implemented
Number of participants to one-week study tour on technological transfer	Number (percentage) of cross-border SMEs with improved capacities in technological transfer
Number of ports modernized with facilities	Number (percentage) of increased voyagers in Adriatic

All indicators should be expressed in quantity (such as 'the number of', 'percentage of') in order to be able to measure results and outputs objectively, but they need to be completed by qualitative aspects (such as addressed target groups, in which place the change is produced). In case it is measured something that

[5] For more information about indicators, please refer to the following source: Commission Working Document No. 2 on indicators at: http://ec.europa.eu/regional_policy/sources/docoffic/working/sf2000_en.htm.

already exists (number of people employed in an area) or project is built on the results of a previous project, the baseline figure (the starting value) will not be zero, thus the starting point should be defined.

To set a good indicator system at a project level, the indicators should also be S.M.A.R.T, which means:

- *Specific:* is it clear what exactly will be measured, in what geographical area measurements will be made, what units (number of participants, euros, kms etc.) will be used etc.?
- *Measurable*: will the project be able to collect accurate information to measure progress towards the targets set? The information required for measurements should be quite easy to collect. It should be aware that different regions and Countries collect data in different ways, thus all partners should be able to monitor and report on the indicators selected.
- *Achievable*: closely linked to identifying what changes are anticipated as a result of the project work and whether the results planned are realistic (e.g. decrease in water pollution by XX rather than no water pollution);
- *Relevant*: will the indicators measure all of the project's key activities?
- *Timed:* stating when something should happen (e.g. increase in visitor numbers by the end of the project).

It is noted that it is not always easy for projects to set up a correct and clear indicator systems. Firstly, in many cases there is confusion between outputs and results indicators. Secondly, many of the indicators cannot be measured because sometimes no baseline information was provided, sometimes no relevant data are available and often indicators are too vaguely defined or not logically linked (e.g. investing in a specific output should lead to a specific result and not to another one).

Therefore the definition of the project indicator system is very important and should be not underestimated by the partnership, which shall agree in what exactly needs to be achieved by the project since the beginning. As well as everything else in the application, indicators should be identified by all project partners, under the coordination of the Lead Applicant. All the partners should:

- discuss the choice of indicators, who among them will contribute to the different indicators,
- identify the baseline data to benchmark the progress achieved,
- consider whether other projects are working on similar issues and whether there is an opportunity to use some of their indicators and build on their work (avoid repetition).

Active involvement of all partners in the setting up of project indicators during the development stage facilitates partner performance throughout the implementation stage and outlines the division of responsibilities from a very early stage.

Last but not least, the project indicator system chosen by the partnership shall also be consistent with the Programme's indicator system. The IPA Adriatic CBC Programme has a number of core indicators on Priority level distinguished by result and outputs. They will serve to assess whether Priority objectives are being met. Each project therefore needs to demonstrate a clear contribution also to the Programme's indicator system of the Priority which the project refers to.

During application process, the project will be required to point out results and outputs indicators according to both those defined by the Programme and to those chosen specifically for the projects reflecting the specific activities and aims.

At the Programme level, through the periodical Project Progress Report, information about the achievement of the outputs and results by the projects will be collected in order to measure progress on all important project activities and aims and, finally, verify how all different projects are contributing to achieve the Programme's objectives. The success of the Programme is connected to the success of the financed

projects, in other words, if projects will achieve their objectives, and reach their targeted results and outputs indicators, even the Programme will achieve its objectives.

Finally, just to sum up, in order to develop a project indicators system consistent with project objectives and activities and outputs and also with the Programme, the partnership can consider the following points as guide:

Checklist for defining indicators	
Consistent with Programme:	- What are the Programme's indicators specific for the related Priority? - Which of these indicators will the project contribute to? - Will the project make a direct contribution to the Programme/Priority indicators?
Consistent with the project objectives:	- Are envisaged results related to project objectives? - Is there a logical flow between objectives/activities and results - Are results clearly defined, realistic (achievable) and precisely quantified according to the project objectives?
Nature of the envisaged outputs:	- What should be produced by the end of the project? - What type of outputs is the project going to deliver – soft (e.g. network establishment) or hard (on the ground implementation work)? - Can you provide quantitative or qualitative measurements for output? If the indicators are qualitative have you secured a methodology to assess the progress made? - At what level, local, regional, national, international, the outputs will be produce?
Target groups:	- Do the selected indicators identify specific target groups? - Are there indicators measuring involvement/degree of influence of the project?

Each project is asked to find best suitable indicators fitting to the particular planned results and outputs of the project. These indicators should even help the projects to evaluate their performance and achievements by themselves at a given stage. In fact the defined indicators developing the project may also require adjustment during the implementation phase due to external conditions. At the end of the project, in case the set targets will not be reached, an explanation should be given in the Final Report (see § 8.1 of PMCM), but this does not automatically mean that the project has failed.

2.3. The work plan

Another important step in developing project proposal is the construction of the work plan.

A well-structured work plan should help a project to organize its activities, having a clear and detailed understanding of the actions listed, their duration, their dependencies and their sequence applying a cross-border approach.

In the Application Form, all projects are asked to describe their activities specifying also the involvement of the partners. The work plan defined in the Programme's Application Form is structured in different Work Packages (WPs). Each Work Package enables the project to break down its work in actions, easily grouped according to WP's focus.

There are three pre-defined Work Packages in the Application Form. The following sub-paragraphs will give to the project partners useful information in order to elaborate two of them: the "*Project management and coordination*" work package and the "*Communication and dissemination*" work package.

2.3.1. Project management and coordination activities

In a broad sense "*project management*" concerns coordination of project's activities, monitoring and reporting of project progress in terms of activities and resources.

Moreover project management regards also the definition of the management structures necessary to implement the project activities (such as the human resources' team and the project's decision making body), the methods to be used to ensure a proper information flow among partners (internal communication), and the method for internal evaluation and accounting system.

Management structures

Since the project developing phase, the partnership should agree on the decision making process and (if possible) should envisage a project's decision making body such as a project's steering committee, or management board, or an advisory group.

Irrespective of its name, such a committee, which should guarantee an adequate representation of all partners, will be the main decision making body during the entire project lifetime and thus it will oversee strategic planning, coordination, monitoring, evaluation and achievement of outputs/results (see § 3.3 of PMCM).

The role and the responsibility among the partners should be agreed on and clearly defined by the partners all together. It is recommended that the coordination and management procedures remain as transparent and simple as possible.

Project team

The management of a cross-border project is a challenging and time-consuming task. Therefore it is suggested that the human resources devoted to the project should have experience in the management of previous projects (such as in cross-border cooperation or other international projects), be able to handle the challenges of different languages and cultures, and should enable the partnership to work together as a team.

Each partner can appoint (internal or external) specific human resources to carry out the project activities. However the Lead Beneficiary, which will have the responsibility to ensure an efficient and reliable management and co-ordination system for the whole project, should appoint (internally) or contract (externally) a project coordinator and a financial manager.

The **project coordinator (or project manager)** is the person responsible for co-ordinating the whole project's work among the involved partners, for ensuring that tasks are fulfilled according to the scheduled timeframe, the foreseen resources and the division of responsibilities among partners; for monitoring the progress of the project; for ensuring proper information flow with the Programme bodies, as well as with and among the project partners. In practice, he/she should be able to act as a driving force in the partnership in order to achieve smoothly the project's objectives.

The **project financial manager** is the person responsible for an adequate and orderly project accounting, for properly financial managing of the total budget and for monitoring financial progress of the project.

The project coordinator and the financial manager should work in close contact with each other, with the partners' organizations and with the Programme's bodies in order to establish effective project management. They should cooperate mainly in preparing and submitting the Project Progress Report (project activity and financial reports)[6] to the Managing Authority/Joint Technical Secretariat. Since the Programme official language is English communication with the Managing Authority/Joint Technical Secretariat must be in English and thus it is strongly recommended that these persons are familiar with English.

[6] Refer to § 6.1 for further information on Project Progress Reports.

Information flow between the partners

It is important to envisage a good communication flow among partners agreeing on means, modality and timeframe for the internal communication since the beginning.

The main subjects of the internal communication within the project are:

- to share information that partners need in order to work together,
- to inform constantly about project progress,
- to identify problems and overcome them if necessary,
- to take decisions on project changes (if needed).

When teams are working together over long distances between different Countries, good internal communication flows are important. *Good* in this context means that information needed for working together has to be shared among all partners and to be **concrete, clear and timely** during the project lifetime. Insufficient communication can easily lead to conflicts and problems; too much information or irrelevant information can, on the other hand, make confusion.

Therefore to ensure a good communication flow in a complex, multinational and long-distance environment as in the cross-border cooperation projects, the following aspects should be kept in mind:

- a clear language, that is also easy to understand for non-native speakers, should be used (being the language of the Programme, English is suggested);
- vague messages should be avoided and it is preferable to be as concrete as possible;
- in case of using technological means, all partners have to get the technical access/capacity and the skills to use these tools without creating extra work for others.

The **project meetings** remain the basic pillar to guarantee an effective communication within the project as moments to afford *vis a vis* the management and coordination tasks and to build up a certain level of confidence and trust. There are different views on what the "ideal" frequency of project meetings is. Surely only one meeting per year would not be enough; some projects find appropriate to meet every three months, others every six months. This choice depends on the size of the project in terms both of funding and of number of partners. It should be taken into account, however, that although large partnerships can benefit from more frequent meetings to communicate on a "face to face" basis, at the same time, it is difficult to arrange meetings for a large number of people to be available on a certain date. The number and frequency of the project's meetings should be decided early on, also in order to plan correctly the needed resources. The basic meetings to be arranged are the kick-off meeting, interim meetings (to discuss progress, reporting) and the final meeting (to evaluate outputs and initiate project closure). The results of meetings are to be documented and communicated to all partners as minutes and specific decisions taken to address issues/problems.

A way to reduce the need for physical meetings, which can be more timely and costly, is to use video-conferences. It is however stressed that while they are extremely useful, they cannot replace the basic need for face-to-face meetings for some key occasions (for example, the kick-off meeting).

As mentioned above, projects can envisage the use of **technological means** to facilitate the communication activities among partners, mainly the day-to-day work. In this respect, while phone, fax and e-mail are the most commonly used tools, such cross-border cooperation projects often may have a need for additional, more sophisticated technologies that can support collaboration. The implementation and use of such systems should be planned well (including financial resources and time for their set-up) in order to ensure benefit for the project and not creating extra work for partners' organizations. The use of technological tools and devices can improve the working efficiency of the team. For instance it could be useful to envisage an online storage of documents, which is a good way to ensure that all partners have easy access to the latest

information and documents, templates, etc. It could be useful to use also shared internet-based work spaces for collaboration among team members. These are often a combination of storage and management platforms, which can be highly valuable for teams working together over long distances.

The possible management and coordination outputs indicators that projects can plan may be the following (not exhaustive list):

- number of steering group meetings organized by project;
- number of videoconferences (if any) organized by project;
- number of Project Progress Reports produced;
- number of interim evaluations.

2.3.2. Communication and Dissemination activities

A separate Work Package (WP2) devoted to group all communication, dissemination and publicity activities is foreseen in the Application Form. During the project preparation stage, it is important to plan those activities and the financial resources needed for them.

External communication and information of project results to key stakeholders and target groups are essential to make the project visible as widely as possible. In some projects this can be a quite complex process as different target groups need to be approached in different ways. External communication involves many aspects, but in general it is about everything relating to the project's appearance to the 'outside world'.

Therefore the following aspects should be clear in advance:

- **What** needs to be communicated and to what level of detail?
- **Who** needs to be informed?
- **Whe**n and how often they need to be informed?
- **How** they should be informed? What is the most appropriate medium?

In general, concerning the "who should to be informed", projects need to reach a wide range of media and stakeholders, including representatives from all levels of government, as well as the wide public. Depending on the objectives, the project partners shall identify relevant addressees, such as (list not exhaustive):

- relevant stakeholders
- policy makers at regional, local and national level
- general public
- specific media
- European Commission
- Programme bodies.

Concerning 'how" the above mentioned target groups may be reached, the possible communication outputs and relevant indicators that the projects can plan may be the following:

- Number of public events advertising the projects organized by the project and number of expected participants at these events
- Number of newsletters issued and/or downloaded online
- Number of printed publications distributed
- Number of brochures/flyers produced
- Number of public events advertising the projects attended by project representatives (excluded the ones organized by project)
- Number of TV/radio/web streaming broadcasts

- Number of articles in international/national/regional/local press (newsletters, magazines etc.)
- Number of connections to the project website.

Moreover, it is strongly recommended to envisage the definition of a more detailed project's communication and dissemination strategy in a **communication plan**, to be drawn up as soon the project starts in respect also of the Programme publicity rules[7].

In case specific skills and expertise are necessary to make sure that communication activities are carried out as professionally as all the other WPs, a skilled information/communication manager, who should preferably speak English, may be appointed, planning appropriately the needed financial resources.

The **communication manager** is the person in charge for the implementation of the communication plan, for the coordination of all the communication and publicity activities in accordance with the EU and Programme's requirements on information and communication and visibility of actions. In case no specific person will be appointed/contracted, the communication tasks can be carried out by other persons involved in the project, for example, the project coordinator.

In order to make the project more visible and to ensure the transparency of the activities and results, projects are recommended to set up a **website** and to regularly update it during the project lifetime.

2.4. The project budget

It is vital that projects start to consider financial issues from the very beginning. Every planned activity needed to meet the project objectives should be budgeted. All partners should be involved in this process and it is important to include also a realistic budget for the Lead Partner's project administration role. Obviously this requires preparatory work (including meetings when possible) during the development of the project application. Time invested in the developing phase, brings to construct a strong partnerships with clear responsibilities and well-justified budget allocations. Moreover consistently good preparation is the main factor for a smooth and successful project implementation.

An estimation of the funds potentially available can be an important factor in defining the scope of the project and all partners need to take responsibility for their own budgeting.

There is a three-step process that should provide the right level of accuracy: Resource planning, Cost estimating and Cost budgeting. These steps form the basis for cost control once the project is operational.

Resource Planning

First of all, project partners have to get a clear idea of what they want to achieve and how they plan to do it. Then they have to break this down into work packages and decide what is needed for completing each work package. It is particularly important to think about how different work packages fit together: the work of one partner often depends on the delivery of another partner's work, thus possible delays should be estimated and considered into the time plan.

Cost Estimating

Project partners should have a reasonable accurate picture of what will happen over the course of the project and then try to work out how much it will cost, developing an approximation of the costs of the resources needed to complete project activities. Some costs are reasonably easy to calculate. For example, you will know the number and type of staff required and the standard salary for this type of staff. Other costs are more difficult to be identified. For example, if you plan a pilot activity based on the results of initial research carried out by the project it will be impossible to know exact costs at the beginning. The best approach is to define a realistic maximum price for the activity.

[7] Please refer to chapter 7 for further details.

Cost Budgeting

Project partners should know the main activities, which partners will carry them out, the estimated start and end dates and the approximate resources (and therefore budget) required. The final step involves re-organising these figures to show the main categories of spending into the Project "budget lines", the partners that will spend the funds and on which year this will happen, which is the most important part of the agreement between the partnership on how the project is going to be implemented.

When developing the project budget, Lead Partner and its Project Partners are even encouraged to develop a more realistic project budget and spending plan from the start, since evaluation of project spending patterns in the previous INTERREG Programme showed that most projects were too optimistic about their spending profiles during the first reporting periods and that they needed to prolong their projects in order to complete their activities and spend their budget.

In order to avoid that the IPA co-financing may be lost, if it has been not claimed timely and fully by the CA to the European Commission, the following experiences could be useful:

- the spending rate of an average three years project is lowest at the beginning of the project, because at the early stage the project focuses on planning and preparation activities. The spending increases towards the end of the implementation phase, where it reaches its highest level;
- higher spending rates, especially at the beginning, are appreciated, but they can only be fulfilled if the project implementation is speeded up right from the start. For this purpose, the key staff for project coordination should be available shortly after the project starting. Also a kick-off meeting and detailed project planning meetings should preferably be arranged soon after the project approval;
- the Lead Partner must control that each project partner strictly follows its spending provision according to the approved Application Form and to the IPA Subsidy Contract, in order to keep the project financial performance at least constant.

2.5. Contracting Phase

When the projects are finally selected for funding, the contracting phase starts and the Managing Authority concludes and signs the IPA Subsidy Contract with every Lead Applicant of funded projects.

Since the signing of these contractual arrangements, the Lead Applicants will be considered the Lead Beneficiary and will take on the responsibilities for the whole project towards the Managing Authority.

Before signing the IPA Subsidy Contract (SC), the Lead Beneficiary (LB) has to conclude a Partnership Agreement with all other projects Beneficiaries.

The Managing Authority with the support of Joint Technical Secretariat will provide clarification to all legal questions related to the contracting phase. The Applicants' Manual of the relative Call for proposals provides the specific requirements to be fulfilled before the signature of these documents.

2.5.1. Partnership Agreement

According to the IPA Implementing regulation (Art. 96.1 let. a), Lead Beneficiaries shall conclude a Partnership Agreement with their project partners. The Partnership Agreement contains a clear definition of responsibilities among partners and provisions for guaranteeing the sound financial management of the funds allocated to the project, including the arrangements for recovering unduly paid amounts and the transferring of the Community contribution from the Lead Beneficiary to the other partners. The Lead Beneficiary is the sole responsible for the whole project towards the Managing Authority. Therefore, the Partnership Agreement signed with all other Beneficiaries allows the Lead Beneficiary to extend the rules and responsibilities set out in the IPA Subsidy Contract to the level of each partner and mainly to share

common understanding of the implications of participating in the project both in terms of activities and financing.

The IPA Partnership Agreement form, available from the Programme's website, shall be filled in with the project specific information and, if necessary, with additional provisions which will be checked in advance by the Managing Authority (with the support of the Joint Technical Secretariat) in order to verify that they are not in contrast with the EU regulations, Programme provisions and the contracting rules.

The signature of the Partnership Agreement by all project Beneficiaries is a prerequisite to sign the IPA Subsidy Contract thus it shall be sent to the Managing Authority as soon as signed.

In case during the implementation, some changes in the project will occur which may affect the content of the Partnership Agreement, an Addendum to the Partnership Agreement would be drawn. This Addendum must be signed by the Lead Beneficiary and the other project Final Beneficiaries and must be sent to the Managing Authority. The modification will enter into force when the addendum will be authorized by Managing Authority.

2.5.2. IPA Subsidy Contract

The IPA Subsidy Contract (to which the "General conditions of the IPA Subsidy Contract" is annexed) is the contract entered into between the Managing Authority and the Lead Beneficiary of approved project. It sets out the obligations and rights of the contracting parties and constitutes the main agreement between the project and the Programme Authorities. The IPA Subsidy Contract determines the rights and responsibilities of the Lead Beneficiary, on one side, and of the Managing Authority, on the other side, the reference to the activities to be carried out, terms of funding, requirements for reporting and financial controls. It represents the framework of reference for the implementation of project activities.

Before the IPA Subsidy Contract's signature, the Managing Authority, on the basis of risk assessment, may require to the Lead Beneficiary or to a single Final Beneficiary - except public Final Beneficiary - to provide an adequate financial guarantee on Community contribution assigned in order to limit the financial risks of the unrecovered amount. The guarantee shall be provided by an approved bank or financial institution established in one of the European Member States or Participating Country to the Programme, if that bank or financial institution offers equivalent security as the one offered by a bank or financial institution established in an European Member State. In this case, the guarantee shall be annexed to the IPA Subsidy Contract.

3. PROJECT IMPLEMENTATION

3.1. Project Start-up

Projects should be ready to start implementation according to the starting date envisaged in the approved Application Form (AF).

Several steps should be taken at the beginning:

- setting up project team and decision-making body;
- establishing the audit trail system;
- drafting a communication plan (recommended) [8];
- holding the kick-off meeting.

These steps (not necessarily in the order above) should be taken by the Final Beneficiaries according to their tasks and responsibilities.

It is important that these aspects are clarified and scheduled in order to have a management structure for running the project since its early beginning.

3.1.1. Partnership responsibilities and decision-making structure

According to the Article 96 of IPA Implementing Regulation, the Lead Beneficiary of a project is appointed by the Final Beneficiaries among themselves, firstly for submitting the project proposal and, then, for being responsible for the implementation of the entire project.

In general, the **Lead Beneficiary** shall assume the following responsibilities:

- it shall lay down the arrangements for its relations with the Final Beneficiaries participating in the project in an agreement (Partnership Agreement[9]) comprising, inter alia, provisions guaranteeing the sound financial management of the funds allocated to the project, including the arrangements for recovering amounts unduly paid;
- it shall be responsible for ensuring the implementation of the entire project and support the Final Beneficiaries in carrying out the overall project implementation in accordance with the programme documents and the pertinent EU regulations;
- it shall be responsible for transferring the Community contribution to the final Beneficiaries participating in the project;
- it shall ensure that the expenditure presented by the final Beneficiaries participating in the project has been paid for the purpose of implementing the project and corresponds to the activities agreed between the final Beneficiaries participating in the project;
- it shall verify that the expenditure presented by the final Beneficiaries participating in the project has been validated by the controllers (FLCO).

In particular, within the IPA Adriatic CBC Programme, in order to ensure the implementation of the entire project, the Lead Beneficiary has to:

- set up an efficient and reliable system for the project management and co-ordination (incl. administrative and financial management), also appointing a Project Manager to act as a driving force in the partnership and to mobilize the partners to achieve the project objectives[10];
- continuously monitor project progress ensuring that the project stays on track;
- produce regular Project Progress Reports *(by 31st October and 30th April)* on the entire project[11];

[8] See § 2.3.2 of this PMCM.
[9] See § 2.5.1 of PMCM.
[10] See § 2.3.1 of PMCM.

- inform MA/JTS in right time if any change occurs and submit all necessary requests for modifications[12];
- produce a Final Project Report at the end of the project[13].

On the other hand, every **Final Beneficiary** (Lead Beneficiary included) has to assume several responsibilities:

- to collaborate with the Lead Beneficiary and all other Final Beneficiaries to guarantee the correct implementation and the success of the project; the FB should nominate a contact person for communicating with the other partners and with project manager/LB;
- to carry out its own part of the work as defined in the project Application Form, to monitor the progress of the part of the project which it is directly responsible for and to make sure that the project implementation under its responsibility is carried out in accordance with the programme documents and the pertinent EU regulations;
- to agree on and to apply the requirements and obligations as defined in the Partnership Agreement;
- to maintain either a separate accounting system or an adequate accounting code for all transactions relating to the project;
- to produce regular Progress Reports on its implemented activities and expenditure;
- to keep available all its documents related to the project for at least a period of 3 years following the closure of the IPA Adriatic CBC Programme.

According to what stated in the Application Form[14], for the successful management of the partnership and completion of the project, as soon as the project starts, the partnership shall set up (if possible) a project joint decision-making body. Such **Steering Committee** (or advisory board, steering group) is responsible for monitoring the implementation of the project overseeing the strategic planning, coordination, monitoring, evaluation and achievement of outputs/results[15].

3.1.2. Establishing the audit trail system

The audit trail is an instrument the Lead Beneficiary and all the Final Beneficiaries shall put in place since the early beginning of the project in order to ensure the "self-control" during the implementation of the project.

It is extremely important since it allows a clear and objective traceability of project's declared expenditures and revenues and relevant related documents. It can be in fact described as the records that show how the funding of the project has been spent. Although accounts can be kept in Euros or in the Final Beneficiary's national currency, all project reports have to be filled in and accounted in Euros only.

The audit trail should include the information/documents related to:

- original invoices (or documents of equivalent probative value) of all declared expenditures and related payment proofs;
- administrative supporting documents adopted for public procurement procedures: tenders, contracts, administrative procedures;
- clear description of the accounting evidence, related to the specific budget lines;
- certifications related to validated expenditure (DVEs);

[11] See § 6.1.3 of PMCM.
[12] See § 3.4 of PMCM.
[13] See § 8.1 of PMCM.
[14] See § 2.3.1 of the PMCM.
[15] See § 3.3 of the PMCM.

- procedures: IPA Subsidy Contract and, Partnership Agreement (and the possible changes to them authorized by the competent bodies), Progress Reports, relevant project correspondence, etc;
- main correspondence on approval, implementation, modifications of the project;
- correspondence/verification of the receipt (and transfer for the LB) of IPA funds.

In order to clearly and easily identify, verify as well as properly monitor and manage the project related expenditure and revenues, for all transactions related to the project without prejudice to national accounting rules, the Lead Beneficiary and all Final Beneficiaries should:

- open a specific ***bank account*** in euro for project payments, if possible, or foresee a separate project code to identify project related transactions;
- maintain a separate ***accounting system or*** an adequate ***accounting code***, in order to clearly trace project costs/revenues by budget line, activity and payment date/reporting period in the accounting system;
- indicate the project title/acronym directly on the invoices/equivalent documents and on all supporting documents.

