

Interreg CENTRAL EUROPE Programme

# Application Manual

**Part B: What projects we are looking for**

# Part B

## What projects we are looking for

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# I. Interreg CENTRAL EUROPE key principles

## I.1 Result-orientation

The result-oriented approach which was already successfully applied in the 2007-2013 period will be continued and further strengthened by the Interreg CENTRAL EUROPE Programme. This is reflected in the new programme and project intervention logic.

The Interreg CENTRAL EUROPE Programme fosters changes within the wider programme area, going beyond the regions involved in a project.

### Programme intervention logic

The European Union requires programmes of the 2014-2020 funding period to set in place a **result-oriented** intervention logic demonstrating their clear contribution to the objectives of the Europe 2020 strategy and to the achievement of economic, social and territorial cohesion.

Programmes are to fund projects which demonstrate the translation of outputs arising from “soft” actions (surveys, studies, etc.) into concrete, visible and sustainable results. Those have to lead to a change (improvement) of the initial situation.

The intervention logic of the Interreg CENTRAL EUROPE Programme consists of four priority axes which are broken down into 10 programme specific objectives. For each **specific objective** main **expected results** are defined, which reflect changes that the programme seeks to achieve for the entire programme area through the implementation of projects. Results and related changes are measured through result indicators linked to each programme specific objective.

**Outputs** are the direct products of supported projects (measured by output indicators), which in turn contribute to results (see part D of this manual: chapters IV.2.3.2 on project focus and IV.2.4.2 on work package description as well as annex III).

An outline of the priority axes and the specific objectives is provided in part A, chapter III on strategic priorities and specific objectives as well as in annex I.

A visualisation of the full programme intervention logic including examples of actions and the linked result and output indicators as well as target groups per priority axis is provided as annex II of this manual.

### Project intervention logic

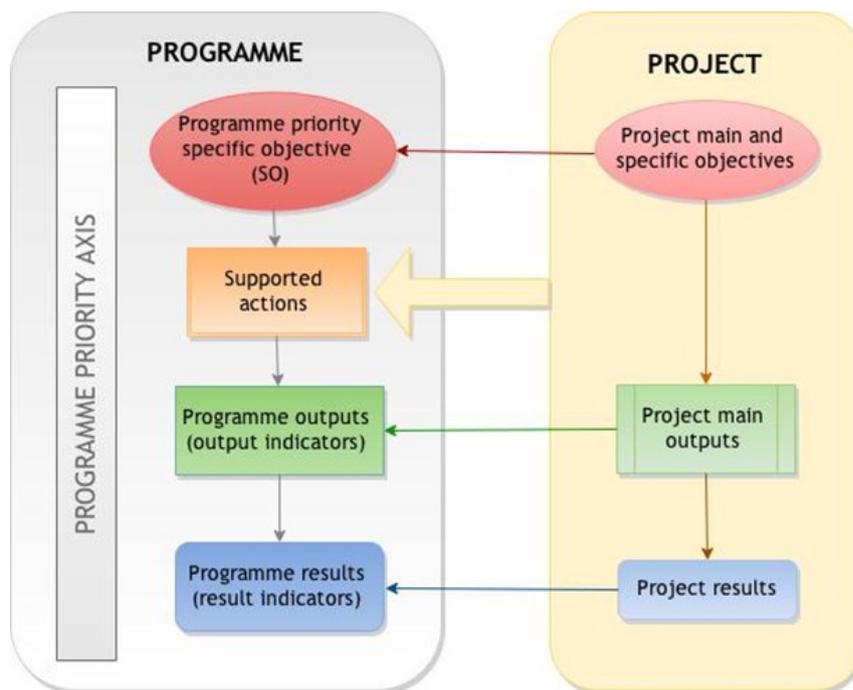
Projects have to strictly apply a result-oriented approach, clearly defining the results (i.e. changes) the project is striving for and linking them with the territorial challenges and needs (see also part C, chapter III on developing the project intervention logic and part D, chapter IV.2.3.2 on project focus).

The coherence of the project intervention logic (i.e. the project specific objectives, activities, outputs and expected results) with the targeted specific objective of the programme is a pre-condition for a project to be funded (see also the links between the programme and project intervention logic as presented in figure 1 below).

Projects not showing a clear link to a programme specific objective and/or not contributing to the respective expected programme result will not be supported by the Interreg CENTRAL EUROPE Programme.

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Figure 1- Links between the programme and project intervention logic



Projects require a clear result-oriented approach contributing the attainment of a specific objective of the Interreg CENTRAL EUROPE Programme:

- ◆ Project objectives have to clearly target one single programme specific objective within the chosen priority axis.
- ◆ The contribution of the project to the respective programme result (and the related indicator) has to be clearly demonstrated.
- ◆ Project activities and outputs have to be logically linked to the targeted specific objective.

## I.2. Transnational and territorial relevance

Transnational and territorial relevance is one of the key quality requirements for a project to be funded. Each project has to clearly contribute to the chosen programme specific objective, addressing development needs and territorial challenges that are shared across the regions participating in the project. This means:

- ◆ The problems identified cannot be solved efficiently by individual regions or countries acting alone. This could be either:
  - ⇒ An issue affecting a clearly defined transnational geographical area across national and regional borders (e.g., river basins, transport corridors etc.), or
  - ⇒ A common issue of interest for which transnational cooperation leads to more innovative and efficient solutions.