The ***bank account details*** shall be communicated to the Managing Authority when required, using the specific form ("Bank account Identification notice") provided by the JTS. Any change of this information should be communicated as soon as possible and, mainly for the Lead Beneficiary, when submitting the Application for Reimbursement[16], since the reimbursement of IPA grant will be executed only on the bank account of the LB communicated to the MA/JTS. Complete and correct bank information in fact can ensure fast transfer of the funds.

Experience shows that the international BIC (S.W.I.F.T. code) as well as the international IBAN code were major sources of errors. Therefore LB are very much encouraged to ensure that the BIC (S.W.I.F.T.) and/or the IBAN codes are correct and do not contain any space characters. Moreover, the name, address, town and Country of the bank and the account holder should be given.

Concerning the ***separate accounting system or accounting code,*** it may either be an integrated part of the Final Beneficiary's regular accounting system or additional to that system. In any case, the chosen system shall be run in accordance with the accounting and bookkeeping policies and rules that apply in the Country where the final Beneficiary is established. Hence the Beneficiaries can set up a "project accounting system" by using separate accounting system for the Project concerned or by ensuring that expenditure and revenues for the activity concerned can be easily identified and traced to and within the Final Beneficiary's accounting and bookkeeping systems thanks to a specific and adequate accounting code.

Finally, a correct audit trail foresees:

- a separate archive filled in by each project partner with all original documents related to project's (financial and administrative) implementation;
- all partners shall keep the documents linked to the project until 31st December 2021 or longer if foreseen at national level or according to the *de minimis* applicable rules;
- project specific cost-accounting analytical code/s in order to clearly trace project costs, activity and payment date/reporting period in the Beneficiary's accounting system[17];
- copy of relevant documents sent to the Lead Beneficiary.

[16] See § 6.3.2 of the PMCM.

[17] Final Beneficiaries may also use the "Expenditure Identification Code" (EIC) provided by the M.I.S. for each expenditure included in a Progress Report.

3.1.3. The kick-off meeting

The first partnership meeting is the so called kick-off meeting, which should be preferably arranged within the first starting months to ensure that all the partners share the same project vision and are ready to start the implementation of the project without delay.

The kick-off meeting is an important moment for project. All partners should take part in and some partners may meet and know for the first time. It aims to establish confidence and trust. It is also a stage to launch the management and coordination process, to confirm objectives and the implementation plan, to define communication strategy (for instance to agree on the communication plan) and agree on the composition of the team. Depending of the agenda, this meeting can usually take one/two day/s and usually it is arranged by the Lead Beneficiary.

3.2. Programme Management and Information System (M.I.S.)

The Management and Information System of the IPA Adriatic CBC Programme (hereinafter referred to as MIS) is a multi-user system, developed specially for the needs of the Programme. It is based on a web technology that allows the users to have access to it from wherever they are, with an Internet connection and a browser.

The M.I.S. is then the common Programme integrated system for the whole Programme area which permits to manage the information related to:

- the Programme and its configuration;
- project's submission;
- Final Beneficiaries being members of a project;
- expenses made by Final Beneficiaries of financed projects;
- certification of expenditures (Declaration on Validation of Expenditures) and related Application for Reimbursement;
- multi-level controls of expenses;

thus allowing the recording and keeping of the accounting data as well as the financial management, control, checks, audit and evaluation of each Project approved within the framework of the Programme (Ordinary and Strategic).

The Managing Authority will provide all users with an "**User Account**" *(user name and password)* to enter into the MIS[18]. Then, users can access to the M.I.S. through the "Reserve area" in the web site of the Programme (www.adriaticipacbc.org) or directly through this link: https://sso.adriaticipacbc.org/gestionale.

The MIS permits, to Final Beneficiaries, to fill in Progress Reports (PR) and Application for Reimbursement (AR) via Internet access and at the same time to save, to store and to print Progress Reports, Declaration on Validation of Expenditures (DVE) and Application for Reimbursement[19]. At the same time it allows a direct communication within the whole monitoring system (FLCO, MA/JTS, AA, CA).

Additionally, the M.I.S. provides updated information on Progress Report status (under preparation, submitted, need integrations, approved, rejected), besides speeding up the payment process, since the collection of the validated expenditures that could be reimbursed into a single Application for Reimbursement can be started by the Lead Beneficiary right after the online submission of the DVE.

[18] Final Beneficiaries involved in more projects will be given a single "User account" through which they can access to all the different projects they are involved to.
[19] For more information about PR, DVE and AR refer to § 6 of the PMCM.

Finally, through the MIS it is possible to monitor the financial progress of the project, seeing the planned amounts, the previous reported amounts, current reports as well as accumulated amounts, besides having all the information about project budget by partners and by budget lines[20].

Technical and useful information for Final Beneficiaries for using the MIS are provided in the guidelines produced by JTS: ***"Guidelines for the use of the Programme Management and Information System - M.I.S. (Instruction on how to submit Progress Reports and Applications for Reimbursement)"***[21] available on the Programme website.

3.3. Project Monitoring

The Lead Beneficiary is responsible to ensure the quality of the project implementation by monitoring and reporting on the project's progress. In order to ensure effective and efficient management of the project, the LB shall set up a proper procedure for monitoring the achievements of milestones and outputs as well as the project spending. It is the responsibility of the LB to follow up and to assess the quality of Project Partners' achievements and to have an overview of the overall progress of the project.

The Lead Beneficiary may be supported in this by a project's coordination group (generally called ***Steering Group/Committee)***. Generally, this coordination group should be responsible for monitoring and steering the project in order to meet the targets/objectives set in the project application. If necessary, the Steering Group/Committee handles with the changes of the project implementation (see following § 3.4).

The Steering Group/Committee should be composed of representatives of all project partners (and if necessary of the representatives of the key stakeholders according to the project content). The number of its members is related to the number of project partners.

The Steering Group/Committee bears no legal responsibility towards the IPA Adriatic CBC Programme management structure or the project partners, since the Lead Beneficiary is the only responsible and accountable structure in relation to the Managing Authority. This is due to the fact that the IPA Subsidy Contract is signed only by the Managing Authority and the Lead Beneficiary.

This being said, all projects are anyway subject to monitoring, regarding both the *progress of the project* activities and the *financial implementation*.

The main instruments for the project monitoring are the ***Project Progress Reports***, since on the basis of these reports the Joint Technical Secretariat monitors the implementation of the projects. By monitoring the progress of the projects the Joint Technical Secretariat wants to help the projects to achieve the best possible output for the benefit of the IPA Adriatic CBC Programme area. At the same time, they are a tool for the Lead Beneficiary to follow the activities and costs occurred among the project partners. Additionally to the Project Progress report, also the ***Progress Reports***, produced at partner level, allow the Lead Partner, FLCO and MA/JTS to examine the progress of the project[22]. It should be noted that a good report does not include only the success factors but gives a balanced view of the project. This includes, of course, reporting the success factors, but also the lessons learnt and what did not work, problems arisen and how they have been overcome. In this way, the reporting is useful for both the project itself and the Programme

Additionally, the project monitoring includes also how the funding of the project has been spent, thus Lead Beneficiary and the other project partners must ensure that a ***good audit trail*** has been put in place and that

[20] Through the "***Expenditures statistics***" section of the MIS.
[21] The JTS has even prepared a guideline for FLCOs "*Guidelines for the use of the Programme Management and Information System - M.I.S. (Instruction on how to issue a DVE)*" available on the Programme website too.
[22] See § 6.1 of the PMCM.

all accounting documentation related to the project is filed separately and that all project related payments have a clearly distinguishable book-keeping code[23].

After the approval of the project, each project will be assigned a contact person in the Joint Technical Secretariat, who is in charge to follow the project progress and also to support the Lead Partner in the project implementation. The Joint Technical Secretariat also has the right to ask for any additional information or material at any time.

3.4. Project Changes

The project should be kept as much as possible identical to the one defined in the Application Form (AF). However, the planned project activities are based on assumptions made at the time of the AF submission but conditions may be changed or be unknown: no matter how good the planning is, there can always be some variation.

During implementation, in some cases the possibility to have project changes is allowed in order to adapt the project to real context/situation that the final Beneficiary has to deal with.

In general, the changes can be distinguished in:

- **changes**, which DO NOT have a relevant impact on the main results, outputs and objectives of the project; they require a detailed written request to MA/JTS justifying the changes, and the MA may approve it or not;
- **substantial changes**, which HAVE a relevant impact on the main results, outputs and objectives of the project; they require a detailed written request to MA/JTS justifying the changes as well, but the approval/not approval by the Joint Monitoring Committee (JMC) is needed.

Specific obligations about project changes are established in the IPA Subsidy Contract and its General Conditions (and their amendments) and shall be respected as well.

For the submission of any project change, Lead Beneficiaries must use the template available in the “Project Management Toolbox” in the Programme website.

3.4.1. Changes

The allowed changes concern budget changes (between budget lines, between Work packages (WP)) and/or activities changes, and sometimes they can be interrelated, for instance a change in activities/work plan can imply budget changes[24]. These kinds of changes DO NOT have a relevant impact on the main results, outputs and objectives of the project as laid down in the Application Form (AF).

Any request for these changes has to be well justified and submitted by the LB to the Managing Authority in a written form. In case the changes are related to the part of activity and/or budget of one or more Final Beneficiary/ies, the Lead Beneficiary must attach to the request sent to the MA/JTS also the request made by the Final Beneficiary/ies to the LB. In the case that the changes initiated only by the LB affect other project Final Beneficiaries, again their request/consent is needed prior to sending the request to the MA, and they have to be informed on the decision as soon as the request is processed.

[23] See § 3.1.2 of the PMCM.

[24] It is highlighted that not only the percentage of budget changes is substantial to define if a project change is minor or substantial, but how the changes will affect the nature of the project as it was when approved. For instance, in a project, it can be requested to move budget from one budget line to another (or from one WP to another) equal to 5% of the project budget but nevertheless should it modify the results/objective of the project considerably, it would be considered as a substantial change in the content of the project. Generally speaking, it is expected anyway that budget changes exceeding the 20% of the total project budget may substantially modify the nature of the project.

The request for changes has to be submitted signed and stamped by the LB legal representative/authorized person in paper version at any time during the year[25].

Once the LB's request for change is received by the MA, the MA will, with the support of the JTS, evaluate if the change needs also the JMC's approval. If the JMC's approval is not needed, the MA, taking into consideration the JTS's opinion concerning the change request, approves or not the request. The modification will enter into force only when MA sends an approval notification letter to the LB.

In case changes will affect the content of the IPA Subsidy Contract and of the Partnership Agreement, addenda to them will be issued to Lead Beneficiary.

The Beneficiary can use the "expenditures statistics" section in the Management and Information System before submitting the budget change's request in order to verify if the planned changes are possible and in line with its needs. In fact this feature of the M.I.S. allows to have an overview of the costs already reported/validated/reimbursed and to see from which budget lines it is possible to move funds[26].

3.4.2. Substantial changes of the approved Application Form

In very exceptional cases, the following substantial changes can be possible:

- changes in the partnership composition;
- changes in the content of the project;
- budget shift from one Final Beneficiary to another/others on the condition that the total Programme Contribution does not change;
- budget reallocation between budget lines and/or work packages exceeding 20% of the project budget;
- extension of the project duration.

In all these cases the LB shall submit an official request to the MA/JTS giving a detailed justification. The request will be submitted to the JMC taking a decision which will only have effect after the formal notification sent by the Managing Authority to the LB. In case of approval, an amendment to the IPA Subsidy Contract and (where relevant) to the Partnership Agreement will be made.

Changes in the partnership composition

Change in the partnership is a sensitive modification of the approved project since the partnership represents an important aspect for the implementation of the project and for the achievement of project objectives.

The following situations may occur:

a. Beneficiary withdrawal without being replaced by a new one;
b. Beneficiary withdrawal with replacement by a new Beneficiary.

In case (a), a Beneficiary withdraws for any reason from the project without being replaced, the other Beneficiaries should take over fully or partly the responsibilities and tasks of the withdrawing Beneficiary. The budget has to be also changed consequently. The Lead Beneficiary shall send a request to the MA/JTS and provide it with information on the new division of work and, if necessary, also of the remaining project budget of the withdrawing partner; the declaration of withdrawal (dated and signed by the legal representative of the withdrawing Beneficiary) in which an explanation on the reasons for withdrawal is given must be attached too.

[25] The Project change request template will be available on the Programme website.
[26] In order to better understand how this section of the MIS works, it is recommended to consult the "*Guidelines for the use of the Programme Management and Information System - M.I.S. (Instruction on how to submit Progress Reports and Applications for Reimbursement)"* available in the Programme website.

In case (b) a Beneficiary withdraws and is replaced by a new Beneficiary, it is suggested, in order to minimize the impact of the project, that the replacing Beneficiary comes from the same Country/region. The Lead Beneficiary shall send a request for change to the MA/JTS providing the details on the new Beneficiary that will join the project, the reasons for joining and which tasks will be taken over by the new Beneficiary. Moreover the following documents must be annexed to the partner change request:

- Declaration of withdrawal, dated and signed by the legal representative of the withdrawing Beneficiary in which an explanation on the reasons for withdrawal is given;
- original 'Letter of Intent' and 'De minimis Declaration' signed by the legal representative of the organization wishing to join the project;
- all the supporting documents (such as Statute, final budgets...) necessary to verify the eligibility of the new Beneficiary according to its legal status and what required by the reference Call for proposals;
- the legal status notice and the Bank account identification notice of the new partner;
- data of the new Beneficiary and description of its institution, experience and role into the project, according to the information provided into the "Beneficiary" Section of the MIS;
- a revised AF (sections Work plan and Budget).

In both cases, since the new Beneficiary (if any) and the new division of tasks are changes that may affect the outputs and results of the project, the Lead Beneficiary must, in its request, demonstrate, that the changes proposed will not jeopardise or change the objectives set in the project approved by the JMC.

Changes in the content of the project

Content-related changes that are resulting in modification of the main results and objectives of the project as laid down in the Application Form (AF) are considered as substantial changes, independently of the fact that they imply or not a budget modification.

Budget reallocation between Final Beneficiaries

If strictly necessary, Final Beneficiaries may also decide a different distribution of their Project budget envisaged in the total financing plan of the Project approved by the JMC, provided that the total amount of Programme contribution allocated to the Project will not be increased. In such a case, the Lead Beneficiary must promptly inform the MA on the changes proposed by indicating the new distribution of the Project costs and by justifying the new reallocation of the resources.

Extension of the project duration

The extension of project duration can be requested only in exceptional and justified cases. The project should demonstrate that unpredictable delays have occurred due to external conditions.

The extension is possible only for the total duration not for single WP/action and it may also concern the cost-extension within the approved project budget. In case a WP is in delay, it will be seen as a normal setback of the project, which will be explained by the LB/FB within the related Activity Report[27] and the MA/JTS will evaluate case by case the reasons of delay during the monitoring on the project progress and, if necessary, will take the appropriate measures.

The modification of project end can be made up to a maximum of 180 days, under the conditions that the total duration of the project has not exceeded, in any case, the third year following the last budget commitment of the Programme (as ruled by Art. 18 of the IPA Subsidy Contract).

[27] See § 6.1.2.1 of PMCM.

3.4.3. Administrative adjustments

Any administrative adjustment of the Final Beneficiaries - such as contact information, the change of the addresses - requires a written notification to the MA/JTS through LB, which can be sent also on occasion of the submission of the Progress Reports by the Final Beneficiary; in case of changes of bank account of the Lead Beneficiary may be also specified on the occasion of the submission of the Application for Reimbursement.

3.5. Specific provisions for Associates

Associate may not require directly reimbursement for their expenditures. The travel and accommodation costs, incurred for the participation in project meetings/events, shall be paid directly by any Final Beneficiary.

Thus the Final Beneficiary/ies sustain those expenditures and ask for reimbursement to the Programme reported them under “External expertise” budget line. This means that the expenditures for the participation of Associates in the project’s meetings/events are eligible provided that these costs are finally borne by any partner institution officially listed in the Application Form. Should it not be possible to meet this requirement, such costs cannot be considered as eligible.

Associate cannot act as a supplier or be a (sub)contractor in the implementation of the project.

3.6. Programme website

In the specific section of the Programme website “***Implementation documents***”, the JTS provides all the templates that support standardisation of communication and data to be reported.

Namely, in this section Final Beneficiaries will find all the *mandatory templates* required in specific case and also the *suggested templates* that can be used.

In addition, should there be any amendments made to the PMCM due to legislative changes or other requirements which influence implementation of already approved projects, they will be made available on the official website of the IPA Adriatic Cross-border Co-operation Programme: www.adriaticipacbc.org

4. COMPLIANCE WITH EU POLICIES AND OTHER RULES

4.1. The principle of cost efficiency and transparency

When partners purchase goods and services, the selection process must always respect the principles of transparency and sound financial management of the public funds (besides equal treatment and non-discrimination), even though no specific requirements have been set for purchases below Community and/or national tendering thresholds.

Final Beneficiary must be in a position to demonstrate that it has, for all contracts, chosen the provider respecting the principles of cost efficiency and transparency and ensuring there is no conflict of interests, but it is up to the Final Beneficiary to establish how to follow them, taking into account the applicable legislation.

Basic standards to comply with the obligation of transparency are:

- advertising (e.g. means of advertising, content of advertising);
- contract award procedure (e.g. principles, contract award decisions);
- judicial protection (i.e. possibility to review the impartiality of the procedure).

The Final Beneficiary must clearly trace the tender procedure and retain the documentation in the event of any control or audit. 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.

4.2. Public procurement

The purchase of goods and services, as well as the ordering of works is subject to procurement rules aimed at securing transparent and fair conditions for competing on the common market and which should be followed by the Final Beneficiaries when commissioning services, works or supplies to third parties. Rules for selecting the provider differ depending on the object of the awarding contract as well as on its value.

In the framework of the IPA Adriatic CBC Programme, rules on public procurement are mandatory and have to be respected also by private bodies.

According to Art. 121 of the IPA Implementing Regulation[28], the IPA Adriatic CBC Programme will follow the contents of the "*Rules and procedures for service, supply and works contracts financed from the general budget of the European communities for the purposes of cooperation with third Countries*[29]". Those provisions shall apply in the whole area of the Programme.

Final Beneficiaries are suggested to consult Practical Guide to Contract procedures for EU external actions (hereinafter referred to as "PRAG" and available in the following website: http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm) to implement in practice the Community procurement rules for external actions. The PRAG templates may be used, but it is not an obligation. In the case templates other than PRAG are used, they must be in line with the EU rules and regulations regarding the public procurement applied to this Programme.

[28] *"For the award of service, supply and work contracts, the procurement procedures shall follow the provisions of Chapter 3 of Part 2, Title IV of Regulation (EC, Euratom) No 1605/2002 and Chapter 3 of Part 2, Title III of Regulation (EC, Euratom) No 2342/2002, as well as Commission Decision C(2007) 2034 on the rules and procedures applicable to service, supply and work contracts financed by the general budget of the European Communities for the purposes of cooperation with third countries, with the exclusion of Section II.8.2. Those provisions shall apply in the whole area of the cross-border programme, both on the Member States' and on the beneficiary countries' territory."*

[29] *Decision of the European Commission EC n. 2034/2007 (sections II2-II7).*

Final Beneficiaries may also consult the Practical Guide issued by Interact Programme regarding the "***Public procurement in the IPA cross-border cooperation programmes with EU Member State in shared management***"[30].

According to the Programme rules, when the contract to be concluded does not exceed 10,000 EUR it can be awarded on the basis of the "Single tender procedure", provided that basic principles relating to procurement procedures such as checking compliance with eligibility rules (nationality rules), capacity to carry out the contract and exclusion criteria are duly applied.

Unless differently ruled by applicable national law, payments of amounts less than or equal to EUR 500 in respect of items of expenditure may consist in payment against invoices or receipts, without prior selection procedure of provider and acceptance of a tender.

For more information, Final Beneficiaries may also refer to the "*Guide on European Community rules for awarding procurement contracts financed by the IPA Adriatic CBC Programme*" and to the "*Guidance on public procurement procedure for awarding contract with a value up or equal to 10,000 EUR or a single tenderer under certain circumstances*", both published in the Programme website.

In this respect, Final Beneficiaries have to be aware that First Level Controllers are asked to verify the existence of evidence concerning the proper application of selection and tendering processes. This evidence should be based on 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 EU Treaties (transparency, non-discrimination, equal treatment);
- the adequateness of the level of advertisement of the tender;
- 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 tenderers.

Final Beneficiaries are advised not to split the awarding of contracts in order to avoid stricter public procurement procedures for the selection of a provider (e.g. a contractor might be assigned with the elaboration of one part of a study and a different contractor is assigned with another part of the same study).

All cases must be anyway assessed on a case-by-case basis. Awarding separate contracts can be necessary and justified, for example, if different expertise is required or if the contracts cannot be reasonably combined for geographic matters or for reasons related to timing, thus Final Beneficiaries should prepare solid reasoning for cases that look like splitting at first glance.

National FLCO will check all the Final Beneficiaries contract awards also paying attention on spotting the potential cases of illegal splitting of the object of a tender. It also serves as a basis to start investigating if there is sufficient reasoning for splitting of the object of the contract. The Managing Authority may also carry out this check.

Expenditure incurred without respecting the public procurement rules are not eligible and thus cannot be reimbursed by the Programme.

For each awarded contract, Final Beneficiaries are even required to submit (see also § 6.1.2.3 of this Manual) the "Contract Awarded Declaration Form". For any awarded contract not exceeding 10,000 EUR,

[30] http://www.interact-eu.net/downloads/1909/Public_procurement_in_IPA_cross-border_cooperation_programmes_with_EU_Member_States_in_shared_management.pdf

but higher than 500 EUR, Final Beneficiaries are invited to fill in - and upload as a "*.pdf*" file into the M.I.S. - the "Single tender procedure report" when reporting expenditure.

4.2.1. In-house providing

The *in-house* providing is a legal institution, mainly known within EU Member States, still not ruled by the law and it consists of a modality to award contracts outside public procurement discipline.

Therefore, behind such procurement contracts identified by the law in articles 242, 244 and 246 of EC Reg. 2342/2002, public procurement selection procedures don't apply to the in-house providing.

In such cases, the provider is a delegated (in the meaning of "*longa manus*") of the Final Beneficiary[31].

Final Beneficiaries are reminded that the requirements deriving from the latest ruling in this matter by the European Court of Justice[32] imply that:

- the *in-house* provider is controlled by the contracting authority exercising on it a control analogous to the one exercised over its own departments ("*structural subordination*"); **and**
- at the same time, it carries out the essential part of its statutory activities for the controlling authority ("*economical dependency*"); **and**
- it is owned by the contracting authority and its capital IS NOT intended to be opened to private parties in the course of the performance of the respective public contracts, even if the private partner would have a minority share otherwise the analogous control doesn't actually exist.

All the above mentioned three conditions shall be satisfied.

When the conditions for an in-house providing are given, costs of the contracted company must always be charged on a real-costs basis, thus *without any profit margin*, and be in compliance with all the eligibility rules for expenses because it acts on behalf of the project Beneficiary and they should be charged and reported under the budget line related to the specific expenditure.

Please note that the exception of the *in-house* providing is really a sensitive issue. Final Beneficiary that is going to entrust a controlled body must check the fulfilment of all necessary requirements prior to awarding contracts from an in-house perspective, due to the fact that an infringement of the public procurement procedure has negative financial effect.

4.2.2. Derogation to rule of origin and nationality

According to art. 19 of EC Regulation 1085/2006 supplies and materials purchased under a contract financed under this Programme must originate in the Community or in one of the countries eligible for external aid (art. 19, paragraphs 1 and 2 of the same Regulation). Tenderers must then state the origin of the supplies in their tenders. Additionally, according to the same article, tenderers must be nationals of one of the above mentioned eligible countries and must then state, in their tender, the country of which they are nationals by presenting the proof of nationality usual under their national legislation. This rule does not apply to the experts proposed by the service providers taking part in the calls for tenders or in the service contracts financed by the grant, who may be of any nationality.

For unit purchase higher than EUR 5000 the contractor must submit proof of origin for equipment and vehicles to the grant beneficiary no later than when the first invoice is presented. The proof of origin has to ensure that the indication of origin does comply with the rules laid down by this legislation and it has to be provided to controllers with the procurement dossier.

[31] Judgement C-340-04 of the European Court of Justice of 11 May 2006 (Park-Brixen).

[32] The judgments which represent milestones in the course of clarification of this exception are: judgment of the Court of 18 November 1999 in the case C-107/98, Teckal Srl v Comune of Viano and Azienda Gas-Acqua Consorziale (AGAC) of Reggio Emilia, ECR [1999], p. I-0812 and Judgment C- 26/03 of the European Court of Justice of 11 January 2005 (Stadt Halle).

According to article 1 of the European Commission Decision C(2011) 3740, in exceptional cases the *derogation from the rule of origin can be approved* by the Managing Authority if justified on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of the project or an action impossible or exceedingly difficult. Such derogation may be required also for the nationality of providers in order to authorise the participation in the procurement procedure of providers established in countries other than eligible Countries.

Derogation to rule of origin or/and of nationality needs to be authorized before a procurement tender is published or candidates are invited to submit offers, by providing a motivated explanation of the reasons for request (unavailability of products and services, extreme urgency, impossibility or difficulty to realize the project or an action), of how far market research was conducted, of why the realisation of the project/action would be "excessively difficult" and this could not have been foreseen during project development and so on[33].

Final Beneficiaries who need such derogation shall use the templates provided by the Programme ("Request for derogation to rule of nationality of providers" and "Request for derogation to rule of origin of products") and available in the Programme website.

4.3. Sub-granting

In order to support the achievement of the objectives of the project, and in particular where the implementation of the Project requires financial support to be given to third parties (which become sub-beneficiaries), any Final Beneficiary may award sub-grants, **if so provided for in the relevant Call for Proposals provisions**.

However, sub-granting may not be the main purpose of the Project and it shall be duly justified.

In addition, the following conditions for sub-granting must be respected:

- the activities envisaged by the sub-beneficiary do not increase the budget approved for the project and they must provide an added value to the actions of the project partner;
- the sub-beneficiary cannot re-grant the received Programme contribution to other sub-beneficiaries;
- in any case, the maximum amount of Programme contribution that may be sub-granted by the Final Beneficiary to its sub-beneficiary/ies is defined by Article 10, paragraph 3 of the General Conditions of the IPA Subsidy Contract;
- the sub-grant shall be assigned by the Final Beneficiary following the same provisions set out in the relevant Call for Proposals and in the IPA Subsidy Contract (eligibility of granters, selection procedure, respect of State aid provisions...).

The reference Call for proposals may establish additional rules that have to be respected for the eligibility of the sub-grant.

Finally, if not already foreseen in the Project Application Form, the sub-granting must be previously authorized in compliance with the rules set out by the General Conditions of the IPA Subsidy Contract, after a written request is sent by LB to MA/JTS.

For eligibility of expenditure, Sub-beneficiaries must follow the same applicable rules for Final Beneficiaries (see § 5) and the Final Beneficiary that has assigned the sub-grant shall report these costs according to the general reporting procedures (see § 6). The concerned Final Beneficiary is then the only responsible towards

[33] Final Beneficiaries may also consult the INTERACT suggestions at the following website: http://groupspaces.com/INTERACT_IPA_CBC/wiki/01-Derogation-to-the-rule-of-origin-span-style-font-family-Calibri-quot-sans-serif-quot-

the Managing Authority and towards its Lead Beneficiary of the activities implemented by the sub-granter/s and of the eligibility of the related expenditures.

4.4. State aid and "de minimis" regime

Free movement of goods, services and people is one of the basic principles of the European Union. Therefore the objective of the EU State Aid policy is to ensure that free competition is not distorted and trade among the Member States is not affected by public grants.

According to the Article 90.6 of the IPA Implementing Regulation "*for State aid to enterprises in the meaning of Article 87 of the Treaty, public aid granted under cross-border programmes shall observe the ceilings on State aid*". It means that State aid rules must be applied under the IPA Adriatic CBC Programme both in Member States and IPA Countries.

In order to meet the requirements of the European Commission and in order to allow a smooth implementation of the Programme and its approved projects, in the IPA Adriatic CBC Programme framework, State Aid are not permitted excluding the ones **granted under the "*de minimis*" regime**, according to the EC Regulation n. 1998/2006. This Regulation covers small amount of aid ("*de minimis subsidies*") which do not constitute State aid in the meaning of Art. 107 of the Treaty on the functioning of the European Union (ex Art. *87 of the Treaty),* and which are therefore not subject to the notification requirement.. The rule is based on the assumption that the aid not exceeding a ceiling of EUR 200,000 over any period of three years does not affect trade between Member States and/or does not distort o threaten to distort competition.

The total *de minimis* aid granted to any one undertaking shall not exceed EUR 200.000,00 over any period of three fiscal years.

According to the Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest, for undertakings providing services of general economic interest the total amount of aid that can be granted under the de minimis rule is EUR 500.000,00 over any period of three fiscal years.

When an overall subsidy required by a Final Beneficiary acting as an undertaking into the project will exceed this ceiling, that aid amount cannot benefit from the "de Minimis" Regulation, even for a fraction not exceeding that ceiling. In such a case, the benefit of this Regulation cannot be claimed for this aid measure either at the time the aid is granted or at any subsequent time.

In accordance with the principles governing aid falling within Article 107 of the Treaty on the functioning of the European Union, *de minimis* subsidies are granted at the moment when the legal right to receive the subsidy is conferred to the undertaking. For grants assigned by the Programme, the granting date is the date of the Application for Reimbursement's[34] payment order act issued by the Managing Authority as ruled under Article 16 of the General Conditions of the IPA Subsidy Contract.

Prior to granting the de minimis aid, the Managing Authority requires a declaration from the Final Beneficiary which is acting as an undertaking into the financed project, in written, about any other de minimis aid received during the previous two fiscal years and the current fiscal year. On the basis of such declaration, the Managing Authority will then check that the new "de minimis" subsidy will not raise the total amount of de minimis aid received by the Final Beneficiary acting as an undertaking during the period covering the fiscal year concerned, as well as the previous two fiscal years, to a level above 200.000,00 EUR.

Thus, during the project implementation, ***Final Beneficiaries*** assignee of the Programme Contribution under the de minimis regime, for every submitted Progress Report, have to declare[35] the funding received under

[34] The declaration is included in the Activity Report.

the *de minimis* regime over the three-year financial period until the related Progress Report. However the moment in which the MA orders payment to the CA for LB, is the moment when the *de minimis* funding is awarded to FB.

Once the Payment order to the CA has been issued, the MA shall inform the National Authority/Coordinator (and the National FLCO) that hosts the Final Beneficiary acting under the de minimis regime of such issuing as to allow the State to keep updated its aid register (the national or own central register of de minimis aid.

The ***verification activity*** concerns a set of check initiatives, both in the financing granting stage by the Managing Authority of the Programme[36], and in the expenditure check stage by the National First Level Controller. In both cases, the check activity aims to verify that the Final Beneficiary, assignee of the public contribution under the "*de minimis*" regime, complies with what laid down in the Programme/Calls provisions concerned.

Consequently, whereas the respect of the provisions concerning the de minimis regime is validated by the Programme bodies prior to project approval as far as funding limitations to partners are concerned, during the project implementation Final Beneficiaries will be subject to the checks by ***First Level Controllers*** (as better specified in the "Guidance for First Level Controllers").

Even if self-declarations can represent the most straightforward option, where existing, other national or regional sources of information, where existing, (e.g. *de minimis* databases or registers) will be taken into consideration by the relevant FLCO.

If during the check following the public contribution granting, the relevant Authority (Audit Authority or the relevant services of the European Commission) verifies an irregularity in the rules of the financing granting, in contrast with applicable regulation on the State aid or an irregularity in the aid granting, it will be possible at Programme level to make a financial correction in compliance with the specific Community Regulation, in force at the time of the aid granting.

The part of "illegal aid" shall be subject to the recovery procedure, under Articles 27-34 of EC Regulation (EC) 1828/2006 as required by Article 138 (2) of EC Regulation 718/2007.

4.5. Equal opportunities

The implementation of projects approved under the IPA Adriatic CBC Programme should be in line with the provisions 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.

Whereas the promotion of equal opportunities will be regarded, among other horizontal policies, as a positive factor in the selection of projects for funding, the control of the respect of the provisions concerning equal opportunities is a task of the First Level Controllers.

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[37] 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);

[36] During the quality assessment of the project the Joint Technical Secretariat checks if the activities of the Lead Partner and all Project Partners respect of the Programme provisions concerning State Aid and the "*de minimis*" regime.
[37] The declaration is included in the Activity Report.

- 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 First Level Controllers by examining - for example - the list of participants.

4.6. Protection of the environment

Projects should also be coherent with the objectives of protection and improvement of the environment foreseen in Article 11 of the Treaty for the EU Functioning.

Whereas in the Application Form applicants are asked to describe the coherence of the planned project activities with the environmental objectives at EU, in the implementation stage, for activities that may have negative impacts on the environment (as investment), First Level Controllers have to verify that:

- evidence is provided by the Lead Beneficiary/Final Beneficiary that specific compulsory requirements by Community or national legislation are fulfilled (e.g. feasibility study, environmental impact assessment, building permission, etc. are available),
- self-declaration of the related Final Beneficiary is available stating the respect of all community and national laws in terms of environmental impact.

4.7. Other applicable rules

4.7.1. Conflict of interest

Final Beneficiaries must undertake all necessary precautions to avoid conflict of interest and must inform the Joint Technical Secretariat/Managing Authority without delay about any situation constituting or likely to lead to any such conflict.

A conflict of interest exists where the impartial and objective exercise of the functions of any person involved in the project is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person.

4.7.2. Double funding

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 practice, this means that the expenditure that has already been supported by other EU funds is not eligible. In case of co-financing from other EU funds, the cost can be deemed eligible only for the part of the cost not covered by subsidy. Whereas analytical accounting systems help in this respect, more straightforward measures must also be foreseen.

Irrespective of the control procedures in place in the different Participating Countries, the practice of annulling original invoices and other probative documents by stamping them is compulsory in the framework of the IPA Adriatic CBC programme. The used stamp must make explicit reference to the fact that the expenditure has been co-funded by the Programme. In addition, the amount claimed as (or declared as) eligible for every expenditure item must be clearly indicated[38].

4.7.3. Treatment of revenues

As a general rule, the grant may not have the purpose or effect of producing a profit for Final Beneficiaries and consequently it must be restricted to the amount required to balance income and expenditure for the

[38] Please refer also to § 6.1.1.3 of the PMCM.

project. This being said, any revenue generated by the project must be deducted from the amount of total eligible expenditure for the project concerned. This deduction will be made in full or pro-rata depending on whether it was generated entirely or partly by the co-financed project.

Revenues can be defined as earnings generated during the project implementation through the sales of products and merchandise, participation fees, rentals, services, or any other provisions of services against payment or other equivalent receipts with the exception of:

- receipts generated throughout the economic lifetime of the co-financed investments in the case of investment in firms;
- receipts generated within the framework of a financial engineering measure, including venture capital and loan funds, guarantee funds, leasing;
- where applicable, contributions from the private sector to the co-financing of projects.

Each time a project has, or would have, the possibility to generate revenue, the Final Beneficiary shall declare it in the Activity Report in order to let the Lead Beneficiary, the MA/JTS and the national FLCO know the generated revenues.

Should the project be identified as revenue-generating, the MA is entitled to deduct from the last Application for Reimbursement the estimated net revenue that may be generated by the project.

The key decision is to consider if revenues can be (or not) calculated in advance:

- if revenues can be calculated in advance, the net revenue (the revenue minus the operating costs generated all throughout project lifetime[39]) has to be calculated and deducted from total costs;
- if it is not possible to calculate the revenue in advance, all revenue generated within five years from project completion has to be deducted.

The Programme contribution will be calculated on the basis of the total eligible expenditures having deducted any revenue to be generated during the project implementation period, therefore contracts with Lead Beneficiaries will be concluded without taking revenues into account.

No later than the closure of the Programme, all revenues not taken into account will have to be refunded to Programme budget, in their entirety or pro-rata, depending on whether they were generated entirely or only in part by the project.

The rules on revenue generating projects shall not apply to Final Beneficiaries subject to the rules on State aid within the meaning of Article 107 of the Treaty (*de minimis, Block Exemptions…).* The reason for this is that the rules on state aid for setting the public contribution for the financing of a project or a group of projects (aid amount) has a different and specific purpose from those related to avoid the generation of revenues in EU financed projects. It would, therefore, appear inequitable to require a project to comply with the additional administrative burden here imposed.

The national FLCO will then verify at least:

a) in case the Final Beneficiary ***reports revenues*** (foreseen in the approved application Form and/or possible to estimate the amount of revenues) that:
   - the expenditure reported as revenues are only cash flows directly paid by users for the goods and/or services provided by the project;
   - evidence exists in the accounting documents of the project partner on the revenues generated by the project;

[39] The operating costs to take into consideration in order to calculate the funding gap shall include management fees (for example staff, raw materials, energy costs), the maintenance expenditures and the material replacement costs. The financing costs (for example payment of interests) and the depreciation are to be excluded (this last one is not to be considered as cash flow).

- calculation method is provided by the Final Beneficiary to report the net revenues (the amount to be deducted from the total eligible expenditure reported);

b) in case the Final Beneficiary ***does not report revenues*** (***not foreseen*** in the approved application Form and ***not generated*** by the project) that:
   - statement of the Final Beneficiary is available and includes that the project does not generate revenues;
   - the accounting documents of the Final Beneficiary do not contain any revenues generated by the project;

c) in case the Final Beneficiary ***does not report revenues*** (***revenues generated are not declared***) but evidence exists in the accountings documents of the Final Beneficiary on the revenues generated by the project. In addition the suspected irregularity has to be reported by the First Level Controller to the responsible body at national level and revenues not reported will be reclaimed by the MA according to the recovery procedure of the IPA Adriatic CBC Programme.

4.7.4. Interest and equivalent benefits from pre-financing

Any interest or equivalent benefits accruing from pre-financing paid by the Programme to the Final Beneficiary must be declared to the MA by the concerned Final Beneficiary.

In this event, the Final Beneficiaries shall identify the amounts of pre-financing payment received in the bank account indicated and the related interests accrued. In case this is not possible, the accounting methods adopted by the Final Beneficiaries must enable to check the pre-financing payment disbursed and the interests or other gains produced.

The interests accrued must be then declared at the time of the closure of the Project, thus with the last Progress Report.

4.7.5. De-commitment of IPA co-financing (n+3 rule)

The European Commission demands from the Programme that each annual IPA co-financing is spent within the three years following the budgetary commitment. This means that IPA co-financing not claimed in time by the Certifying Authority to the European Commission is automatically de-committed from the Programme budget and therefore lost.

The above described principle is the so-called ***"n+3 rule***", where "n" represents the year in which the co-financing was committed and "+3" refers to the time (in years) during which the co-financing has to be spent.

For projects co-financed by the IPA Adriatic CBC Programme, the automatic de-commitment has fundamental implications. The payment claims to the European Commission are based on the *reported and certified expenditures submitted by the projects*, thus very much depends on projects' financial performance. In case the European Commission de-commits IPA co-financing and if the de-commitment cannot be covered otherwise, the IPA co-financing of ongoing projects subject to delays in reporting, on the basis of the spending forecasts planned in the approved Application Form, must be reduced.

With the aim to avoid any risk of an automatic de-commitment of the Programme's financial contributions and without prejudging the termination of the IPA Subsidy Contract, if the Final Beneficiaries are unable to proceed with the expenditures envisaged or the expenditure flow goes below as forecasted in the Project Application Form, the JMC may reduce the Community contribution granted to the Project in the amount that has been validated and certified at a given date or to the different amount that really appears to be reported within the expiration of the Project's implementation period.

The IPA Subsidy Contract obliges financed projects to follow a pre-defined spending schedule which has been set out in the Project Application Form. It further stipulates that the Programme bodies of the IPA Adriatic CBC Programme have the right to deduct project funds that are not spent in time.

After official information is provided from the Commission about the amount to be de-committed from Programme funds of year *n* or after official request from the Joint Monitoring Committee to reduce the IPA co-financing for significantly delayed projects, the MA/JTS calculates the amount to be de-committed from project funds and assesses the cases for which this de-commitment procedure may be suspended.

4.8. Detection of unduly paid out expenditure, including irregularities

Both during project implementation as well as after project closure it cannot be excluded that, as a result of an on-the-spot check (both for first level and other control purposes) or due to the availability of information not previously existing, First Level Controllers or auditors consider that some of the expenditure previously certified, included in closed Progress Reports (DVE) and subsequently paid out by the Certifying Authority might be declared finally as ***non-eligible*** according to national or Community rules or according to the IPA Adriatic CBC Programme requirements.

In case irregularities have been detected by First Level Controls or other controls bodies, the project will be subject to corrective measures. Should the First Level Controllers find costs in the project partner's expenditure that cannot be considered eligible, they will be ***not validated***. As a consequence that expenditure considered as not eligible could not be reimbursed at all to the concerned Final Beneficiary.

The wording "irregularity" means any infringement of a provision of applicable rules and contracts resulting from an act or omission by Final Beneficiary which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.

Therefore, the concept of irregularity covers a wider range of issues rather than just strictly financial matters. Irregularity can mean e.g. non-compliance with the archiving rules, publicity rules, inadequate documentation or failure to provide adequate and correct information in the Progress Reports. Detected irregularities will imply follow-up actions by Programme and national authorities, e.g. withdrawal or reduction of the subsidy or recovery of the granted funds.

This correction can be also the result of the on-going checks of the Managing Authority[40]. Likewise, audits of the European Commission or the Court of Auditors may trigger this process.

In cases of expenditure unduly paid out to Final Beneficiaries, these funds must be recovered by the Programme bodies according to one of the following two options:

1. for projects still running, the amounts must be deducted from the next Application for Reimbursement due;
2. for already closed projects, a recovery procedure towards the Lead Beneficiary must be launched.

Both options are presented in the following paragraphs.

4.8.1. Recovery of funds from running projects

As stated above, where recoveries shall be performed in running projects, all unduly paid out funds must be deducted from the next Application for Reimbursement due or, where applicable, from Application for Reimbursement which are still under examination by the Programme bodies. In order to ensure a proper audit trail of such deductions, these financial corrections will be managed and stored through the Management and Information System.

Depending on how the amounts unduly paid out have been detected, different requirements must be met:

[40] See in § 6.2.1.2 of the PMCM.

a. in cases where they have been identified by the ***First Level Controller of the Final Beneficiary*** (e.g. during on-the-spot checks), the relevant controller must provide the necessary information to the MA/JTS (and National Authority where foreseen by national procedure[41]) so that the financial correction can be made. Being a judgement on its own previous work, withdrawal proceedings initiated by a First Level Controller cannot be argued by the concerned Final Beneficiary;

b. in cases where they have been identified by other level controllers (MA, Certifying Authority, Audit Authority, European Commission...), the Managing Authority will promptly inform the Lead Beneficiary and the concerned Final Beneficiary. A contradictory procedure, eventually involving the FLC responsible body at national level, will be undertaken whenever necessary.

4.8.2. Recovery of funds from closed projects

For cases in which the project has already received the last IPA fund instalment, the Certifying Authority in close cooperation with the Managing Authority shall demand from the Lead Beneficiary repayment of subsidy in whole or in part. In case the amounts unduly paid out refer to a Final Beneficiary, it will be up to the concerned Final Beneficiary to repay the Lead Beneficiary any amounts unduly paid in accordance with the agreement existing between them (Partnership Agreement). If the Lead Beneficiary does not succeed in securing repayment from a Final Beneficiary after the LB has enforced all means foreseen in the Partnership Agreement, the participating Country on whose territory the relevant Final Beneficiary is located shall reimburse the Certifying Authority the amount unduly paid to that Final Beneficiary.

According to Art. 18 of the General Conditions of the IPA Subsidy Contract (Recovery procedure) the Lead Beneficiary has *four months* to proceed with the reimbursement of the requested amount. Likewise, should the process refer to one of the Final Beneficiary, this period applies to the repayment by the concerned Final Beneficiary according to Art. 11 of the Partnership Agreement (Recovery of the unduly paid amounts).

In compliance with Art. 138 (1) of Reg. (EC) 718/2007, *interests* will be calculated in accordance with Article 102(2) of Regulation (EC) 1083/2006.

[41] E.g. Serbia.

5. PROJECT EXPENDITURE AND APPLICABLE RULES

5.1. General eligibility principles

Eligible costs are those necessary for carrying out the project activities, paid out directly by Final Beneficiaries and made in compliance with the specific eligibility criteria.

They may be:

- exclusively devoted to the project objectives and activities, ***or***
- be allocated proportionally to the project, applying a justifiable fair and equitable method of calculation.

Based on these general principles, in order to be eligible the expenditures have to be:

- actually paid (***principle of real cost***) by the respective Final Beneficiary;
- incurred within the period of eligibility of the project;
- reasonable, justified, and in compliance with the requirements of a sound financial management, in particular with **economy, efficiency and effectiveness principles**;
- included in the estimated total budget and closely linked to any action or output of the approved work plan and necessary for its implementation;
- identifiable and verifiable, in particular must be recorded in the accounting records of the Beneficiary and determined according to the applicable accounting standards of the Country where the Beneficiary is established and according to the usual cost-accounting practices of the Beneficiary;
- in compliance with all the relevant EU, national and Programme rules;
- in compliance with the requirements of applicable tax and social legislation;
- 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;
- not shared with any other project partner.

Spending that breaches one of these rules will be considered ineligible and will not be paid by the Programme.

Definition of the general principles

*The "**real cost**" **principle** means that costs declared must have been actually borne by the Beneficiary, i.e. there must be evidence of actual payment of the amounts claimed through receipted invoices or equivalent accounting documents. However, some costs may be claimed although their precise amount can only be estimated, namely depreciation and overheads (indirect costs). The estimated amounts claimed must nevertheless be justified by accounting documents having a probative value equivalent to invoices.*

*The **principle of economy** requires that the resources used by the institution for the pursuit of its activities should be made available in due time, in appropriate quantity and quality and at the best price.*

*The **principle of efficiency** is concerned with the best relation between resources employed and results achieved.*

*The **principle of effectiveness** is concerned with attaining the specific objectives set and achieving the intended results.*

In addition, costs must also respect the following specific requirements in order to be eligible:

- they belong to one of the Programme categories of expenditure (budget lines), work packages and have been incurred according to the rules established by the Programme and specified, where existing, by Guidance for First Level Controller;
- they have been incurred in compliance with the rules on the Programme eligible area and the location of activities;
- they are denominated in Euro;
- they are not financed by any other Community fund.

5.1.1. Overview of eligible and not eligible costs

Eligible expenditure are those complying with all the relevant EU, national and Programme rules. Expenditure that breaches one of these rules will be found ineligible and will not be paid by the Programme.

This being said, articles 34 and 89 of the IPA Implementing Regulation establish the main rules on eligibility of expenditure. Further rules on eligibility of expenditure have been laid down by the Programme.

The table below shows the eligible, the not eligible and the eligible costs under certain conditions according to articles 34 and 89:

Eligible costs	Not eligible costs
Value added taxes if: - they are not recoverable by any means; - it is established that they are borne by the Final Beneficiary; and - they are clearly identified in the project proposal.	Taxes, including Value Added Taxes (if the requirements for eligibility are not respected)
Charges for transnational financial transactions.	Customs and import duties, or any other charges
The bank charges for opening and administering the accounts, **where the implementation of an operation requires a separate account or accounts to be opened.**	Bank charges, costs of guarantees and similar charges.
	Conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses.
Legal consultancy fees, notarial fees, costs of technical or financial experts, and accountancy or audit costs, **if they are directly linked to the co-financed operation and are necessary for its preparation or implementation**.	Fines, financial penalties and expenses of litigation.
The cost of guarantees provided by a bank or other financial institutions, to the extent that **the guarantees are required by national or Community legislation.**	
The purchase of land for an amount up to 10% of the eligible expenditure of the operation concerned	Purchase, rent or leasing of land and existing buildings.

Overheads, provided that they **are based on real costs attributable to the implementation of the operation concerned.** Flat-rates based on average costs may not exceed 25 % of those direct costs of an operation that can affect the level of overheads. The calculation shall be properly documented and periodically reviewed.	
Operating costs, including rental costs, exclusively related to the period of co-financing of the operation, may be considered eligible on a case-by-case basis.	
	Second hand equipment.
	Contribution in kind.
	Interest on debt.

Moreover, according to Art. 89.4 ***costs incurred by public authorities*** for the implementation of projects (e.g.: staff costs and costs related to the 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 these costs are not double-invoiced at the expense of public budgets.

In addition to the above mentioned general rules, ***Final Beneficiaries*** financially contributing to the project and receiving funds from the IPA Adriatic CBC Programme ***are not allowed to contract each other or to contract Associates*** to carry out project activities: thus the related expenditure ***will not be considered as eligible***.

The following paragraphs of this chapter will provide other criteria and requirements for eligibility of expenditure.

5.1.2. Specific provisions for expenditure incurred outside the Programme eligible area

As general principle, projects co-financed by the IPA Adriatic Cross-border Cooperation Programme must be realized in Programme eligible areas, even though at project level, in exceptional cases, expenditure may be incurred also outside the Programme eligible territories. This expenditure may be eligible provided that both following conditions are respected:

1. the project could only achieve its objectives with that expenditures (Art. 97.1 second sub-paragraph of IPA Implementing Regulation) ***and***
2. the expenditures have been previously authorized in compliance with Art. 97.2 of IPA Implementing Regulation.

This means that costs incurred ***outside the Programme eligible area are ineligible***, except if it is proven that the activities covered by these expenditures are absolutely necessary to achieve the objectives of the project, they contribute to reach the project's objectives and have a clear and direct positive impact on the Programme area.

In case this expenditure has not been foreseen in the Application Form, Final Beneficiaries, before incurring them, shall require a formal authorization to the Managing Authority through their Lead Beneficiary, stating clearly the motivation of such activity, the need to implement it outside the Programme eligible area and the benefit for the project and the Programme.

The Managing Authority/JTS will then verify the submitted request and decide whether to authorize it or not.

In case of authorization, the competent FLCO will be informed accordingly.

In case this request brings to a substantial modification of the project, the authorization shall be provided by the Joint Monitoring Committee[42].

Additionally to what said above, the relative Call for proposals may establish specific rules for territorial eligibility[43].

5.2. Period of eligibility of expenditures

As a general rule, at Programme level expenditure shall be eligible if it has been actually paid between 1 January 2007 and 31 December of the third year following the last budgetary commitment of the Programme, for projects or part of projects implemented within Member States, and incurred after the signature of the financing agreement for projects or part of operations implemented within IPA Countries.

This means that the **starting date** of eligibility of expenditures is different for Member States and for IPA Countries Beneficiaries:

- for Greek, Italian and Slovenian Beneficiaries, expenditure must be incurred on or after the 1st January 2007;
- for IPA Countries Beneficiaries, expenditure must be incurred on or after the signature of the financing Agreement with the European Commission approving the Community contribution, namely:
  - Albania: 18 June 2009;
  - Bosnia and Herzegovina: 20 February 2009;
  - Croatia: 1 December 2008;
  - Montenegro: 22 June 2009;
  - Serbia: 16 April 2009.

The ***deadline for spending*** the final funds will instead be 31 December 2016 (the N+3 deadline for the final funds committed on 31 December 2013). For Serbian Beneficiaries, whose last budgetary commitment for the Programme will be for 2012 due to the *phasing out* condition of Serbia, the related expenditures are eligible at the latest until 31 December 2015.

Time-wise eligible expenditures can be distinguished between preparation costs and implementation costs.

Project preparation costs

In the framework of the Programme, preparation costs do not constitute a specific budget line, but a work package in itself (WP0). On this basis, they consist in the same addition of costs for different budget lines with the only exceptions of ***overheads, promotion, investments, equipments and financial charges*** costs which are not eligible in the preparation phase.

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

[42] See § 3.4 of the PMCM.

[43] As far as concerns projects financed under the **first Calls for Ordinary Projects proposals**, in well justified cases, project activities (i.e. organization of meetings, etc.) can be implemented in the cities where the EU institutions are located (i.e. Brussels, Strasbourg, Luxemburg); the relative expenditures are eligible only if they are incurred by eligible Beneficiaries and for activities carried out in the institutional offices of the States, Regions and other relevant Public Authority involved in the project.

- preparation costs are only eligible if foreseen in the approved Application Form, thus only partners having stated preparation costs in WP0 of the approved Application Form can claim this type of costs;
- these costs must relate exclusively to preparation activities (such as the finalization of the application documents, the organization of joint meetings, the development of preparatory studies, analysis and researches for activities preliminary to the project) carried out between the starting date of eligibility defined for each participating Country (as above explained) and the date on which the Application Form has been submitted;
- the payment of preparation costs must be foreseen in the first spending forecast period and reported in the first Progress Report; in practice this means that they could be paid also after the submission of the Application Form, on the understanding that the related expenditure must be reported within the first Progress Report, otherwise they will not be reimbursed by the Programme;
- the eligible preparation costs respect the ceilings established by the reference Call for Proposals[44];
- in case any Beneficiary falls into the de minimis regime, the preparation costs are not eligible.

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

Project implementation costs

As a general rule **implementation costs** are eligible from the starting date of the project to its closing date as defined in the Application Form approved by the JMC and its following modifications (if any). At the earliest, costs are eligible from the day indicated in the related Call for proposals, provided that this day is the official start of the project. In this case, Beneficiaries may decide at their own risk to start the implementation activities before the project is finally selected for granting.

The rules concerning the ***starting date*** of projects are established by the relative Call for Proposal. Anyway, for ***Beneficiaries falling into the de minimis regime***, the implementation costs shall be eligible at the earliest from the closing date of the Call for proposals.

The ***ending date*** of the project indicates when all the project activities will end, the related expenditures have been all actually paid and the last Progress Report has been submitted to the competent First Level Control Office. This means that the end date stated in the Application Form will be also the last month within which ***all payments must be done*** otherwise the related expenditures will not be eligible.

5.3. Eligibility of expenditure by budget line

The different budget lines in which the total budget of approved projects must be broken down are:

- Staff costs;
- Overheads

[44] For ordinary projects approved under the 1st Calls, preparation costs must not exceed 2% of the total project budget.

- Travel and Accommodation
- External Expertise
- Meetings and Events
- Promotion costs
- Equipment
- Investments
- Financial charges and guarantee costs.

In this chapter, explanations on how to report the foreseen 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, Guidance for First Level Controller shall be consulted on details of how and where supporting documents should be provided.

5.3.1. Staff costs

This budget line refers to the expenses incurred for personnel[45] employed by the organization of the Final Beneficiary acting as an employer, and are directly related to project activities. These costs comprise actual salaries plus social security, health insurance and other statutory costs included in the remuneration (all calculated in accordance with the national legislation).

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:

- The remuneration of personnel is eligible only if related to the project activities and not to their usual day-to-day management tasks and statutory responsibilities. Double funding shall be avoided.
  - Expenditure for labour of civil servants working on a project, who are employed at organisations which are financed from the national, regional or municipal budget, is eligible to the extent that they relate to the cost of activities which the relevant public authority would not carry out if the concerned project was not implemented;
  - These costs must be calculated on the basis of the *actual gross salary rate* (the employee's salary plus all legal provisions (insurances, health and social security charges etc.) unless paid by another source) stated in the regular employment contracts used in the respective Beneficiary institution, **meaning that no unjustified ad-hoc salary increases for project purposes are possible**.
- Additional charges besides the charges obligatory according to national rules are not eligible. This also means that social charges must relate only to contributions paid for 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.
- Where foreseen by contract, over-time hours are eligible for full-time employees or for part-time employees only if transparently and proportionally allocated to the project linked to project activities and clearly declared in the monthly timesheets. In case of over-time hours, a declaration made by the

[45] Employee or employed under national labour law.

responsible person in the employer institution (the one that signs timesheets) should be submitted stating that over hours were absolutely necessary.

- Performance bonuses or other additional payments to employees (fringe benefit, bonus payments, subsistence allowance...) are only eligible if related to the project and foreseen in the signed contract, national or internal regulations (ad-hoc regulations applicable only to the project are not allowed).
- If a person is part-time employed on the project, a calculation of the share of cost to be reimbursed within the project has necessarily to be carried out by applying an equitable and fair method. The calculation of the costs of staff costs not working full time in the project should be clearly provided to the FLC and should be based on the following formula (unless differently disposed at national level):

$$\frac{\text{Gross salary}^{46}}{\text{workable monthly days/hours}^{47}} * \text{project worked days/hours}$$

Example of calculation of hourly rate where not provided by national eligibility rules:

Employee's monthly gross salary	a
workable monthly days[47]	b
Daily rate	c = a/b
Hourly rate (h)	Daily rate (c)
	Daily workable hours (w)[47]

Thus, this calculation is based on the hourly/daily rate (h or c) resulting from the actual personnel cost (a) divided by the total number of hours/days (b) workable in the specific period of reference (generally per month) by the employee of the partner institution. This hourly/daily rate (h or c) is then multiplied by the number of hours/days (d) actually worked on project activities in the claimed period. See the example in the following table.

Example of calculation for staff costs (ex. October 2011)	
Salary actually paid according to the employee's contract (a)	2.500,00 €
Total workable hours in the period of reporting (w)	156 hrs
Hourly rate (h)	***16,03 €/hr***
Total hours worked on the project in the relative period of reporting (d)	80 hrs
Total eligible cost in the reference reporting period (hours worked*hourly rate)(d*h)	***1282,40 €***

[46] '*Gross salary*' means the employee's gross salary, including the possible salary for overtime, for sickness, absence and holidays and any other benefit, rewards, bonus payment plus all legal provisions (insurances, social security etc.) paid both by the employee and by employer. Gross salaries, employment taxes and social contributions must be calculated individually for each employee and could be based on the monthly pays lips.
[47] According to national contracts/laws.

Reporting staff costs

The following documents must be provided to the competent FLCO in order to prove the expenditure and the related payment:

- List of personnel working on the project which specifies the name of each employee, qualification (i.e. managerial staff, technical staff, administrative staff), function in the project, to what extent the work is dedicated to the project (for examples the percentage of 100% or 20%...), gross salary and the indicative costs to be funded on the project's budget. The list can be submitted at the beginning of the project within the first progress Report and, if necessary, can be updated during the project lifetime (i.e. adding new employee, extension of one employee's contract).
- Employment contract of every project employee which permits the identification of the employment relation with the Beneficiary's organisation; it must be provided only the first time costs for that employee are claimed.
- In addition for each person working part-time on the projects, the service order showing the tasks to perform and the indicative number of days/hours or other indication of planned involvement in the project; it must be provided only the first time costs for that employee are claimed provided that the job contracts/service orders are not modified.
- Monthly timesheet proving the actual time worked on the project: it has to be provided for every project's employee working full-time or part-time on a project; it must be properly filled in with a description of the tasks carried out within the project and duly signed (and stamped), both by the employee and the responsible person in the employer institution. Timesheets for full-time employees may not be provided if such possibility is foreseen according to national rules, but in this case a report of the activities accomplished should be provided.
- Evidence of the calculation method of the hourly rates for people working part-time for project purposes.
- Payslips.
- Proofs of payment, both of salary and of all compulsory charges.

In the following table, some examples of proof of payment documents are given.

Examples of proof of payments for staff costs
o Payment orders; o Receipted payment orders by the bank or signed by the Accounting Manager or by the Administration Manager from which it clearly emerges the amount and the name of payee; o Not transferable at-sight checks or bank checks from which it emerges clearly the amount and the name of payee. These documents must be accompanied by a bank statement showing the cashing of the check, or containing any bank transfers (including cumulative ones) evidencing the payment of wages or salaries; o Bank transfer signed by the cashiers with the stamp of the bank; o Daily book for payment in cash of an amount up to the maximum amount envisaged by the National, Regional and European rules about cash payments if applicable.

Receipted payment orders concerning salaries and wages paid by public bodies may also be presented cumulatively, accompanied by a letter from the competent office, proving that the single document refers to the staff allocated on the project.

If a person is full-time employed on the project, the total expenditure of work is eligible.

Other relevant information

Travel and accommodation costs for staff shall be reported under the "Travel and Accommodations" budget line.

Travel and accommodation costs for Associate/s shall be reported under "External expertise" budget line (see § 3.5 of this Manual).

In cases of *in-house* (sub)contracting[48], the costs of staff directly employed by the *in-house* provider must be reported under the "*External expertise*" budget line in case the *in-house* provider issues an invoice, including VAT.

5.3.2. Overheads

This budget line refers to all ***direct general costs*** (i.e. costs deriving exclusively from the project) and ***indirect general costs*** (overheads related to the project's activities, based on real costs and calculated on a pro-rata basis according to a duly justified, fair and equitable method).

The overheads budget line may include cost items such as:

- office costs, i.e. electricity, heating, water, cleaning, office supplies, office rent;
- administrative costs, i.e. telephone, fax, internet, mailing, copying, stationery, and office supplies related to project activities;
- all costs/charges for national financial transactions, provided that they are based on real costs attributable to the implementation of the project, in case a specific bank account for the project has not been opened;
- other administration expenditure absolutely necessary for the successful completion of the project.

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 overhead costs is subject to the following requirements specific for direct or indirect costs.

A) *Direct general costs:*

Direct general costs directly allocated to the project are totally eligible within IPA Adriatic CBC Programme if they fulfil the following criteria:

- they show a direct link with the project's activities;
- they are calculated on the basis of actual costs and capable of verification, i.e. based on factual elements in the Beneficiary's general accounting system which can be verified by First Level Controller and/or auditor;
- no lump sums, overall estimations or arbitrary keys are allowed.

[48] Refer to § 4.2.1 for further information on in-house (sub)contracting.

B) *Indirect general costs, allocated proportionally to project*

When overheads could not be allocated directly to the project, they must be allocated proportionally provided that they are based on *real costs*, which relate to the implementation of an IPA Adriatic CBC project, are *allocated pro rata* to the project according to a *duly justified fair and equitable method* and their calculation has to be done on flat rates based on average costs. The resulting flat rates may not exceed 25% of those direct costs of an project that can affect the level of overheads.

This means that, where actual cost is shared with organisational non-project costs, then apportionment (flat rate) is permissible providing that:

- the apportioned overheads are actual, auditable and directly attributable to the project;
- the source cost is eligible for the IPA Adriatic CBC Programme and fully auditable (by means of receipts, bills etc);
- the indirect general costs attributable to the implementation of the project are allocated pro rata to the project according to **a duly justified fair and equitable method**;
- the cost is clearly relevant and can be realistically apportioned to reach a figure that reflects the true cost incurred by the Final Beneficiary in carrying out the project;
- the costs could be distributed according to the following methods depending on which can best reflect the type of cost:
  - the ratio of the number of people working for the project/number of people working in the organisation or department;
  - the ratio of the number of hours worked on the project/number of hours worked in total in the organisation or department;
  - the ratio of the surface used by the personnel working for the project/surface of the organisation or department.
- the calculation of overheads shall be properly documented and reviewed periodically, when appropriate.

The method chosen will depend on the type of cost thus it is not possible to use the same method of calculation for every costs. For example, the major costs such as heating bills, lighting etc, are calculated against real bills and are apportioned by reference to actual room space used for the project, whilst telephone bills require a methodology based on actual telephone use by project. Any other single method of apportionment than the ones defined above is not acceptable, especially where such a single method creates an averaging of central costs for every project (i.e. not relevant to each project specifically, or based upon on the level of project salary cost).

The share of apportionment shall not exceed 25% of those direct costs of the project that can affect the level of overheads. This means that, since any direct cost of a project actually incurred by project Beneficiaries serves as the basis for calculation of indirect costs that can be proportionally allocated to a project, any reduction in these direct costs (i.e. in relation to the estimated budget or following a financial correction) will have an impact on the total flat-rate amount of indirect costs which can be validated by the First Level Control Offices.

A basic example of how to structure the overheads costs and apportion them to a project are mentioned in the following table.

Example of apportionment method based on space or area used
The final Beneficiary implements a project sharing an office with other no-project activities; it uses a space of 1.000 sq. metres out of a total of 4.000 sq. metres in the building. The calculation of indirect overheads, for instance power, heating, can be apportioned on the basis of space

or area used.
The percentage of available space used by the project should be calculated by this formula:

project space/total space * 100	= % space used
1.000/4.000 *100	= 25%

General spaces (such as corridors, toilets, canteens, general admin space, etc.) shall not be included in the total available space.
Accordingly, a project using this space all year would claim 25% of the heating, power etc. within the project as incurred for project purpose.

Example of apportionment method based on space or area used for a period of time

Moreover, in case the project doesn't run for a full year, but for instance for 40 weeks out of 50 weeks the building is opened for a year, the method above should be combined with also the percentage of time this space is used by the project.

time the space is used/time available *100	= % of time the space is used
40/50 * 100	= 80%

The project uses 25% of the space available for 80% of the time available. Therefore the final apportionment figure is calculated as follows:

% of space used * % of time the space is used	= apportionment percentage
25% x 80% = 20%	= 20%

Accordingly, the project would claim 20% of the relevant cost (the heating, power etc) for the period in question.
The chosen apportionment method/s must be explained in a statement to be attached to the Progress Report.

Finally, Beneficiary should verify that the indirect overheads cost charged on the project (independently of the chosen apportionment methodology/ies) do not exceed 25% **of those direct costs of a project that can affect the level of overheads**. In practice, taking into consideration that direct costs are those costs which are directly related to project activities implemented by the single Final Beneficiary, where the link with these project activities can be demonstrated, indirect overheads cost charged on the project shall not exceed 25% of the total amount of the following project costs:

- Staff costs (with the exclusion of administrative staff expenditure, such as: management costs, recruitment expenses, costs for the general accountant of the institution...);
- Travel and accommodation;
- External expertise;
- Meetings and events;
- Promotion costs;
- Equipment;
- Investments;

- Financial charges and guarantee costs.

Reporting overheads costs

On the basis of overheads that are directly or indirectly allocated, different documents must be provided to the competent FLCO:

A) *Direct costs:*

- Proof of expenditure as receipted invoices or accounting documents of equivalent probative value or other relevant documents (i.e., postal account bulletin, receipt, debit note showing the purchase) clearly demonstrating project relevance;
- Proof of payment for all expenditure items.

B) *Indirect costs:*

- Calculation statement of the chosen apportionment method/s and a list of the costs items that have been included in the calculation of the direct costs that can affect the level of overheads in order to demonstrate that the flat rates do not exceed 25% of them. In the case of on-the-spot checks, the relevant accounting documents supporting the calculation method should be made available for the First Level Controllers at the partners' premises.
- Proof of expenditure such as invoices or other accounting documents of equivalent probative value or other relevant documents (i.e., invoice; postal account bulletin, receipt, debit note showing the purchase) with clear demonstration of project relevance.
- Proof of payment for all expenditure items.

In the following table, some examples of proof of payment documents are given.

Examples of proof of payments for overheads
o Payment orders; o Receipted invoices showing the expenditure and or the payment; o Receipted payment orders by the bank or signed by the Accounting Manager or Administration Manager from which it clearly emerges the amount and the name of payee; o Not transferable at-sight checks or bank checks from which it emerges clearly the amount and the name of payee. These documents must be accompanied by a bank statement showing the cashing of the check; o Bank transfer signed by the cashiers with the stamp of the bank; o Bank statement showing the possible bank transfer to the supplier; o Daily book for payment in cash of an amount up to the maximum amount envisaged by the National, Regional and European rules about cash

5.3.3. Travel and Accommodation

This cost category refers to the travel and accommodation costs of employees of the Beneficiary institutions listed in the Application Form related to their participation in meetings, seminars, conferences and other similar activities, related to the project.

Specific eligibility requirements

Travel and accommodation costs for project staff (see 'staff costs' budget line), may be reported in accordance with the provisions indicated in national rules or in any regulations/internal circulars of Beneficiary institutions.

As general rules the following principles must be taken into consideration:

- Travel and accommodation expenses must correspond to affordability (inexpensiveness) criteria, demonstrable on the basis of an assessment. This means that the most cost-efficient mean of transportation shall be used (normally public means); no business or first-class tickets for air or train transport are eligible irrespective of the fact that this may be allowed by the internal rules of the institution; any exception to this principle must be duly justified, otherwise the related expenditure will not be eligible; board and lodging costs can be reimbursed if they are in a reasonable price range.
- In case of transport by taxi or by hire car[49], reimbursement may be permissible on the basis of the actual cost, provided that this cost is not excessive in relation to expenditure for the use of alternative means of transport.
- Only in exceptional cases project Beneficiary may use company cars or private cars for project's travels. In this case:
  - the decision for taking the car must be clearly justified and documented (e.g. public transport is not available, company car is the most economic option), and
  - only travel costs connected to the project trips are eligible and must be accounted according to national or institutional rules (i.e. reimbursement per kilometre, highways tickets acquired during the journey, specific declaration of the distance travelled...).
- Costs may be accepted without reservation if they fall in the range of average costs. Higher costs must be duly justified in each case.
- 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 longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights) 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.
- Proofs of travel and accommodation expenses must be submitted for validation of expenditure. Consequently flat-rate expenditures are meant as inadmissible for accounting purposes. This means that these costs must be reimbursed on the basis of an itemised list of the costs effectively incurred by the employee. In case 'daily allowances' are foreseen in the national rules as the only way of reimbursement of such costs, they are eligible for Programme reimbursement[50].

Reporting of travel and accommodation costs

The following documents must be provided to the relevant FLCO in order to prove the expenditure and the related payment:

- Documents (e.g. authorisation of the mission, decisions on the assignment) certifying the mission carried out, from which it is clearly possible to infer the name of the travelling employee(s), date, reason and destination of the mission;

[49] In case of car rental the maximum class allowed is class C or the equivalent.

[50] *Per diem* allowances are defined as fixed daily rates/flat rate for meals, accommodation, local travel which cannot be eligible *tout court* if not supported by an itemization list of the costs truly supported by the employee and documented by document of probative value (invoices, bills and so on) that the expenditure has been paid out.

- Proof of expenditure for costs paid by the partner institution (e.g. invoice of travel agent, plane tickets with boarding cards);
- Reimbursement request from the employee, indicating the detailed expenditures incurred for travels and transfers. All necessary documents proving the claimed real costs must be provided (e.g. bus/train/metro tickets, meal receipts, plane ticket with boarding cards; car rental invoice...);
- In case of use of own car or company car, calculation sheet, prepared according to national or institutional rules, stating at least the distance, the unit rate and the total costs of travel. All necessary documents proving the claimed real costs must be provided (such as highways tickets acquired in case during the journey or specific declaration of the distance travelled);
- Other supporting documents (e.g., invitation, agenda, list of participants, minutes);
- Proof of payment of costs directly paid by the institution or in case of cost directly paid by the employee proof of reimbursement to the employee by the institution;

In the following table, some examples of proof of payment documents are given.

Examples of proof of payments for travel and accommodation costs
o Payment orders; o Receipted invoices showing the expenditure and or the payment; o Receipted payment orders by the bank or signed by the Accounting Manager or Administration Manager from which it clearly emerges the amount and the name of payee; o Not transferable at sight checks or bank checks from which it emerges clearly the amount and the name of payee. These documents must be accompanied by a bank statement showing the cashing of the check; o Bank transfer signed by the cashiers with the stamp of the bank; o Bank statement showing the possible bank transfer to the supplier; o Daily book for payment in cash of an amount up to the maximum amount envisaged by the National, Regional and European rules about cash payments if applicable.

Other relevant information

Movements that take place outside the area of cooperation of the project must be adequately justified showing their necessity and relevance to the plan of activities of the project.

Movements outside the Programme eligible area must be instead previously authorized as explained in § 5.1.2.

In this budget line only costs of travel and accommodation borne by personnel assigned to the project already engaged not specifically for project purposes but working on the project have to be reported, also in case the cost for that personnel is not claimed.

5.3.4. External expertise

External expertise budget line includes costs paid out for professional services of an external expert, consultant or other supplier, independently from the type of contract and exclusively engaged for project purposes (thus the full contract amount must be reported in the project) to carry out certain tasks of the project (e.g. studies and surveys, translation, coordination, financial management, legal consultancy fees

and notarial fees directly linked to the project and necessary for its implementation), which the Beneficiary's organization cannot perform with already engaged resources. The cost of these professional services are eligible on the basis of contracts or written agreements defining the task to be accomplished and paid against invoices or requests of reimbursement. The travel and accommodation costs incurred by experts engaged specifically for project purposes shall be budgeted and reported under the external expertise budget line.

Specific 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 the relevant procurement rules[51] and to the requirement that the work of the external expert must be essential for the project.

In case of ***fee-based service contracts***, the rates charged by the external expert must be reasonable, in relation to the level of experience and expertise/competence and not higher than the average fee/wages applicable to the related professional category or generally accepted on the market for similar services. In addition, the days and hours of work of the external expert or of the Consultant's personnel shall be fixed on the basis of the laws, regulations and customs of the Country where the service must be provided and on the basis of the requirements of the services.

In case the days and work of the external expert are not regulated by any means, they should be calculated on the basis of the number of persons/number of days/daily rate applied, and with reference to a maximum of 220 working days per year (or, if the total is lower, with reference to a maximum of 20 days per month).

Global price contracts can be stipulated too for project activities which should lead to a specific outcome (studies and other result-oriented contracts), thus they should not be generally used for activities which focus on the performance of tasks such as technical assistance.

Finally, the deliverables produced by the experts, especially as far as studies are concerned, must also respect the necessary publicity requirements[52] for promotional products.

Reporting external expertise costs

The following documents must be provided to the competent FLCO in order to prove the expenditure and the related payment:

- Documentation related to procurement and evidence of the selection process.
- 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/hourly fee, such fee together with the number of days/hours contracted and the total amount of the contract must be provided.
- Detailed invoice or debit note (request for reimbursement), clearly stating the date, the payee, the payer, the title/acronym of the project and the name of the Programme[53] and the description of the services provided in line with the contents of the contract. For experts paid on the basis of a daily/hourly fee, the invoice/debit note must include a clear quantification of the days/hours charged, price per unit and total price.
- Proof of travel and accommodation expenses for professionals (experts) who are invoicing for these costs, consequently flat-rate expenditures are meant as inadmissible for accounting purposes.
- Proof of payment of costs directly paid by the institution or in case of cost directly paid by the expert, proof of reimbursement to the expert by the institution. In case the Final Beneficiary is obliged to pay

[51] Please refer to § 4.2 for further details on public procurement rules.
[52] Please refer to § 7 for further details on publicity rules.
[53] The project title/acronym and name of the Programme on an invoice are important elements to link one expenditure to a specific project, funded within a specific Programme in order to avoid double funding in case of projects with the same name/acronym but financed by different Programmes.

any compulsory charges (i.e. insurances, social security etc. for physical person experts), documents evidencing the payment of these compulsory charges.

In the following table, some examples of proof of payment documents are given.

Examples of proof of payments for external expertise costs
o Payment orders; o Receipted invoices showing the expenditure and or the payment; o Receipted payment orders by the bank or signed by the Accounting Manager or Administration Director; o Not transferable at sight checks or bank checks from which it emerges clearly the amount and the name of payee. These documents must be accompanied by a bank statement showing the cashing of the check or containing any bank transfers (including cumulative ones) evidencing the payment of wages (or salaries if applicable); o Bank transfer signed by the cashiers with the stamp of the bank; o Bank statement showing the possible bank transfer to the supplier; o Daily book for payment in cash of an amount up to the maximum amount envisaged by the National, Regional and European rules about cash payments if applicable.

Other relevant information

The activities, including movements, of external experts that take place outside the area of cooperation of the project must be adequately justified as well as to be necessary and relevant for the implementation of the project.

Movements outside the Programme eligible area must be instead previously authorized as explained in § 5.1.2.

Other costs for consultants/firms providing services necessary to implement project activities linked to specific budget lines (e.g. reproduction or translation of project documents linked to specific events) shall be budgeted under the related category of expenditure (e.g. "Meetings and Events", "Promotion costs", "Investments") as well as the related travel and accommodation costs.

5.3.5. Meetings and Events

In this category, costs related to the organisation of conferences, seminars, meetings, workshops (renting of premises and equipment, catering, interpretation, printing, etc.) directly related to the project and traceable from the approved Application Form, shall be reported.

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.

Specific 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[54] and of publicity rules[55].

[54] Please refer to § 4.2 of PMCM for further details on public procurement rules.
[55] Please refer to § 7 of PMCM for further details.

For each event it must be clearly demonstrated the purpose and must be declared the location, the duration and the number of participants.

Reporting meetings and events costs

The following documents must be provided to the competent FLCO in order to prove the expenditure and the related payment:

- Documents evidencing that the most cost-efficient option has been selected and, where applicable, proof that public procurement rules have been respected.
- Contract laying down the service/s to be provided, with clear reference to the project, the Programme and the specific meeting/event.
- Detailed invoice/receipt, clearly stating the date, the payee, the payer, the title/acronym and the name of Programme, description of the services provided in line with the contents of the contract, quantification of the services, price per unit (if applicable) and total price.
- In case the travel and accommodation costs are not foreseen in the contract of the professional (expert) incurring them, they have to be reported using the documentation proving the actual realization of the travel (tickets, boarding passes, etc).
- Deliverables (agenda, list of participants, minutes; copy of the materials produced directly linked to the events and any other material testifying the carrying out of the event); in case of translation the number of languages for which the service of translation is provided must be declared.
- Proof of payment.

In the following table, some examples of proof of payment documents are provided.

Examples of proof of payments for meetings and events costs
○ Payment orders; ○ Receipted invoice showing the expenditure and or the payment; ○ Receipted payment orders by the bank or signed by the Accounting Manager or Administration Manager from which it clearly emerges the amount and the name of payee; ○ Not transferable at sight checks or bank checks from which it emerges clearly the amount and the name of payee. These documents must be accompanied by a bank statement showing the cashing of the check; ○ Bank transfer signed by the cashiers with the stamp of the bank; ○ Bank statement showing the possible bank transfer to the supplier; ○ Daily book for payment in cash of an amount up to the maximum amount envisaged by the National, Regional and European rules about cash payments if applicable.

Other relevant information

Complementary activities (i.e. visits) linked to internal or external events must have clear project relevance, otherwise, costs linked to them are not eligible.

5.3.6. Promotion costs

Promotion costs budget line include all costs related to information and communication activities. Thus, under this budget line the costs resulting from press releases, inserts in newspapers, leaflets, TV shows, brochures, newsletters, website for the project and other publication costs not linked to specific events or

seminars shall be reported (e.g. display panels, commemorative plaques, banners, promotional items, photographs and audio-video production, translations of promotional project documents).

Specific 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[56] and of publicity rules[57].

Reporting promotion costs

The following documents must be provided to the competent FLCO in order to prove the expenditure and the related payment:

- Documents evidencing that the most cost-efficient option has been selected and, where applicable, proof that public procurement rules have been respected.
- Contract laying down the service/s to be provided, with clear reference to the project and the Programme.
- Detailed invoice/receipt, clearly stating the date, the payee, the payer, the title/acronym of the project and the name of Programme, description of the services provided in line with the contents of the contract, quantification of the services, price per unit (if applicable) and total price.
- In case the travel and accommodation costs are not foreseen in the contract of the professional (expert) incurring them, they have to be reported using the documentation proving the actual realization of the travel (tickets, boarding passes, etc).
- The produced deliverables (brochures, newsletters, leaflets, gadgets...);
- Proof of payment.

In the following table, some examples of proof of payment documents are given.

Examples of proof of payments for promotion costs
o Payment orders; o Receipted invoices showing the expenditure and or the payment; o Receipted payment orders by the bank or signed by the Accounting Manager or Administration Manager from which it clearly emerges the amount and the name of payee; o Not transferable at sight checks or bank checks from which it emerges clearly the amount and the name of payee. These documents must be accompanied by a bank statement showing the cashing of the check; o Bank transfer signed by the cashiers with the stamp of the bank; o Bank statement showing the possible bank transfer to the supplier; o Daily book for payment in cash of an amount up to the maximum amount envisaged by the National, Regional and European rules about cash payments if applicable.

5.3.7. Equipment

This budget line refers to the purchase/rent/leasing of equipments necessary for the successful implementation of the project such as IT equipment (computer, printer, software and so on), office furniture, certain machineries for specific project's purposes.

[56] Please refer to § 4.2 for further details on public procurement rules.
[57] Please refer to § 7 for further details on publicity rules.

Specific eligibility requirements

Together with the existence of the necessary proof of expenditure and proof of payment, it has to be ensured that the equipment:

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

All costs in this category have to respect public procurement rules[58]. The most economic type of equipment should be chosen and the equipment features/functions should be in line with the actual context of use.

They must also comply with the publicity rules[59] in order to be considered as eligible.

All equipments have to be clearly foreseen in the Application Form or, if not the case, must have been agreed by the MA/JTS and/or JMC beforehand in order to be considered as eligible.

The existence of the project equipment/s may be subject to FLCO verifications through on-the-spot checks.

Finally, depending on the specific option chosen to acquire the equipment (purchase, rent or leasing) specific eligibility requirements must be also respected.

A) *Purchase of equipment*

In case of equipment used ***exclusively for project's purpose***, two options can apply:

A. 100 % full cost can be charged on the project;
B. depreciation method.

A) The ***purchase price*** is fully (100%) eligible provided that:

- the equipment is of low-value and thus it is *not depreciable,* ***or***
- the period going from the date of purchase until the end date of the project is longer than or equal to the normal depreciation period for each type of equipment; ***or***
- the period from the purchase till the date of project closure is shorter than the normal depreciation period, but:
  - the equipment is used by the project partners and project target groups for the same purpose for at least five years after the completion of project activities; ***or***
  - the equipment is part of a specific goal of the project (for example office furniture if the goal of the project is to set up a bureau which will provide services for the target group not only during the project implementation period).

  In both these cases, a declaration stating that the equipment is used by the project partners and project target groups for the same purpose for at least five years after the completion of project activities or that the equipment is part of the specific goal of the project should be provided. This declaration should be provided at any time during project implementation, taking into consideration that if it is submitted with the first available Progress Report, the full price can be reported in this Progress Report. Otherwise, until the submission of this declaration, only the depreciation amount must be reported and, once submitted the declaration, the remaining cost not depreciated yet, shall be reported in the first available Progress report.

[58] Please refer to § 4.2 for further details on public procurement rules.
[59] Please refer to § 7 for further details on publicity rules.

In all these cases, within five years from project end, Beneficiaries shall avoid any substantial modification:

i. affecting equipment's nature or its implementation conditions or giving to a firm or a public body an undue advantage; and

ii. resulting either from a change in the nature of ownership.

B) The ***depreciation method*** instead applies in all those cases in which the full purchase price is not eligible. In this case, the depreciation rate has to be determined according to the applicable accounting rule (applicable tax legislation) of the Country where the concerned Final Beneficiary is established and the depreciation allowances of the equipment are charged proportionally in each relevant Progress Report till the end of the project.

The depreciation costs can never exceed the purchase price of the equipment.

Example of calculation of eligible costs of computer in case of depreciation	
Purchase cost (a)	1.000,00 €
Depreciation period (to be checked by national FLC) (b)	60 months
Monthly depreciation cost (c=a/b)	***16,67 €***
Number of the months reported in the Progress Report (d)	3
*Total eligible cost (months used in the period of reporting x monthly depreciation cost)(d*c)*	***49,99 €***

Equipment ***NOT used exclusively for project's purposes*** (for instance when the equipment is used by staff working part-time for the project), should be charged on a ***pro-rata basis***, also as far as depreciation is concerned. Thus, only a share of the actual cost (of the purchase price or of the depreciation rate) can be allocated to the project, calculated according to a fair, justified and equitable method.

B) Rent of equipment

It is also possible to rent equipment provided that the rental is the most economic and cost-effective way of getting the equipment for the project purposes.

C) Leasing of equipment

The leasing of equipment is eligible if the total leasing fee does not exceed the cost of the rental of the same item and relating to the same period of use in the project.

Reporting equipment costs

The following documents must be provided to the competent FLCO in order to prove the expenditure and the related payment:

- Documents evidencing that the most cost-efficient option for the features requested has been selected and, where applicable, proof that public procurement rules have been respected;
- Evidence of the depreciation plan adopted for each equipment according to the national accounting rules;

- For equipment only partially used for project's purposes: statement showing the calculation method to attribute a share of the actual cost to the project;
- Detailed invoice, clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the goods purchased/rented/leased, quantification of the goods, price per unit (if applicable) and total price.
- Where applicable, the declaration stating that the equipment is used by the project partners and project target groups for the same purpose for at least five years after the completion of project activities or that the equipment is part of the specific goal of the project.
- Proof of payment.

In the following table, some examples of proof of payment documents are provided.

Examples of proof of payments for equipments
o Payment orders; o Receipted invoice showing the expenditure and or the payment; o Receipted payment orders by the bank or signed by the Accounting Manager or Administration Manager from which it clearly emerges the amount and the name of payee; o Not transferable at sight checks or bank checks from which it emerges clearly the amount and the name of payee. These documents must be accompanied by a bank statement showing the cashing of the check; o Bank transfer signed by the cashiers with the stamp of the bank; o Bank statement showing the possible bank transfer to the supplier; o Daily book for payment in cash of an amount up to the maximum amount envisaged by the National, Regional and European rules about cash payments if applicable.

Other relevant information

Costs for second hand equipment are not eligible.

The depreciation amount must be charged (full or proportionally) in each related Progress Report. This means that the full value of depreciated costs of equipment, in relation to the total project duration, cannot be charged as total amount in one single period.

5.3.8. Investments

The investments budget line includes costs related to:

- financing construction works
- purchase of land *(up to a limit of 10% of the total project budget*)
- purchase of physical objects not falling into the scope of the equipment budget line and which may be either linked or independent from the construction works or the purchase of land themselves.

Construction infrastructure and works may refer either to an investment that will be set up from the beginning or to adaptation of an already existing infrastructure. Whatever the case, these costs are only eligible provided that these investments have a cross-border character and a potential territorial impact.

Specific eligibility requirements

Together with the existence of the necessary proof of expenditure and proof of payment, public procurement rules[60] should be *carefully* respected when awarding contracts for the realisation of works. Likewise, publicity and information rules[61] should be strictly followed.

Furthermore, and depending on the nature of the investment, all compulsory requirements set by Community (where applicable) 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.

Additionally, all investments must be directly linked to project implementation and clearly mentioned in the Application Form and they must be subject to on-the-spot checks by the First Level Controllers.

Finally, depending on the specific action implemented (construction work or purchase of land) specific eligibility requirements must also be respected.

The existence of the project investment/s may be subject to FLCO verifications through on-the-spot checks.

A) *Construction works*

These costs comprise expenditure related to construction activities as constructions of buildings, works, and infrastructure. Additionally they comprise also expenditure related to works needed for the reconstruction, expansion or renovation of already existing building, works, and infrastructure.

For the above-mentioned types of actions, the amount has to reflect the actual costs in the context of the project.

A. The ***full cost*** will be eligible only in case the implemented construction work is **used exclusively for project's purpose** and remain in use for the same purpose by the project partners and for the project target groups for at least five years after the completion of project activities. Additionally, Final Beneficiary, within five years from project end, shall avoid any substantial modification:
   - affecting the nature of the construction work or its implementation conditions or giving to a firm or a public body an undue advantage; and
   - resulting from a change in the nature of ownership of infrastructure.

B. In case the implemented construction work is **not used exclusively for project purposes**, only a share of the actual cost can be allocated pro-rata to the project. This share has to be calculated according to a **fair, justified and equitable method**.

Valid and legally effective construction permit and/ or other document requested by national law for investment are required to Final Beneficiaries before signing the IPA Subsidy Contract. The owner of the permit must be partner in the project. In case these works do not require construction permit, the ownership of investment should be defined among the project partners.

In case of a investment on real estate by a project partner who is not the owner, it is allowed to present a proof of ownership of the real estate which is being state-owned, or public-owned in case of public infrastructure. In case of project investing into real estate, which is owned by private legal or natural persons, the partner is required to submit a long-term hiring agreement or easement contract (with a minimum validity of 5 years upon project completion).

B) *Land purchase*

The cost of purchase of land not built on shall be eligible under the following four conditions:

- there shall be a direct link between the land purchase and the objectives of the co-financed project;

[60] Please refer to § 4.2 for further details on public procurement rules.
[61] Please refer to § 7 for further details on publicity rules.

- the cost of land represents an amount up to 10% of the project eligible total budget;
- a certificate shall be obtained from an independent qualified assessor or duly authorized official body confirming that the purchase price does not exceed the market value;
- the copy of draft contract of sale, showing that the land is free of any other burden has been submitted before the signature of the IPA Subsidy Contract.

C) *Other investments*

Durable goods as physical objects not falling into the scope of the equipment budget line and which may be either linked or independent from the construction works or the purchase of land themselves must be reported under this budget line, following the same rules for eligibility foreseen for "Equipment" (full price or depreciation method).

Reporting investment costs

The following documents must be provided to the competent FLCO in order to prove the expenditure and the related payment:

- Documents evidencing the selection process, following the applicable procurement rules.
- Contract laying down the works to be provided, with clear reference to the project and to the 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.
- Contract laying down the purchase of land in the framework of project and certificate obtained from an independent qualified assessor or duly authorized official body confirming that the purchase price of the land does not exceed the market value.
- Detailed invoice, clearly stating the date, the payee, the payer and (where applicable) the title/acronym of the project and the name of the Programme, description of the works performed in line with the contents of the contract, quantification of the work, price per unit (if applicable) and total price.
- In case the travel and accommodation costs are not foreseen in the contract of the professional (expert) incurring them, they have to be reported using the documentation proving the actual realization of the travel (tickets, boarding passes, etc).
- Evidence of the investment (e.g. documentation of the works, photographs...).
- Proof of payment.

In the following table, some examples of proof of payment documents are provided.

Examples of proof of payments for investments
o Payment orders; o Receipted invoice showing the expenditure and/or the payment; o Receipted payment orders by the bank or signed by the Accounting Manager or Administration Manager from which it clearly emerges the amount and the name of payee.; o Not transferable at sight checks or bank checks from which it emerges clearly the amount and the name of payee. These documents must be accompanied by a bank statement showing the cashing of the check; o Bank transfer signed by the cashiers with the stamp of the bank;

- Bank statement showing the possible bank transfer to the supplier;
- Daily book for payment in cash of an amount up to the maximum amount envisaged by the National, Regional and European rules about cash payments if applicable.

Other relevant information

Purchase, rent or leasing of existing buildings are not eligible costs as well as rent or leasing of land.

Costs of feasibility studies and environmental impact assessments needed prior to the realization of the investment and delivered during project implementation should be allocated to this budget line.

Equipment making part of the investment must be reported under the "Equipment" budget line.

5.3.9. Financial charges and guarantee costs

In this budget line shall be included:

- charges for transnational financial transactions;
- the bank charges for opening and administering the accounts where the implementation of a project requires a separate account or accounts to be opened;
- the cost of guarantees provided by a bank or other financial institutions, to the extent that the guarantees are required by national or Community legislation;
- the cost of guarantee requested from the private (not-profit) Lead Beneficiary only up to the same amount as the cost of the guarantee covering the amount of the pre-financing (Reg. (EC) 2342 Art. 182).

Specific eligibility requirements

Financial charges and guarantee costs are only eligible if they are directly linked to the implementation of the project.

Depending on the type of cost (financial charges or guarantee costs) specific eligibility requirements must be also respected.

A) Financial charges

In case of separate bank accounts opened specifically for project purposes, the bank charges paid by the account holder (the Beneficiary) for setting up and administering the bank connection are eligible. In brief the term bank charges covers all costs and fees required by a bank to their customers (i.e., periodical or slum sum fee, registration costs for each entry, annual costs for cash dispenser management, bank statement dispatch costs, mail costs for communication dispatch, costs for settlement or periodical closure).

Additionally, this budget line includes all the costs (charges) for transnational financial transactions carried out (such as credit transfer order costs, costs for payment standing order...).

B) Guarantee costs

The cost of guarantees provided by a bank or other financial institutions are eligible to the extent that the guarantees are required by national or Community legislation.

In the framework of the IPA Adriatic CBC Programme, according to the relative Call, private Lead Beneficiaries and private Final Beneficiaries with no legal personality may be required to provide a financial guarantee before the signature of the IPA Subsidy Contract.

In case of a guarantee required to a ***private Lead Beneficiary***, the cost of guarantee, requested by the Managing Authority is eligible ONLY up to the cost of the guarantee covering the amount of the pre-financing as shown in the following example, since the only financial guarantee requested by national/Community legislation is the one required by Art. 182 of Reg. (EC, Euratom) n. 2342/2002 concerning advance payment:

Example of calculation of eligible guarantee costs for private Lead partner	
a) Programme contribution	1.000.000,00
b) Cost of the guarantee for the Programme contribution (1%)	10.000,00
c) Advance payment: 20% of the Programme Contribution	200.000,00
d) Cost of guarantee for the pre-financing (c*1%)	2.000,00
Eligible guarantee cost	***2.000,00***

Instead, in case of a guarantee required to a private final Beneficiary with no legal personality, the full cost of the guarantee is eligible and refundable by the Programme, since this financial guarantee is required by art. 174a of Reg. (EC, Euratom) n. 2342/2002.

Reporting financial charges and guarantee costs

The following documents must be provided to the competent FLCO in order to prove the expenditure and the related payment:

- Documents proving that all costs are real, directly related to the project and have not been declared under other budget lines;
- Documents evidencing the opening of the bank account for the project (if any).
- Proof of payment.

In the following table, some examples of proof of payment documents are given.

Examples of proof of payments for financial charges and guarantee costs
o Payment orders; o Receipted payment orders by the bank or signed by the Accounting Manager or Administration Manager; o Receipted payment orders or not transferable at sight checks or bank checks from which it emerges clearly the amount and the name of payee. These documents must be accompanied by a bank statement showing the cashing of the check; o Bank transfer signed by the cashiers with the stamp of the bank; o Bank statement showing the possible bank transfer to the supplier; o Receipt showing the expenditure and/or the payment; o Daily book for payment in cash of an amount up to the maximum amount envisaged by the National, Regional and European rules about cash payments if applicable.

Other relevant information

Transnational financial transactions are always eligible under this budget line, whilst *NATIONAL* financial transactions not falling under the category of "Bank charges" (either for the management of the bank account, as it is a charge), could be eligible under this budget line ONLY where the implementation of the project requires a separate account or accounts to be opened. Otherwise, they must be reported under the "Overheads" budget line.

Any other charge ***NOT related to a bank account specifically opened for the project***, must be reported under the "**Overheads**" budget line.

The following bank charges costs are NEVER eligible:

- stamp duty for the bank statement, as it is a current account holding fee (tax);
- possible charges for current account maximum overdraft (commissions that are charged by the bank on the current account maximum overdraft).

6. REPORTING, CONTROL AND REIMBURSEMENT

6.1. Reporting Activity

In the IPA Adriatic CBC Programme's reporting takes place at two levels, at the partner level and at the project level. There are three types of reports to be compiled at these levels:

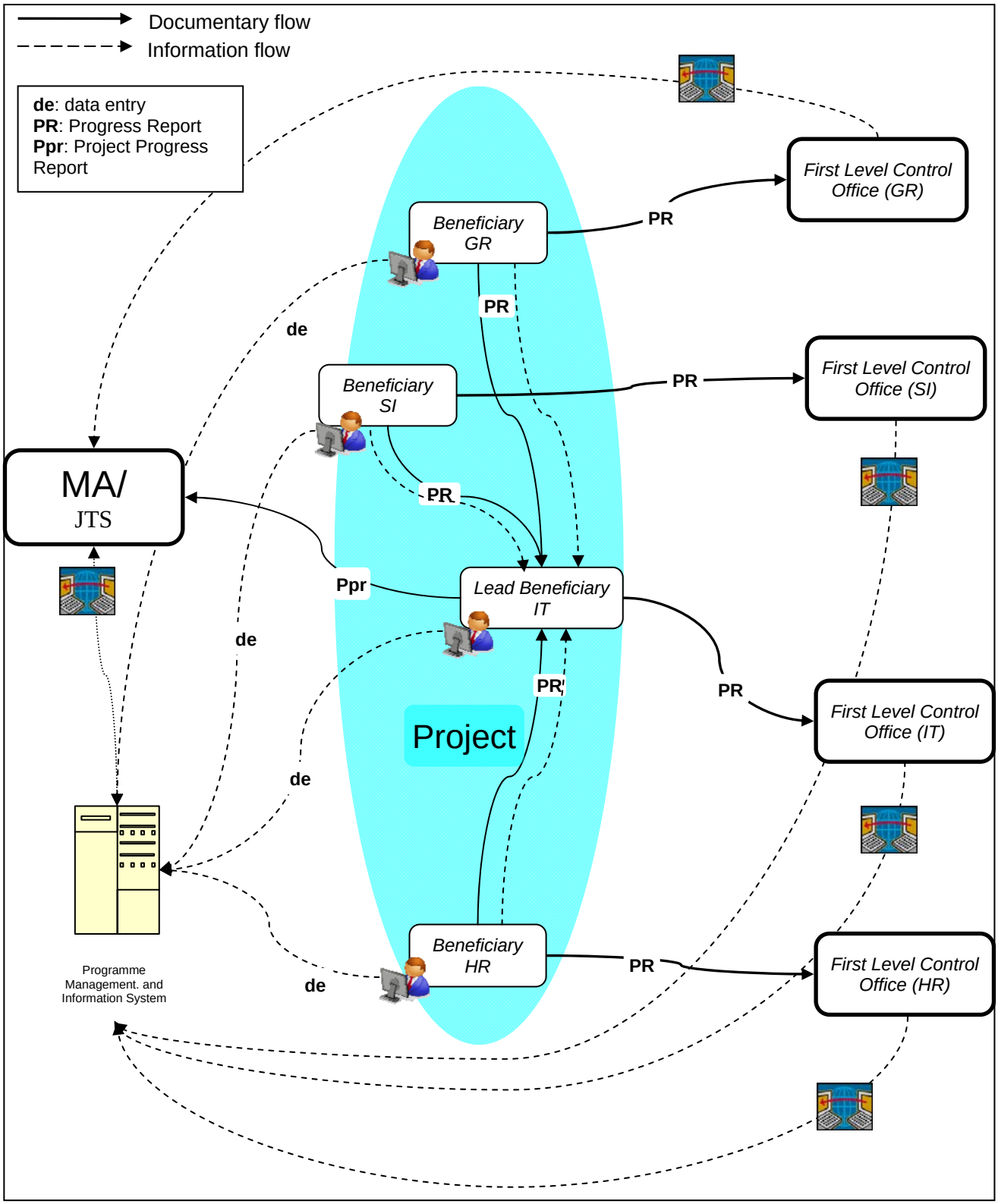
- the ***Progress Reports*** at Final Beneficiary's level;
- the ***Project Progress Report*** and ***Final Report*** at project level.

For the reporting process at project level, compulsory templates have been provided by the JTS and will be available in the Project Management Toolbox, downloadable from the Programme website . The same goes for the Project Progress Report and for the Final Progress Report, where compulsory templates have been provided. All the reports must be filled out in ***English*** in all their parts.

The following paragraphs explain some requirements that must be respected for reporting and how to fill in the model templates for the Final Beneficiary's Progress Report as well as the Project Progress Report in more detail. The description on how the Final Report shall be submitted will be instead explained in the Chapter 8.1 of PMCM.

The following figure instead shows the full reporting procedure at Final Beneficiary and Project level:

Figure 1: Reporting procedure at Final Beneficiary and Project level



6.1.1.1. Requirements for the costs to be reported

In addition to the general and specific eligibility requirements explained in Chapters 4 and 5, the following requirements must be respected as well.

Budget limits

The reported expenditure must not exceed:

- the approved total project budget
- the approved budget of each Project Partner.

Generally speaking, the reported expenditures should not even exceed the approved total amount per budget line and per Work Package (including budget limits as for preparation costs (see § 5.2 of PMCM)), otherwise they could not be reimbursed by the Programme. Every time Final Beneficiaries will report expenditure over the available resources (per budget line, per WP or per Final Beneficiary) they may incur in the so called "Over budget", which means that some reported expenditures, having respected all the eligibility rules, can be considered as eligible (and thus validated by the competent FLCO) but cannot be reimbursed by the Programme. Anyway, in duly justified cases, Final Beneficiaries may require adjustment to their budget allocation (between WPs or budget lines) which must be authorized before being reimbursed[62].

Conversion into Euro

All amounts set in the IPA Subsidy Contract and in all the reports have to be shown in Euro.

In practice this means that Final Beneficiaries in participating Countries which have not adopted the Euro as their currency on the date of submission of the expenditures to the national FLCO shall convert into Euro, with an accuracy of ***two digits after the comma***, the amounts of expenditure incurred in national currency. The amount shall be converted into Euro using the monthly accounting exchange rate of the Commission ***in the month in which the expenditure was submitted by the Final Beneficiary to the First Level Controllers***. The average monthly exchange rates set by the Commission are available at http://ec.europa.eu/budget/inforeuro/. In such cases, the exchange rate should be rounded off to four digits after the decimal comma, with 0,0005 being rounded up.

A part from the cases foreseen in § 6.1.2.2, Final Beneficiaries in participating Countries which have not adopted the Euro as their currency on the date of submission of the expenditures to the national FLCO shall also provide the "***List of Expenditure***"[63] detailing individual cost items, the WP to which the activities and the related costs are related, the budget line to which the costs have to be attributed, showing also the amount in national currency and in Euro. Final Beneficiaries which void invoices before submitting them to the national FLCO, may be exempted to present such "**List of Expenditure**" due to conversion into EUR.

It is important to note that the IPA funds will be disbursed in Euro to the Lead Beneficiaries' bank account and that any exchange risk is borne by the Final Beneficiaries.

Display of figures

All the amounts have to be inserted in the reports using the system of 2 decimals, thus with an accuracy two digits after the comma.

In order to avoid rounding differences, Final Beneficiaries must then round off all expenditure to two digits after the decimal comma (with 0,005 being rounded up), as shown in the following examples[64]:

[62] See § 3.4 of PMCM.
[63] The JTS has provided a template of "List of Expenditure" that could be used by Final Beneficiaries which have not adopted the Euro as their currency on the date of submission of the expenditures to the national FLCO.
[64] For filling in the Financial Report into the MIS, Final Beneficiaries must be aware that in case of copy/paste (from e.g. booking software) more than 2 digits after comma can be pasted into the fields, although only 2 are visible. In such cases the automatic rounding functions of the system may lead to wrong calculations, thus Beneficiaries are strongly recommended to round off amount by themselves.

Examples of rounding off		
Amount of the expenditure:	176,***374*** EUR	176,***376*** EUR
Amount to be indicated in the report:	**176,*37***	**176,*38***

6.1.1.2. Timing for reporting

Final Beneficiaries must be aware that the general rule adopted by the Programme is to allow projects to report expenditures *whenever they are ready*, given that, at least, the spending forecasts planned in the Application Form will be respected in order to make sure that spending is reported in time to be included in Programme claims and to ensure that projects are progressing.

This means that Final Beneficiaries define the spending pattern of their project since the submission of the Application Form and commit themselves to keep this rhythm of expenditure during the implementation of the project. In this way the Programme Authorities will be able to monitor the progress of the project, verifying how the expenditure reported are far from the planned spending forecast and take the appropriate measures in case of delay.

In practice, Final Beneficiaries ***can report their expenditures whenever they want***, but are anyway required ***to reach the level of expenditure foreseen in the Application Form*** in the four different periods per year: *by 31st January*, *by 30th April*, *by 30th June* and *by 31st October* of each year of the project duration.

Final Beneficiaries are then suggested to report expenditures as soon as they are incurred, taking into account that, *obviously*, expenditure already reported in previous Progress Reports must not be reported again.

The last Progress Report must be submitted within the end of the project, as stated in the approved Project Application Form.

6.1.1.3. Voiding expenditure documents

All original invoices and other probative documents must be voided by means of a stamp (or written by pen, even if the use of a stamp is strongly suggested). The intent is to make explicit reference to the fact that the expenditure has been co-funded by the Programme in order to avoid double funding and, in addition, to make explicit the claimed expenditure for every item.

Therefore the sentence borne by the stamp (or by pen) has to provide at least the following information:

- the concerned expenditure has been co-funded by the IPA Adriatic CBC Programme;
- the code and the name (acronym) of the project;
- the amount reported[65] or declared as eligible[66].

An example of sentence that can be used is shown in the following table:

Expenditure incurred under IPA Adriatic CBC Programme, Project "<*Acronym*> - Code <*Code*>", for a sum of € ....., date…..

For Final Beneficiaries in participating Countries which have not adopted the Euro as their currency, the amount reported or declared as eligible should be indicated both in the original currency and in Euro value:

[65] In case the invoice is voided by the Final Beneficiary.
[66] In case the invoice is voided by the competent FLCO.

> Expenditure incurred under IPA Adriatic CBC Programme, Project "<*Acronym*> - Code <*Code*>", for a sum of <*abbreviation of the original currency*> <*amount in the original currency*>, equal to € <*amount in euro*>, date…...

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

According to the control procedures in place in the different Participating Countries stamping can be performed by the First Level Controller or by the Final Beneficiary. More detailed information will be given in the Guidance for First Level Controller[67].

6.1.2. (Final Beneficiary) Progress Report

The Progress Report presents the activities and costs of *one Final Beneficiary* for the given reporting period. It contains information about activities and costs of the respective Final Beneficiary and has to be compiled by all partners, including the Lead Beneficiary.

In fact, as laid down in the IPA Subsidy Contract, all Final Beneficiaries shall submit documents evidencing the project progress and expenditures, since the grant payments are made on a reimbursement basis of the *eligible and refundable expenditure*. In practice this means that *each Final Beneficiary, including the Lead Beneficiary*, must have their own costs verified by their national First Level Controller.

The reporting of expenditure incurred by Final Beneficiaries for the project implementation is done through the ***Progress Reports*** which must be submitted to the competent FLCO.

The Progress Report is composed of:

- ***Activity Report*** that provides information on the activities implemented in the related period of reporting, outputs produced, Final Beneficiary' declarations (statement on VAT status, update on declaration of state aid received, respect of equal opportunities principles), revenues produced ***and***
- ***Financial Report*** which provides information on project's expenditure per budget lines and WP.

Any Progress Report must be supported by ***documents*** proving the eligibility of expenditure (proof of expenditure, proof of payment, documents relating to public procurement, etc)[68].

6.1.2.1. Activity Report

The Activity Report relates to the work performed and results achieved by the Beneficiary in the considered period of reporting[69], highlighting the state of project implementation, the description of activities carried out, and the outputs and results achieved according to the project work plan.

The Activity Report shall be coherent with the activities, objectives, results and the time schedule described in the approved Application Form. If not, related motivations for eventual deviation and envisaged activities to catch up with the delays shall be provided. If relevant, the description should also provide information on the main challenges that occurred and how the project dealt with them or what actions have been foreseen to deal with them.

By filling in the Activity Report the Final Beneficiary will also confirm/declare the VAT status, any revenue generated during the project implementation and, for Final Beneficiaries granted by the Programme under

[67] For Final Beneficiaries from Slovenia, Bosnia and Herzegovina, Montenegro, Croatia and Serbia expenditure documents will be voided by the competent FLCO. Final Beneficiaries located in Italy, Albania and Greece must instead void these documents before submitting them to the national FLCO.
[68] See sub-paragraph 6.1.2.3.
[69] A "period of reporting" is calculated automatically, taking the date of the oldest date among the supporting documents of receipt as a start date, and the date most recent one as the end date of the period of reporting.

the de minimis regime, the update of the funds received under the de minimis regime over the three-year financial period before the related period of reporting. Additionally, by signing the Activity Report, Final Beneficiary also confirms that the provisions 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 have been respected.

Final Beneficiaries must use the ***Activity Report template*** (excel file) provided by the Programme and fill in all its parts, in conformity with the information provided in the Financial Report.

Before submitting it, the Activity Report must be sent previously (also by email) to the Lead Beneficiary which must sign and stamp the Activity Report in the spaces indicated being responsible to ensure that the expenditure presented by the Final Beneficiaries participating in the project has been paid for the purpose of implementing the project itself and that corresponds to the activities agreed among the involved Final Beneficiaries[70]. The signed Activity Report by the Lead Beneficiary must be returned (also scanned by email) to the Final Beneficiary[71].

The Final Beneficiary has then to upload the Activity Report, signed and stamped both by the legal/authorized representative of its institution and of the Lead Beneficiary's institution, into the *M.I.S*.

6.1.2.2. Financial Report

The Financial Report relates to the expenditure incurred during the concerned period of reporting, per budget lines and WP and must be filled in ***directly into the MIS***.

Each expenditure or revenue[72] should be listed according to the related Work Packages and budget line to which it refers, in connection with the supporting invoices, or other accounting documents of equivalent probative value.

Generally, a single invoice (receipt, bill, payslips...) should be clearly connected to only one Work Package or budget line. In case the invoice (receipt, bill, payslips...) covers activities related to more than one WP or budget lines, a "***List of Expenditure***"[73] must be provided, detailing individual cost items, the WP to which the activities and the related costs are related and the budget line to which the costs have to be attributed. In such case, all aggregated financial information declared in the Financial Report must be identical to the item-based information provided in the List of Expenditure. The List of Expenditure should therefore be prepared very carefully and any mistake should be avoided, otherwise the competent FLCO could not validate the aggregated costs.

Moreover, Final Beneficiaries must be aware that the total amounts indicated in the Financial Report must be **identical** to the ones declared in the Activity Report, otherwise the First Level Controller could not validate the accounted expenditures.

6.1.2.3. Attachments to the Progress Report (supporting documents)

Any Progress Report must be supported by documents proving the eligibility of expenditure as:

- invoices and accounting documents of equivalent probative value related to project expenditure;

[70] Art. 96.1(d) of the IPA Implementing Regulation.
[71] Lead Beneficiary and Final Beneficiaries must agree on the procedure to be followed (i.e. the FB prints, stamps and signs the Activity Report before submitting it to the LB) and on timing. It is strongly suggested that the LB sends back the signed Activity Report in due time in order to speed up the Final Beneficiary's procedure of submitting the Activity Report to its FLCO since a delay can affect the timely implementation of the partner's activities and when applicable also the applied monthly exchange rate.
[72] The amount of revenues generated during the project implementation and interest accruing on Programme contribution paid in pre-financing must be indicated in the Financial Report ***with minus sign***.
[73] Final Beneficiaries may also use the template provided by the JTS in the Project Management Toolbox.

- other documents as: bank statements, contracts, timesheets, boarding passes, evidences of the selection procedure, etc.
- public procurement documents, in case of awarding service/s, contracts for works or supply;
- project deliverables as: promotion materials produced during the project period, list of participants and minutes of meetings; copy of the materials produced directly linked to events, etc.
- list of expenditure, where required;
- for Final Beneficiaries located in the Participating Countries which have not adopted the euro as their currency, the page of the InforEuro website showing the monthly exchange rate;
- any other document useful for checking compliance with national legislation that the national First Level Controller might require.

Invoices and accounting documents of equivalent probative value related to project expenditure shall be submitted according to the procedure established by the related FLCO. This means that those Final Beneficiaries which are required to void their invoices before submitting them, must provide to the competent FLCO a true/certified[74] copy of the invoice after stamping it as explained in previous § 6.1.1.3. For Final Beneficiaries whose invoices are voided by the competent FLCO, these invoices must be instead sent in ORIGINAL.

In case of awarding service, contracts for works or supply, the "**Contract awarded declaration**", according to the template provided by the JTS, must be also uploaded into the MIS.

Final Beneficiaries must perform an administrative and accounting self-evaluation on the documentary evidences to support their own Progress Report before submitting it to the competent FLCO, using the check list for self-evaluation provided by the JTS.

6.1.2.4. Submission of the Progress Report

The Progress Report (Activity and Financial Report, as well as the "Contract awarded declaration", if any) must be firstly ***submitted through the M.I.S.***.

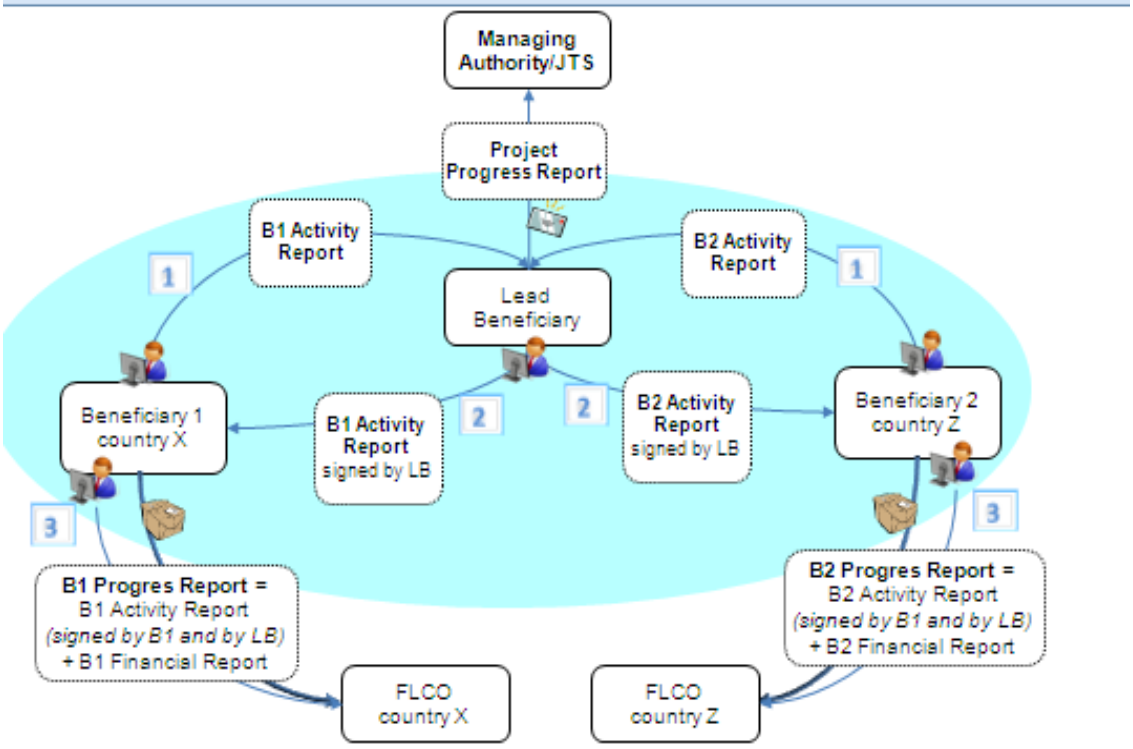
After this, the Final Beneficiary must send by ordinary mail/courier to the competent First Level Control offices[75] a complete ***paper version*** of:

- the file pdf. produced by the M.I.S. named "*Progress Report*" (containing a declaration and the financial report), which must be printed, signed and stamped by the Legal/authorized representative of the Final Beneficiary;
- all necessary documents supporting the reported expenditures.

The following image shows the steps to be followed for submitting a Progress Report:

[74] The purpose of the certification of the required documents is to confirm that the submitted copies correspond to the original. This certification can be given by any authorised person of the participating Beneficiary by stating on the document "*Corresponding to the original*" and having this statement signed, stamped and dated.
[75] The addresses of the National FLC offices are listed in Annex I of this document.

Figure 2: Progress Report procedure



More detailed and technical information on how to submit the Progress Report through the MIS are given in the guidelines produced by JTS: ***"Guidelines for the use of the Programme Management and Information System - M.I.S. (Instruction on how to submit Progress Reports and Applications for Reimbursement)"***[76].

Additional specification on the submission of the paper version of the Progress Reports may be given in the Guidance for First Level Controller.

6.1.3. Project Progress Report

The Project Progress Report presents the state of the implementation of the whole project. It is compiled by the Lead Beneficiary ***on a six-monthly basis*** and contains a summary of the activities and costs of all Final Beneficiaries of the project for the related period.

The purpose of the Project Progress Reports is to enable the Programme Joint Monitoring Committee, Managing Authority and the Programme Joint Technical Secretariat to follow, monitor, keep informed about and to be able to inform others about the progress and achievements of the project.

In particular, the Project Progress Reports may describe progress in achievements of planned milestones, delivery of outputs and financial progress and should include information on main challenges and deviations/delays occurred during the reporting period, if any.

Thus the Project Progress Reports shall contain:

- progress report detailing project activities as a whole, achievement of outputs and results; deliverables produced ***and***
- financial reporting regarding validated expenditures and the submitted applications for reimbursement;

[76] Available in the Programme website.

- relevant enclosures as communication and publicity documents.

The Project Progress Reports must be submitted by the Lead Beneficiary to the MA (through the JTS) twice per year: ***by 30th April and by 31st October***.

Where the Lead Beneficiary fails to submit a Project Progress Report by the given deadline, it must inform the Managing Authority of the reasons why it is unable to do so. However, it has to justify in a summary the progress made in the Project following the previous Project Progress Report. If the Lead Beneficiary fails to justify the breach of this obligation, the Managing Authority may suspend any application for reimbursement or terminate the IPA Subsidy Contract in conformity with the General Conditions of the IPA Subsidy Contract.

6.1.3.1. Submission of the Project Progress Reports

The Project Progress Report must be filled out in English on compulsory, pre-filled templates provided by the Joint Technical Secretariat[77].

They have to be submitted to the JTS both in original hard copy and electronically. The electronic version must be sent via e-mail to info@adriaticipacbc.org, whilst the paper version with all the relevant enclosure must be sent via normal mail/courier dully signed and stamped to the JTS premises.

[77] Templates will be available in the Project Management Toolbox downloadable from the Programme website.

6.2. Validation of expenditure

The Managing Authority has the overall responsibility for verifying the regularity of expenditure[78]. Each Country designated the controller/s responsible for verifying the legality and regularity of the expenditure declared by the Final Beneficiaries established in its territory. Consequently each Progress Report submitted by every Final Beneficiary participating in a project has to be verified and confirmed by the First Level Control Office established in the related Country.

The main aim of the control systems is to provide a guarantee for the Managing Authority, the Certifying Authority and to the project itself that costs are reported and claimed in accordance with the legal and financial provisions of the Programme rules, as well as the Community regulations and national rules.

However, within the Programme, additionally to the first level controls, expenditure incurred and paid out by each Final Beneficiary may undergo a number of verifications by different actors.

All these actors have the possibility to see the Progress Report through the Management and Information System of the Programme that envisages accesses with specific profiles according to the role played by each of them within the Programme.

6.2.1. The different control levels

6.2.1.1. The First Level Control

The IPA Adriatic CBC Programme has a single Control System organized in one Office for each participating State. Each State has established a First Level Control Office for the first level controls which has the responsibility for verifying the legality and regularity of the expenditure reported by all Final Beneficiaries on their territory participating in the operations, each relating to the Progress Reports submitted (see Annex I with the list of the FLCO per Country).

According to Art. 108.1 of the IPA Implementing Regulation, the control performed by the First Level Controller (FLC) makes possible to verify:

- the delivery of the products and services co-financed;
- the soundness of the expenditure declared for project or parts of project implemented on its territory;
- the compliance of such expenditure and of related projects, or parts of those projects, with Community, Programme and, when relevant, with national rules.

Besides the Programme's documents (Operational Programme, Implementation Manual, Applicants' Manual for the reference Calls, the present PMCM), the Programme also provides to the First Level Controllers the tools for verification and validation of expenditures (Guidance for First Level Controller, guidance for the use of the M.I.S., templates of checklists…) to be used in their work. These documents are available on the Programme website.

6.2.1.2. On-going controls by the Managing Authority/Joint Technical Secretariat

The Managing Authority (or the JTS on its behalf) may also perform on-going controls focused on the delivery of activities in relation to the work plan presented in the Project Application Form and compliance with non-financial rules such as those on publicity and information.

Anyway, it must be highlighted that, during the monitoring of the Project Progress Report (and also of the activity section of the Progress Reports), the Joint Technical Secretariat will verify the true existence of the

[78] According to Art. 103.1 of IPA Implementing Regulation as amended, the Managing Authority is responsible "*for verifying the regularity of expenditure. For this purpose, the relevant provisions of Article 13 of Regulation (EC) No 1828/2006 shall apply mutatis mutandis. The managing authority shall satisfy itself that the expenditure of each final beneficiary participating in an operation has been validated by the controller referred in Article 108*".

project, not only that it is "living" on the paper and spending, but that the implementation of its activities is real and ongoing, and going towards the set results and objectives, by analysing all relevant outputs delivered by the project as enclosures to the Project Progress Report (e.g. agenda, minutes and list of participants of meetings held, promotional material, studies, etc)[79].

If the information delivered in the Progress Reports is insufficient, the MA/JTS will ask for further information or clarification to the Final Beneficiaries that should provide the answers to the Managing Authority/Joint Technical Secretariat within the set timeframe.

The MA is also responsible for checking that all Final Beneficiaries' Progress Reports have been validated by the competent FLCO before authorizing the payment of an Application for Reimbursement (the Lead Partner should have already checked this once before submitting the claim).

It should be noted that the controls performed by the Managing Authority/JTS may result in additional requests for clarification to the Lead/Final Beneficiary, even if the Progress Report was technically validated by the FLCO, and might bring to recovery of unduly paid amounts[80].

6.2.1.3. Other Programme actors involved in control

According to Art. 104 of IPA Implementing Regulation, the **Certifying Authority** has the responsibility for certifying that the reported and validated expenditure complies with applicable Community and national rules and has been incurred in respect of the selected project in accordance with the criteria applicable to the Programme and complying with Community and national rules.

Under provisions of Art. 105 of IPA Implementing Regulation, second level audits are performed by the **Audit Authority** (Group of Auditors).

Other checks might also be performed on the project by other auditing bodies of the European Union according to Art. 119 of Reg. (CE) 718/2007.

It should be noted that the controls performed by these bodies (Certifying Authority, Audit Authority other bodies) may result in additional requests for clarification to the Lead/Final Beneficiary and could eventually bring to recovery of unduly paid amounts.

6.2.2. Procedure for expenditure's validation

Once received the hard copy of the submitted Progress Reports, the National First Level Control Office will carry out verifications covering administrative, financial, technical and physical aspects of projects.

Besides what said in the previous paragraph of this chapter, verifications shall ensure specifically:

- that the costs are eligible and sufficiently supported by invoices or accounting documents of equivalent probative value;
- that the expenditure has been incurred for the purpose of implementing the project in accordance with the contents of the IPA Subsidy Contract, including the latest version of the approved Application Form which is an integral part of the contract itself[81];
- the reality of the reported expenditure (activities have actually taken place and products and services have been delivered);

[79] The annexes to the Project Progress Report (e.g. agenda, list of participants to meetings and events, promotional material, publications, press releases, etc.) as proof of the realization of the project activities and of Programme visibility, in some cases can be also provided in electronic version by an electronic device (e.g.: scansion of the list of participants, file of the press notice published on a website, brochures).

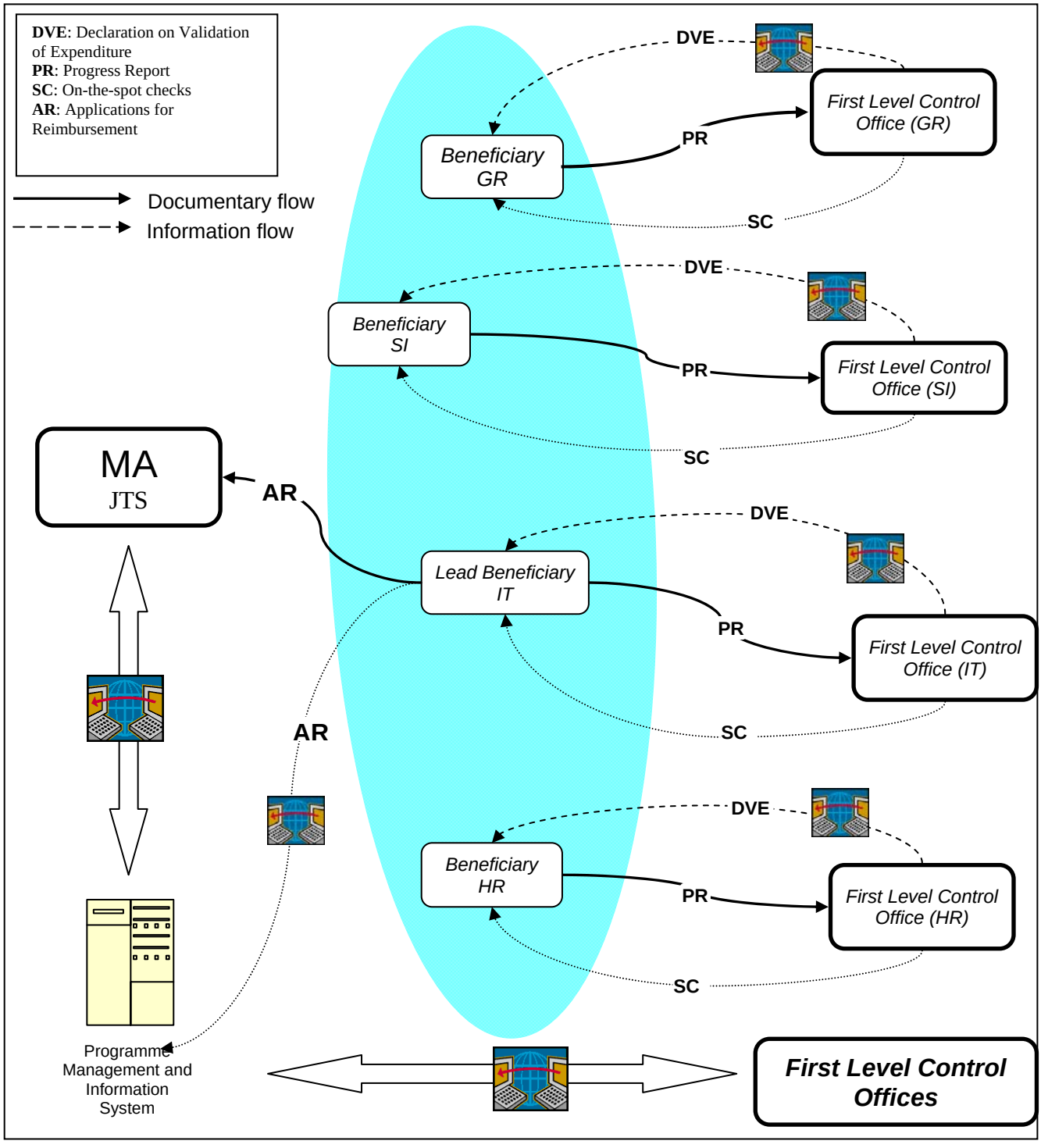
[80] See § 4.8 of the PMCM.

[81] In case of amendments of the Application Form and/or of the IPA Subsidy Contract and Partnership Agreement, the latest version/s will be made available for the competent controller by the Managing Authority.

- the compliance of the expenditure with applicable rules on public procurement, State Aid, publicity and information, protection of the environment and equal opportunities.

In order to be sure that the activities reported in the Progress Reports by Final Beneficiaries have been actually implemented, the products/outputs delivered, the works concluded or on-going, the equipments purchased, First Level Controller will make ***administrative verifications*** ("*desk-based checks*") for each submitted Progress Report (covering 100% of the reported expenditure), which can be also integrated by ***on-the-spot checks*** to a sample of Progress Reports.

Figure 3: Validation Procedure Chart



6.2.2.1. Administrative verification (desk-based checks)

Desk-based checks are verifications made with the help of the supporting documents (§ 6.1.2.3) submitted by the Final Beneficiaries with every Progress Report.

The verification of the supporting documents makes possible administrative and financial checks of 100% of the expenditure declared by the Final Beneficiary in the Progress Reports.

In addition, during the "*desk-based checks*" FLC checks that:

- the submitted Progress Report is correct and consistent with the supporting documents;
- possible revenues, detailed in the Activity Report, have been deducted from the total eligible expenditure;
- the reported expenditure is not affected by irregularity or any suspected irregularity.

The First Level Controllers may also ask the Final Beneficiaries to provide additional documentation in addition to the documents annexed to the Progress Report. The Beneficiaries should provide the answers within the set timeframe in order to speed up the procedure of expenditure validation.

For Final Beneficiaries in participating Countries which have not adopted the Euro as their currency on the date of submission of the expenditures to the national FLCO, the First Level Controller verifies also the correctness of the exchange rates used to convert expenditure incurred in the national currency of those Participating Countries, as explained in § 6.1.1.1 of the PMCM.

Additional information will be given in the Guidance for First Level Controller.

6.2.2.2. On-the-spot checks

Administrative verifications are not sufficient to give assurance on the legality and regularity of expenditure, thus it is essential that on-the-spot verifications are carried out. The on-the-spot checks make possible technical and physical verifications in addition to the administrative checks because the portfolio of checks available on-the-spot is larger compared to the one available for administrative verifications.

The First Level Controller will then perform on-the-spot checks in order to check in particular the reality of project and to be sure that the activities reported in the Progress Reports have been actually done, the products/outputs delivered, the works concluded or on-going, the equipments purchased and the investments realized.

The on-the-spot checks are even an obligation but are performed on a sample basis in order to proportionate the means invested in going on-the-spot to the expenditure to be checked. In general the on-the-spot-checks shall cover at least the following verifications:

- the existence and effective functioning of an accounting system on the level of each partner, either separate or analytical-based, allowing for a clear identification of all project-related expenditure and avoiding the possibility of double-funding;
- adequacy of supporting documents and of the existence of an adequate audit trail;
- the reported services/equipments/investments have been delivered in reality, and are available at the premises of the project partner, and are used in line with the project purposes;
- compliance with national and Community rules;
- the publicity rules and requirements of the IPA Adriatic CBC Programme have been respected.

The on-the-spot checks on sampled Progress Reports will be carried out by the FLC before issuing the "**Declaration on validation of expenditure**" (see following paragraph). Additional information about on-the-spot check will be given in the Guidance for First Level Controller.

6.2.2.3. The Declaration on Validation of Expenditure (DVE)

After completing all verifications (both the administrative checks and (if in case) on-the-spot checks), the competent First Level Control will issue a **Declaration on Validation of Expenditure (DVE)** within a period of **three months** from the date of submission[82] of the relative Progress Report (if no integrations have been required), which proves that the expenditures have been validated.

The DVE is drawn up at Programme level, has the same content for all checked Progress Reports and is obligatory to be used by each FLC. It has to be issued in Euro only.

In particular the Declaration on Validation of Expenditure consists of four main parts[83]:

Declaration	The First Level Controller declares in details that all the necessary verifications have been done, and declares, among other things, the amounts of expenditure reported and checked and the eligible expenditure.
Annex A	The First Level Controller reports in details on the method of verification and on the findings of the desk-based checks and the findings of on-the-spot checks (if in case).
Annex B	The submitted Progress Report to which the DVE refers to.
Annex C	Control Check list(s) filled by First Level Controller.

A detailed explanation of the ineligible (thus not validated) expenditure, will be provided by the First Level Controller in the issued DVE.

The Declaration on Validation of Expenditure is issued by the FLC through the M.I.S. When a DVE is issued by a FLCO, the Final Beneficiary, which submitted the Progress Report, the Lead Beneficiary, of the concerned project, and the Managing Authority will immediately see the DVE in the M.I.S.

Moreover, the First Level Controller has to print and sign the DVE in original and send it in hard copy together with obligatory annexes to the Final Beneficiary that has submitted the relative Progress Report[84].

In case the DVE does not include some expenditures because their checking have been deferred, waiting for integrations, the above-mentioned deadline of three months is meant interrupted only for those reported expenditures not completely checked. In this case the FLC will send through the M.I.S. a request for integration to the Final Beneficiary which shall answer within the given deadline. After receiving the further documentation, the FLC will check again those expenditures and decide whether to validate them or not. The proof of this further validation, always related to the same Progress Report, will be an additional DVE, connected to the one already issued. This additional DVE will be sent to the Final Beneficiary with the same method used for the first DVE.
All those steps will be tracked in the M.I.S.

When the Lead Beneficiary of a project sees in the M.I.S. that there are one or more issued DVE/s[85], it can start the procedure for drawing up an Application for Reimbursement (AR) of the validated expenditures (see the following § 6.3.2).

[82] From the date of receiving the paper documents by the competent FLCO.
[83] See Annex II of the PMCM.
[84] The First Level Controller will scan, upload, and finally store, the signed original DVE, together with obligatory annexes sent to the FB, in the Management and Information System. For more details on this procedure, see Guidance for First Level Controller.
[85] Once a DVE has been issued by the competent FLCO, the concerned Final Beneficiary and its Lead Beneficiary will receive a notification through the M.I.S.

6.3. Reimbursement

This paragraph and the following sub-paragraphs outline the main rules and requirements related to the payment procedure within the IPA Adriatic CBC Programme.

The total budget of project selected for funding is co-financed up to a maximum rate of 85% by the Community (IPA) fund, while the remaining budget is covered with national co-funding, ensured by each Final Beneficiary according to the national co-financing system established by its Country of origin. Therefore, while the IPA funds are always reimbursed by the Programme through the Lead Beneficiary, each participating Country applies a different system to provide the national co-funding and, in case, to reimburse it to Final Beneficiaries.

This being said, the payment of the Community and (where applicable) of the national contribution granted to the project will be done with the reimbursement method, which means that any eligible expenditure will be reimbursed by the Programme if it has been incurred by the Final Beneficiaries, verified and validated by the national First Level Control Office and if the Managing Authority has received an Application for Reimbursement from the Lead Beneficiary.

In addition, Lead Beneficiaries and Final Beneficiaries are entitled to receive an advance payment after the signature of the IPA Subsidy Contract.

6.3.1. Pre-financing payment

After the signature of the IPA Subsidy Contract the project may receive a pre-financing payment up to a percentage of the Community contribution assigned to the whole Project[86].

Lead Beneficiaries shall submit to the Managing Authority a pre-financing payment request[87] and, once received it, the pre-financing shall be transferred by the Lead Beneficiary to each Final Beneficiary, according to the share of pre-financing payment defined in the Partnership Agreement.

The received pre-financing amount will be deducted pro-rata from the interim reimbursement payments and the final deduction will be made with the last reimbursement payment. If the pre-financing is not deducted before the payment of balance or before the Contract termination, the due amounts must be returned to the Programme in the same terms set out under Article 18 “Recovery Procedure” of the General Conditions of the IPA Subsidy Contract in force. The method according to which the pre-financing payment will be deducted from the submitted Application for Reimbursement is shown in the following table.

Example of the Pre-financing method

[86] Under the condition that the MA has yet received by the European Commission the Programme pre-financing payment.

[87] A template of “Pre-financing payment request” is available in the Programme Management Toolbox.

Total Programme contribution (A)	2.500.000,00
Community contribution *(b=A*85%)*	**2.125.000,00**
*National co-financing (nc=A*15%)*	*375.000,00*
Advance payment *(c=b*20%)*	***425.000,00***

First application for reimbursement (ar1)	125.000,00
*Community contribution of the first application for reimbursement (e1=ar1*85%)*	106.250,00
*National co-financing (nc1=ar1*15%)*	18.750,00
First Community contribution reimbursed *(f1=e1*80%)*	***85.000,00***
Second application for reimbursement (ar2)	1.000.000,00
*Community contribution of the second application for reimbursement (e2=ar2*85%)*	850.000,00
*National co-financing (nc2=ar2*15%)*	150.000,00
Second Community contribution reimbursed *(f2=e2*80%)*	***680.000,00***
Third application for reimbursement (ar3)	500.000,00
*Community contribution of the third application for reimbursement (e3=ar2*85%)*	425.000,00
*National co-financing (nc3=ar3*15%)*	75.000,00
Third Community contribution reimbursed *(f3=e3*80%)*	***340.000,00***
Fourth application for reimbursement (ar4)	500.000,00
*Community contribution of the fourth application for reimbursement (e4=ar4*85%)*	425.000,00
*National co-financing (nc4=ar4*15%)*	75.000,00
Fourth Community contribution reimbursed *(f4=e4*80%)*	***340.000,00***
Fifth application for reimbursement (ar5)	375.000,00
*Community contribution of the fifth application for reimbursement (e5=ar5*85%)*	318.750,00
*National co-financing (nc5=ar5*15%)*	56.250,00
Fifth Community contribution reimbursed *(f5=e3*80%)*	***255.000,00***
Total Community Contribution reimbursed (c+f1+f2+f3+f4+f5)	***2.125.000,00***

6.3.2. Submission of the Application for Reimbursement

An **Application for Reimbursement (AR)** is the request through which the Lead Beneficiary of a project asks to the Programme to have the reimbursement of the eligible and refundable expenditures for all Final Beneficiaries.

Every time one or more DVE/s has/have been issued, the Lead Beneficiary can draw up an Application for Reimbursement of reported, validated and refundable expenditure and submit it to the Managing Authority.

AR must be firstly presented through the M.I.S. and then printed, signed and stamped and submitted in hard copy to MA/JTS.

For technical information, Lead Beneficiaries are advised to consult the *"Guidelines for the use of the Programme Management and Information System - M.I.S. (Instruction on how to submit Progress Reports and Applications for Reimbursement)*" available on the Programme website.

6.3.3. Programme reimbursement system

Once received the signed Application for Reimbursement, the Managing Authority/JTS will control the correctness of it taking into account the implementation of the entire Project and, within **45 calendar days** (or 60 calendar days for Projects which are particularly complex to evaluate) from the date on which the AR was received[88], issues a Payment Order (PO) to the Certifying Authority, both in hard copy and through the Management and Information System. The Certifying Authority performs checks of its competence and sends a reimbursement order to the Treasury of the Programme in order to proceed with the reimbursement.

A notification on the issue of the Payment Order from the Managing Authority will be submitted through the M.I.S. to all Final Beneficiaries concerned by that specific AR.

The reimbursement of the ***IPA funds*** of the whole project (thus of all Final Beneficiaries) will be made on the LB's bank account. Once received these funds from the Treasury of the Programme, the Lead Beneficiary is obliged to transfer in time (according to what established in the Partnership Agreement) and in full the share of IPA which corresponds to each Final Beneficiary.

The national co-financing reimbursement, if due, will instead follow the rules established by each participating Country, according to the specific national co-financing system set up, namely:

- the share of national co-financing of **Italian Final Beneficiaries** is guaranteed by the National Rotation Fund, established by art 5 of Law 183/1987; based on the agreement between the Managing Authority and the Italian Ministry for Economic Development – DPS, those Beneficiaries are not required to submit other claims for the reimbursement of the corresponding national share of co-financing;
- **Beneficiaries from Greece** will receive national co-financing by state funds according to the legal provisions of the national management and control system regarding European Territorial Cooperation Programmes; in order to receive the payment of the corresponding national share of co-financing from state funds, Final Beneficiaries must submit a letter requesting the national co-financing to the Greek Managing Authority of European Territorial Cooperation Programmes;
- the share of national co-financing of **Slovenian Final Beneficiaries** is guaranteed by the Government Office of the Republic of Slovenia for Local Self-Government and Regional Policy (GOSP); in order to receive the payment of the corresponding national share of co-financing, Final Beneficiaries must submit a reimbursement request in line with the requirements set in the Guidelines for Reporting for Slovenian Beneficiaries published by GOSP.

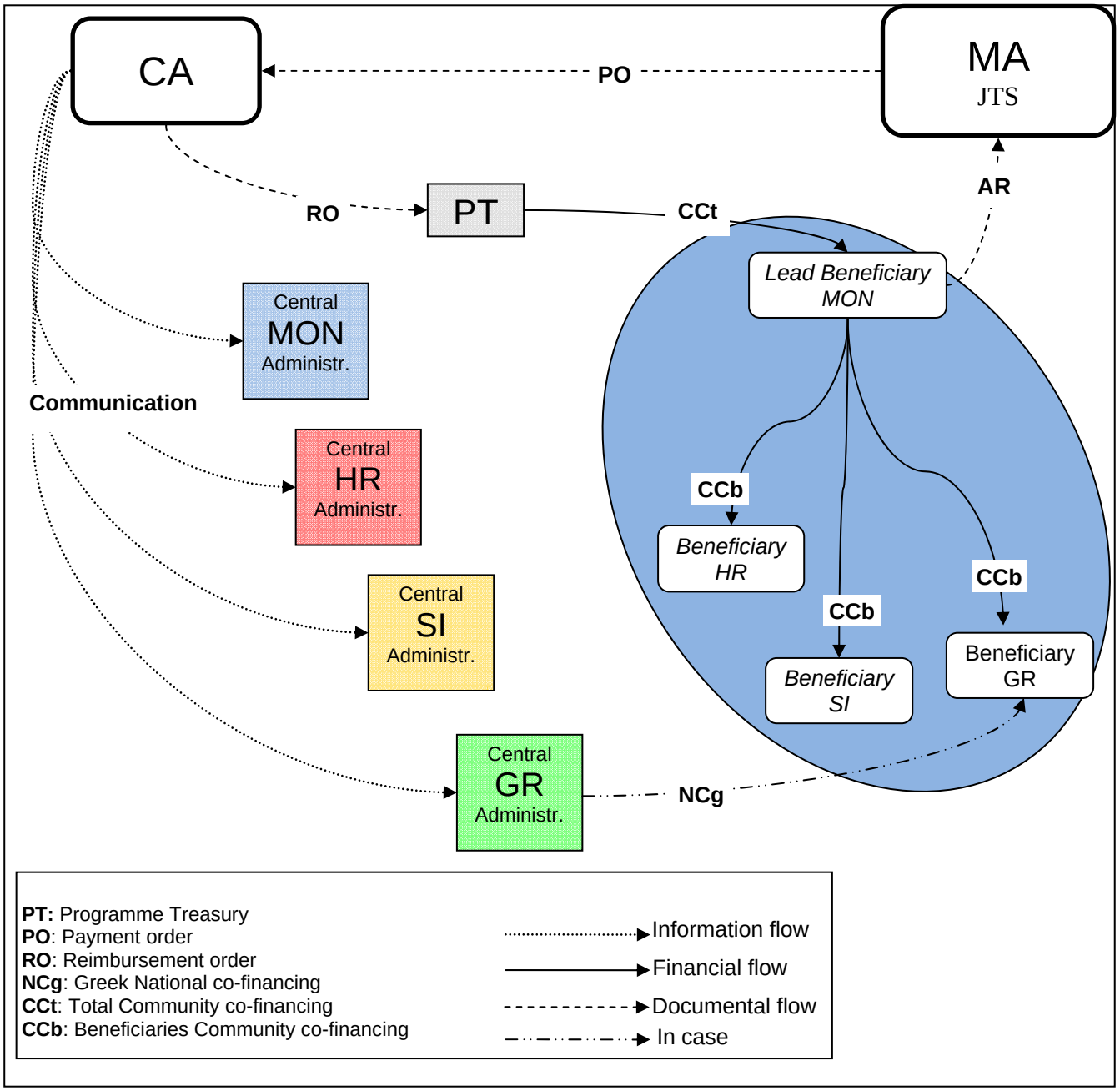
The figure below shows the different steps of the cash flow during reimbursement procedure:

Steps of reimbursement procedure	
1	Transmission of the Progress Report to the competent FLCO

[88] From the date of receiving the hard copy AR.

2	Verification of the Progress Report by the FLCO
3	Declaration on Validation of Expenditure issued by the FLC and transmitted to Beneficiary and through the M.I.S. also to LB, MA and CA.
4	Elaboration and submission of the Application for Reimbursement (AR) by the LB
5	Verification by the MA/JTS of the submitted AR and approval
6	Order of payment issued by the MA to the Certifying Authority which will transmit it to the Programme Treasury for making reimbursements to LB
7	The LB will receive the IPA funds.
8	All Beneficiaries will receive the IPA funds by the LB according to the share reported by each of them. National co-financing (where applicable) will be reimbursed to Final Beneficiaries according to the national co-financing system.

Figure 4: Reimbursement procedure



7. PROJECT COMMUNICATION AND VISIBILITY[89]

In the programming period 2007-2013 the role of communication and visibility activities at project level has been strengthened, since the previous programming period showed that communication and visibility activities are practical and efficient measures to improve the quality of the projects and to make projects' results visible as much as possible.

During implementation each Final Beneficiary of the IPA Adriatic CBC Programme has to undertake a set of activities to make available and to publicize the assistance obtained from the European Union[90].

Therefore Final Beneficiaries are strongly encouraged from the very beginning to plan their communication and visibility activities which have to accompany the whole project lifecycle.

Even though communication and publicity may be considered interchangeable, they have a different purpose in time and coverage terms.

Main differences between communication and publicity	
Communication	- Connecting with target audience; - Obtaining feedback and follow up on the impact from activities; - More targeted; - Carried out throughout the lifetime of the project.
Publicity	- Spreading information about project; - Usually one way – little room for feedback; - Wider audiences; - Mainly carried out at implementation and especially at project close phase.

Good communication is central for the success of any project and thus for the Programme itself. Effective communication enables not only a shared understanding of project's objectives and results, but it also raises necessary visibility of EU role and of the Instrument for Pre-Accession Assistance outside the "project bunch".

Both communication and visibility activities have the following general scopes:

- to increase transparency in the use of European Union funds during the Project implementation,
- to achieve the knowledge of the activities and the joint cooperation strategy,
- to raise awareness of the main project's achievements and results among the specific target groups and the general public,
- to let citizen know the benefits obtained in the involved territories.

During the submission process the partnership agreed on the project's communication and visibility activities describing them mainly in a devoted WP (WP2) but also envisaging them in other WPs planning also specific expenditures. During the implementation phase, the planned activities will be implemented and, whenever

[89] Main source: "Territorial Cooperation Project Management Handbook" published by INTERACT.
[90] According to Articles 62-63 of Implementing Regulation.

they are carried out or whoever are the addressees, they shall comply with all the requirements respecting both the indications given by the relevant EU regulations and those specific given by the Programme.

Therefore the expenditures related to communication and visibility activities that do not comply with the requirements described in this chapter are considered as ineligible. Copy of any visibility and communication material (e.g. publications, CDs, etc.) produced during the implementation of the project by any of its Project's partner have to be provided to demonstrate that these requirements have been respected[91].

The following paragraphs will guide the Final Beneficiaries in implementing their communication and visibility activities.

Additionally, Final Beneficiaries are suggested to consult the "*Communication and Visibility Manual for European Union External Actions*" in the EuropeAid website:
http://ec.europa.eu/europeaid/work/visibility/index_en.htm

7.1. Strategy and content of the Project Communication plan

In the Application Form Final Beneficiaries are required to describe the project communication, dissemination and publicity activities identifying specific objectives, target groups, disseminating materials, tools and advertising medium.

It is strongly recommended that the approved projects arrange the communication and dissemination measures in a **communication plan** as soon as the project starts on the basis of the project topic, the foreseen resources and the nature of the project.

First of all, drawing a communication plan does not have to be meant as an additional burden for the projects, but as a means to better arrange the projects communication, visibility and publicity activities defined in the Application Form[92]. The project implementation and all the involved parties (Programme's bodies, target groups and partners themselves) will benefit from a clear definition of the communication strategies.

The communication plan should briefly specify aim and purpose of the planned communication and visibility activities, how the achieved results are widely disseminated and capitalized according to the specific addressees/target groups, which are the communication responsibility among partners and the relevant financial resources. In addition, it is aimed at specifying the visibility and communication tools to be used for disseminating the results, the time frame and the different initiatives to which the project will be presented or the public events that will be organized adding further information respecting what stated in the Application Form.

Specifically, in order to draw up the communication plan, the following questions should be answered:

- **What** is the project trying to achieve?
- **Are** objectives clear, achievable and measurable?
- **Who** is the project's audience?
- **What** do we want to say?
- **Which** communication tools will be most appropriate?
- **When** do we want to communicate?
- **Who** will deliver the message?
- **How** will the communication plan's progress be monitored and measured?

[91] The Lead Beneficiaries must provide these materials together with the periodical Project Progress Report. For further details see also § 6.1.2.3 of this PMCM.
[92] See also § 2.3.2 of this PMCM.

The communication plan should be a brief but comprehensive document (if possible not exceeding 10 pages) highlighting the external communication activities that need to take place at key stages in the life of the project. The level of detail should be commensurate with the nature, extent and cost of the communication activities envisaged, even though the communication plan should include the realization of at least the following:

- project logo (recommended)
- project website (recommended)
- project brochure presenting the results
- public event at project end.

The following template[93] can be useful to draw up a communication and visibility plan:

Communication and Visibility Plan Template

GENERAL COMMUNICATION STRATEGY

Objectives

1.Overall communication objectives

2.Target groups

- *Within the Country(ies) where the project is implemented*
- *Within the EU (as applicable)*

3.Specific objectives for each target group, related to the project's objectives and the phases of the project cycle

Examples of communication objectives:

- *ensure that the final beneficiary population is aware of the roles of the partner and of the EU in the activity*
- *raise awareness among the participating Countries or in Europe of the roles of the partner and of the EU in delivering aid in a particular context*
- *raise awareness of how the EU and the partner work together to support education, health, environment, etc.*

COMMUNICATION ACTIVITIES

4. Main activities that will take place during the period covered by the communication and visibility plan

Include details of:

- *the nature of the activities*
- *the responsibilities for delivering the activities*

5. Communication tools chosen

- *Include details of advantages of particular tools (media, advertising, events, etc.)*

INDICATORS OF ACHIEVEMENT

6. Completion of the communication objectives

- *Include indicators of achievement for the different tools proposed*

7. Provisions for feedback (when applicable)

- *Give details of assessment forms or other means used to get feedback on the* activity from participants

RESOURCES

8. Human Resources

- *Person/days required to implement the communication activities*
- *Members of the management team responsible for communication activities*

9. Financial resources

- *Budget required to implement the communication activities (in absolute figures and as a percentage of the overall budget for the action)*

[93] Based on the "Communication and Visibility template" suggested by the "*Communication and Visibility Manual for European Union External Actions*".

Lead Beneficiaries of projects that have produced a Communication Plan must submit to the MA/JTS with the first Project Progress Report, being an additional tool to monitor the communication outputs and results indicators.

The main goal pursued with the development of the Communication plan is to inform with the greatest possible homogeneity the relevant addressees identified by the project, such as (list not exhaustive):

- relevant stakeholders
- policy makers at regional, local and national level
- general public
- specific media
- European Commission
- Programme bodies.

Making visible project progress, disseminating results, informing about outputs and services available represent very positive aspects for project in order to maintain and to increase political backing, to receive input and feedback, where possible to create links with other projects or initiatives.

In case the project envisaged and designated an **information manager**, he/she will be in charge for the implementation of the communication plan and to coordinate all the communication and visibility activities and/or proofread all publications and content to be disseminated.

Final Beneficiaries are suggested to consult the Communication and Visibility Manual for European Union External Actions available at http://ec.europa.eu/europeaid/work/visibility.

7.2. Basic information on project communication and visibility tools

Different communication tools and channels can be identified to spread out the information about the project (and the Programme) to reach the different target groups according to the project's specific needs.

It is very difficult to define a particular communication tool that would be suitable for all target groups. The choice of the most appropriate communication tool depends on:

- the level of engagement required
- the interest of target group in the message
- the preferences of the target group.

Independently of the used communication tool/s and channels, it is important to use always a plain language. When communicating to an audience, the writing style should be easily understandable respecting the following principles:

- to use **simple, clear language** that can be easily understood also by non-native speakers (*K.I.S.S. principle – Keep it Simple and Short*),
- to be as **concrete as possible** – vague messages can be interpreted in different ways and can easily lead to confusion or misunderstandings,
- to try to avoid undefined technical terms (jargon, acronyms, or 'too technical-speaking'),
- to use personal pronouns and the active voice,
- to use visually appealing style (i.e. informative headings, vertical list, graphics, tables).

Creating key message/s is a good way to summarize the intent of a particular piece of writing. Key messages should clearly convey the core of communication activity intended for the public. Key messages are not advertising taglines or slogans, but statement that you can back up with proof and case examples, as

described in your writing. Project should create a limited number of key messages for effective communication. A simple formula would be:

Key message =	*Fact + Case*

Effective key messages involve:

- details of the project
- the benefits of the project for the target groups
- a request or direction to 'do something' ('call to action') outlining what is the next step for target groups.

Moreover it is important to ensure adequacy between chosen communication and visibility actions and the identified target groups to whom these actions should be tailored. The use of English, being the official language of the Programme, is suggested. However in order to tailor better the information and communication activities to the local target group in some sort of actions (for instance, in case of construction billboard or news publication in local newspaper), the national languages may be used.

The communication and visibility main tools can be:

- Project logo
- Project Website
- Events (i.e. conferences, seminars, workshops, information campaigns)
- Promotional materials (i.e. leaflets, brochures and newsletters)
- Specific publications (i.e. handbooks, guidelines)
- Media (i.e. press conferences, TV/radio/internet broadcasting, articles in international/national/regional/local press)
- Specific materials (i.e. banners, audiovisual productions).

Basic information on some of these elements is provided below.

All these communication/visibility tools – which are also project outputs – must respect the publicity requirements (see § of this PMCM).

Project logo

An essential element of the project visual identity is the project logo. It is recommended to create a project logo, a recognizable graphic design which makes the project more visible, recognized and which ensures the visibility of the project, activities and results.

If created, the project logo should appear on all public documents, publications, websites and promotional materials during the project implementation, in order to increase visibility of the project and to facilitate the branding of communication products.

Project Website

It is recommended to set up a project website since a good website is an excellent promotion tool able to capture the attention of a wide number of target groups and general to the wide public.

The website should contain also relevant information in English language about the project, its progress, contact data, project achievements and results. The website should be regularly updated during the project lifetime. It is recommended to launch it within the first 6 months after project start and to maintain the project website at least 12 months after the project closure, and preferably even beyond that, in order to make available all the project results and outputs to other projects, Programme stakeholders and other interested actors after the project closure. The name of the website shall be short and easy to trace back to the project.

The project website must contain at least:

- Link to the website of the Programme
- Name and summary of the project
- Names of all Final Beneficiaries
- Programme logo and European flag (see the next paragraph)
- Disclaimer (see the next paragraph).

At the end of the project, the website should be copied on a CD-rom and transmitted to the MA/JTS with the Final Report for possible further use in the general Programme's communication activities and for archiving purposes.

Events

Public events (i.e. workshops, seminars, conferences, visits, exhibitions) have the potential to raise awareness of project or to disseminate its results to the public. These events can be useful not only to provide information but also to receive a response from the audience.

All events should be carefully planned:

- Engaging highly motivated persons, responsible for staging events
- Defining event's aims
- Planning budget
- Setting date, venue and time of events
- Preparing agenda and running sheet
- Writing guest list and invitations (email list)
- Preparing press kits and information packs for the media
- Structuring carefully the development of the event
- Writing briefing notes providing background information
- Arranging for catering and refreshments (if needed)
- Respecting always publicity requirements.

It is up to the partnership to define the number and the typology of the events according to the nature and the topic of the project. However, it is strongly recommended to hold a public **final project conference** (at least in English language) in order to inform about the final results achieved during the project implementation.

It is also recommended to link these events with media communications (e.g. press release, press conference).

Promotional materials

Promotional materials (such as newsletters, brochures, leaflets, binders, signs) represent a cost effective form of communicating with the target groups.

A newsletter is an excellent tool that can be used to inform public about content and progress of project, about the addressed topic or linked to a follow-up of specific project events. They can be delivered in hard copy (printed) or electronically (by e-mail). Brochures and leaflets are also important promotional materials in order to get the project's key messages across in an effective way. While leaflets provide basic information about the project such as mailing address or web site, brochures can be more illustrative and detailed in conveying messages.

Any kind of promotion material should always:

- keep short and simple text
- apply the same layout each time
- use illustrations (i.e. photographs, graphics, diagrams), when possible
- use headings and headlines.

They can be produced in paper and/or in electronic form.

In general, all material produced in paper form should also be made available in electronic form, so that it can be sent by e-mail and posted on a web site. For material in paper version, distribution capacity (mailing lists) should be considered.

Copies, including electronic copies of the publications should be made available to the MA/JTS through the periodical Project Progress Reports.

Specific Publications

The project can draw up specific publication such as handbook, guideline, etc. according to its objectives and results. It is important that they are (at least) in English language. As results shall be communicated to a wide range of target groups, including the general public and media, these outputs may be useful for other projects in the future or for other territories.

At least one copy of these publication shall be provided to the MA/JTS with at least the Final Report.

Media

Media relations are also important and recommended in order to communicate to the general public. Many potential activities can be chosen such as press conferences, TV/radio/internet broadcasting, articles in international/national/regional/local press, advertisement, etc. In order to set the basis for an effective media communication, it is recommended to set up a contact database of relevant contact persons/journalists at the project start.

Specific project materials

Further communication activities shall be tailored to target groups and according to the project contents, such as:

- *Promotional items* (such as T-shirts, caps, pens, folders, invitations, cards/posters) can be produced by Final Beneficiaries as supporting material for their information and communication activities in the framework of their project.
- *Photographs* showing the progress of the project should also be taken where appropriate to document the progress of the project and events related to it (its launch, press visits, press conferences and so on) so that they can be used in communication material.
- *Audio-visual material* may be appropriate, but can be expensive to produce, so should only be prepared when there is a realistic chance of being distributed by the media. However, small video clips can be produced very simply for displaying on web sites, or publicity material.

7.4 Publicity Requirements[94]

All projects are required to publicize their actions and the fact they have received European funding[95] when communicating on all the matters related to the project. The Lead Beneficiaries and the Final Beneficiaries shall respect specific requirements according to the delivered communication tools, as explained below.

[94] CHAPTER II, IMPLEMENTING PROVISIONS OF REGULATION (EC) No 1083/2006, Section 1 Information and publicity, of Commission Regulation (EC) No 1828/2006 of 8 December 2006 as amended by the Commission Regulation (EC) No 846/2009 Commission Regulation (EC) has also been taken into consideration when elaborated the Programme Communication and Publicity measures.

[95] For further information of European Assistance see: (http://europa.eu/legislation_summaries/enlargement/ongoing_enlargement/e50020_en.htm).

7.2.1. Use of European flag and Programme logo

For any kind of communication and publicity materials made available as a published document or in electronic form (word-, pdf-, ppt- or similar) as well as by electronic means and audio-visual means, project Final Beneficiaries are obliged to prominently display:

- The European Flag
- The Programme's logo and slogan.

The **European flag** has the following official colours:

- Pantone Reflex Blue for the surface of the rectangle.
- Pantone Process Yellow for the stars.

European flag can be downloaded at http://europa.eu/abc/symbols/emblem/download_en.htm in two format:

- JPEG format which allows to use the image directly in documents by using copy and paste;
- vector format or EPS (Encapsulated Postscript) which is best suited to prepress programmes for publishing.

Whenever possible, European flag should be accompanied by the obligatory **statement**: *"The project is co-funded by the European Union, Instrument for Pre-Accession Assistance"* (as the box below shows):

The project is co-funded by the European Union, Instrument for Pre-Accession Assistance.

Only in exceptional cases, such as small promotional materials, the statement can be left off.
Programme logo consists of:

- the picture mark symbolizing regions and countries participating in the Programme,
- the name of the Programme
- the flags of participating countries.

It can be downloaded at the Programme website in two format:

- JPEG format which allows to use the image directly in documents by using copy and paste;
- vector format or EPS (Encapsulated Postscript) which is best suited to prepress programmes for publishing.

Moreover it has been produced with and without the slogan of the Programme '*Let's grow up together*':

Programme logo version with slogan - preferred version

Programme logo version without slogan.

The preferred version of the Programme logo is full colour design in the version that includes the Programme slogan '*Let's grow up together*'[96].

[96] See Annex II of the PMCM.

Independently of the chosen Programme logo version, the **slogan of the Programme** "Let's grow up together" can be used also separately according to the space available.

As general rule, the Programme logo must be in proportion to the design to which it applies. It should be placed on the first page or equally prominent place. A clear space must surround the Programme logo on all sides and not be impinged on by graphic elements, other logos, edge of page or advertisement.

Finally, both these logos must not be distorted or any additions to them must be avoided. In particular:

- the colours of the letters, of the flags shall not be changed
- the logos shall not be rotated
- other possible logo/s to be used shall not be incorporated in them but must be presented separately one from another.

7.2.2. Disclaimer

The European Union, the Managing Authority or any other Programme body is not responsible for the content of the communication material delivered by the Lead Beneficiary and/or by any Final Beneficiary.

Therefore, according to the space available in the project documents (e.g. publications, CDs, websites, etc.) the following disclaimer must be included:

"*This < document/publication/etc > has been produced with the financial assistance of the IPA Adriatic Cross-Border Cooperation Programme. The contents of this < document/publication/etc > are the sole responsibility of < Final Beneficiary's name > and can under no circumstances be regarded as reflecting the position of the IPA Adriatic Cross-Border Cooperation Programme Authorities*".

7.2.3. Specific requirements for plaques and billboard

Permanent plaques and billboard are an effective way of acknowledging the involvement of the EU in the construction or planning of permanent structures such as houses, clinics, factories, institutions, training centres, etc.

As part of the opening ceremony of permanent structures co-funded by the Programme, Final Beneficiaries must place a permanent plaque in the most visible part of the building (such as the main entrance or in front of the building) that is visible and of significant size.

Additionally, projects which foresee investment/s, are required during the implementation of the project to display billboard describing the project for all infrastructure-related activities. The display billboard shall be put on the site of each construction-related activity and be clearly visible so that those passing are able to read and understand the nature of the action. When the project is completed, the billboard shall be replaced by an **explanatory plaque** that is visible and of significant size no later than six months following the completion of the project and which must remain in place for at least five years after project end.

The required plaques and billboards must include:

- the European flag and the Programme logo with the abovementioned statement, where the size of these logos shall take up at least 25% of the billboard or plaque
- the name of the project
- the amount of the Community contribution
- the name of the Beneficiary
- start and end date of the project

- the following sentence: "*This [*name of the structure*] has been produced with the financial assistance of the IPA Adriatic Cross-Border Cooperation Programme"*[97]*.*

If it is not possible to place a permanent explanatory plaque on a physical object, other appropriate measures shall be taken in order to publicize the Community contribution.

Final Beneficiaries are also encouraged to produce a display panel to promote their EU funded project at an exhibition or event, or at the entrance of a training centre or office reception. The shape, size and dimensions of panels vary depending on the amount of information that needs to be conveyed, and whether the panel is intended to be portable or permanent. Low-cost panels can be made using self-adhesive lettering.

7.2.4. Specific requirements for project equipment

Every single piece of equipment, co-funded by the present Programme, must be labelled with a sticker as the figure shows below. The sticker has to be made out of adequate material, and its size has to be adjusted to the size of the equipment.

Sticker has to remain on visible and accessible spot of the equipment or nearby for at least five years after the end of the project, thus it has to be durable.

[97] In case of use of the national language, this sentence should be inserted in national language.

8. PROJECT CLOSURE

Once the project ends (see § 5.2), several obligations arising from the Programme, the Community and the national legislation still apply.

8.1. Final Report

After finalisation of the project Lead Beneficiaries must submit a Final Report to the Managing Authority ***not later than 6 months from the Project expiration term (end date)***, giving a qualitative summary of the project as a whole.

This report, which replaces the last Project Progress Report, shall provide an overview of the project's activities and achievements. It should also highlight how cross-border cooperation has contributed to attaining the expected results and should include a detailed description of the measures foreseen in order to ensure their durability. In addition it should contain financial information about all certified expenditures (DVEs).

As the Project Progress Report, the Final Report shall contain:

- report detailing all project activities as a whole, achievement of outputs and results; deliverables produced ***and***
- financial reporting regarding all project certified expenditures and application for reimbursement;
- relevant enclosures as communication and publicity documents.

Final Beneficiaries must be aware that disbursement of the last Programme contribution instalment is subject to the submission of the Final Report.

The Final Report must be filled in English on compulsory, pre-filled templates provided by the Joint Technical Secretariat[98] and it has to be submitted to the JTS both in original hard copy and electronically.

The electronic version must be sent via e-mail to info@adriaticipacbc.org, whilst the paper version with all the relevant enclosure must be sent via normal mail/courier dully signed and stamped to the JTS premises.

The figure below shows the different steps of the cash flow during reimbursement procedure:

Steps of the final reimbursement after the project end	
1	Transmission of the last Progress Report by every FB to the competent FLCO within the project implementation period (not after the project end).
2	Verification of the Progress Reports by the competent FLCO.
3	Declarations on Validation of Expenditure issued by the FLC and transmitted to FB and through the MIS also to LB, MA and CA.
4	Elaboration and submission of the Application for Reimbursement (AR) by the LB.
5	**Submission of the Final Report by the LB.**
6	Verification by the MA/JTS of the submitted AR and Final Report.
7	Order of payment issued by the MA to the Certifying Authority which will transmit it to the Programme Treasury for making reimbursements to LB.

[98] Templates will be available in the Project Management Toolbox.

8.2. Durability and ownership of the project outputs

According to the IPA Subsidy Contract, Final Beneficiaries are the owners of the intellectual and industrial property rights on the Project's results, reports and other documents relating to it. Where several members of the partnership (Lead Partner and/or PPs) have jointly carried out work generating outputs and where their respective share of the work cannot be ascertained, they shall have joint ownership of it/them. Within the Partnership Agreement Final Beneficiaries may establish provisions regarding the allocation and terms for exercising that joint ownership. The proofs of transfer of ownership rights to the owners shall be anyway annexed to the Final Report.

Notwithstanding, following the provisions of the Programme Visibility rules, the publication of information by Programme or National Authorities/Coordinator or the European Commission, in order to guarantee their widespread publicity and to make them available to the public, may not be considered as a breach of industrial and intellectual property rights or a breach of confidentiality clause if the publication does not affect the Final Beneficiary's commercial secrets.

The produced outputs of the project cannot be transferred or be substantially modified within five years after the project end date. More in detail, the project must not undergo any substantial change:

- affecting its nature or its implementation conditions or giving to a firm or a public body an undue advantage; and
- resulting from a change in the nature of ownership of infrastructure or the cessation of a productive activity.

Should any of the above conditions not be met by any of the Final Beneficiaries, the Managing Authority must be informed without delay. This might imply a recovery of funds unduly paid.

8.3. Storage of project documents and accounting records

All accounting and supporting documents (e.g. Project Application Form, IPA Subsidy Contract, reports, service contracts, public procurement documentation, rental contracts, important communication between the project partners and with the Programme bodies as well as documents required to ensure an adequate audit trail, documents related to expenditures as e.g. original invoices and controls and audits) must be available and accessible until three years after the Programme closure (at least 31.12.2021) unless stricter national rules/state aid regulation[99] do not state a later date.

Official documents related directly to the communication with the Programme authorities shall be archived by the Lead Beneficiary, whilst the reporting and supporting documents related to the Final Beneficiaries must be kept at the Final Beneficiaries' premises for an equal period of time. The documents can be kept either in the form of original copies or in a version in conformity with the original, as commonly accepted data carriers. The procedure for the certification of the conformity of these documents held on data carriers with the original documents must be in line with the provisions set by the national authorities and shall ensure that the versions held comply with the national legal requirements and can be relied on for audit and control purposes.

In case of retaining the documents electronically, internationally accepted security standards must be met.

Representatives of the Managing Authority, Joint Technical Secretariat, First Level Control Offices, Certifying Authority, Audit Authority, authorized officials of the Community and their authorized representatives, European Commission and the European Court of Auditors are entitled to examine the project, all relevant documentation and accounts of the project also after its closure.

[99] FB should retain the de minimis funding documentation for 10 years.

8.4. Other considerations

8.4.1. Costs for project closure

In order to be eligible, all implementation-related costs must be paid out ***before the end date of project implementation*** as well as all costs related to the elaboration and submission of the Final Progress Report and to the project closure activities.

8.4.2. Revenues after project closure

If, no later than the closure of the Programme, should the project be identified as revenue-generating in accordance with the definition provided in § 4.7.3 of the PMCM, the Managing Authority is entitled to ask for refunding to the Programme in proportion to the contribution from the funds.

Annex I

Addresses of the First Level Control Office
in each participating Country in the IPA Adriatic CBC Programme.

Albania	CFCU / Control in the Ministry of Integration Rr."Papa Gjon Pali II", 3 – 8302 Tirane, Shqiperi / Albania
Bosnia and Herzegovina	Ministry of Finance and Treasury – Sector for financing of the EU assistance Programmes and Projects (CFCU) Trg Bosne i Hercegovine 1, 71 000 Sarajevo / Bosnia and Herzegovina
Croatia	Ministry of Regional Development, Forestry and Water Management –Trg Kralja Petra Krešimira IV br. 1 -10000 Zagreb / Croatia
Greece	Unit D "First Level Control Unit" - Paying Authority of CFS, Community Initiatives and Cohesion Fund Navarchou Nikodimou, 11, 105 61 Athens / Greece
Montenegro	Ministry of Finance – Sector for finance and contracting of the EU assistance funds (CFCU) Novaka Miloševa 06 -81 000 Podgorica / Montenegro
Italy	Abruzzo Region – Office for Information, Promotion and Community Project (“Ufficio per l’Informazione, Promozione e Progettazione comunitaria”) Via Salaria Antica Est, 27. – 67100, L’Aquila / Italy
Serbia	Ministry of Finance – Sector for Contracting and Financing of EU Funded Projects (CFCU) – Kneza Miloša, 20, 11000 Belgrade, Serbia
Slovenia	Government Office for Local Self-Government and Regional Policy (GOSP), Sector for Control – ETC and IPA Programmes Dunajska 58, 1000 Ljubljana, Slovenia

Annex II

Guidance on the use of the Programme logo

Logo's colours

Blue "Adriatic" Light blue Programme logo can be produced in full colour according to the percentages indicated below. When the logo is produced with processes that are different from printing, it is necessary to convert the colours in to the equivalent chromatic code. In the table you will find the PMS codes (PANTONE® COLOR BRIDGE™ coated EURO) useful for plain colours, the colour conversion values for four colour printing or in black and white.

Blue "Adriatic"

Pantone	CMYK	RGB
653 EC	96, 59 , 4, 19	0, 87, 147

Light blue "IPA"

Pantone	CMYK	RGB
299 EC	86, 8 , 0, 0	0, 170, 231

Proportions

The use of the horizontal version is advised. The logo should be used only on original digital supports released from the appointed office. Copies produced by other sources, or that are scanned from the examples that will follow in this document, are to be avoided.

It is recommended that the space around the logo is wide enough. The minimum spacing to maintain between the logo and other elements (text, illustrations, pictures) is defined by the height of the vertical line

of the letter “A”, as in the image above. This is the minimum space to be considered therefore, when necessary, it should be increased.

Minimum size

The Programme logo is readable even at minimum dimensions. It is advisable not to use a base that is lower than the one indicated below:

Black & white versions:

It is recommendable to use the colour version of the logo. The black and white version is used only when the printing colour is black (e.g.: newspaper, fax, laser printing or black and white ink-jet) and when it is not possible to use the coloured version. The vector positive colour version is to be considered as an alternative to the black and white version and should be used only when the printing cannot be of a high quality standard (e.g. minimum dimension of printing).

Combination with other logos

The minimum spacing to maintain between the Programme logo and other logos is defined by the area around. This is the minimum space to be considered therefore, when possible, should be increased.

Let's grow up together
Adriatic IPA
Cross Border Cooperation 2007-2013

Mistakes to avoid

It is important to avoid some mistakes in using the Programme logo such as to modify the composition, or the internal proportion of the logo; to change the shape of the logotype; Modifying the typographic characters or the institutional colours of the logo; to ignore the areas of respect and the position of the logo's correct alignment; to ignore the different versions of the logo; to apply the logo in an unreadable way.

A

B

C

D

E

F

Examples of logo use