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The transnational co-operation character and territorial relevance has to be clearly demonstrated throughout the entire project (including the project approach and work plan).

- ◆ Solutions are jointly developed by organisations in different Member States working together in a project, thereby showing a clear transnational added value going beyond the mere addition of results independently achievable in the involved regions.
- ◆ Projects have to demonstrate an integrated approach to regional development by combining thematic and territorial dimensions.
- ◆ Project outputs should be embedded in a transnational working approach.
- ◆ All partners have to actively participate in the project according to their functions and competences, in order to achieve the collective project results.

Projects are not considered transnational if they just consist of a series of local actions which are linked only through a vague thematic relationship and/or an ex-post exchange of experience among partners without any joint implementation.

Projects that do not address an issue of transnational relevance or covering only issues fundable by regional/national or cross-border programmes will not be supported by the Interreg CENTRAL EUROPE Programme. Additionally, project proposals fundable under other European Structural and Investment Funds or other Union instruments (e.g. Horizon 2020, COSME, LIFE, Connecting Europe Facility) will not be supported by the Interreg CENTRAL EUROPE Programme.

### I.3. Partnership relevance

Partners with relevant competences (thematic expertise, territorial relevance, institutional capacity etc.) for reaching project objectives and results should be included in the partnership.

In order to achieve tangible project results it is essential to involve partners who are most relevant and competent for the development, implementation, communication as well as capitalisation of the planned outputs and results. In this respect, for designing a relevant partnership the thematic competence and expertise, geographical and institutional relevance have to be considered. Depending on the goals of the project this can imply the involvement of different governance levels (national, regional and local authorities) as well as other players such as research institutions, intermediate bodies, agencies, enterprises and many others.

The partnership should reflect the integrated territorial approach to regional development to be set in place by the project, which requires multi-disciplinary and cross-sectoral partnerships.

All partners have to be involved in a way that demonstrates the joint implementation and transnational added value of the project.

The sustainability of project outputs and results (financial, institutional and political) has to be ensured. Sustainability has to be considered already when designing the project and to be integrated in the work plan (e.g. involvement of decision makers, preparation of political decisions, financing models etc.)

Projects supported with in all programme priority axes need to demonstrate that they adopt an innovative approach to tackle the territorial challenges of central Europe.

## I.4. Sustainability

Sustainability of project outputs and results is crucial for ensuring territorial impact and long-term benefits which continue after the project end in order to reach the project's overall objectives.

Therefore projects have to ensure that outputs obtained and results achieved are durable and suitable to be continued after project closure. This may include follow-up activities, uptake to the policy level, ownership, financing through other initiatives or funds, leverage of investments, etc.

In order to achieve sustainability, projects need to adopt from the beginning a longer-term, strategic perspective that leads to desired results for the target groups over an extended time frame. In order to achieve such long-term benefits, it is essential to consider needs of key stakeholders as well as the institutional context already when designing the project. In particular, key stakeholders should be actively involved from the early stages of the project development.

A distinction between the following three dimensions of sustainability should be made:

- ◆ Financial sustainability (financing of follow-up activities and investments, leverage of funds, resources for covering future operating and maintenance costs, etc.)
- ◆ Institutional sustainability ("ownership" of project outputs - which structures will allow the results of the project to continue to be in place after the project end? And how?)
- ◆ Political sustainability (what structural impact will the project have? - e.g. will it lead to improved policies, legislation, plans, codes of conduct, methods, etc.?)

## I.5. Innovation

Innovation is considered as one of the most important driving forces for regional development and economic wealth. It can be described as a process through which knowledge is created and translated into new products, services or processes of the private and the public sector. Innovation is conceived in a variety of contexts, such as technology, economy, social systems, policy development etc. and can be process-oriented, goal-oriented or context-oriented.

Innovative approaches may result from e.g. the testing and demonstration of novel solutions within different (regional) contexts, experimental piloting of new methods or tools with a view to their future mainstreaming and/or their policy integration as well as from capitalising on previously acquired knowledge etc. An important aspect in this regards is the involvement of relevant actors in the partnership and during project implementation in order to ensure availability of the relevant knowledge and expertise.

All projects supported by the Interreg CENTRAL EUROPE Programme have to apply new or innovative approaches going beyond the state of art in the concerned regions and which also can be transferred beyond the partnership.

In addition, the programme supports projects that specifically address the topic of innovation in the framework of regional innovation systems (priority axis 1), thus enhancing the transfer of research and development (R&D) results and improving skills and entrepreneurial competences for economic and social innovation (see part A, chapter III and annex 1 on the description of priority axes and programme specific objectives).

The programme will not support basic research projects or purely academic networking.

## I.6. Horizontal principles

A horizontal principle is a principle that must be integrated throughout the programme and in all projects.

Therefore every project approved by the Interreg CENTRAL EUROPE Programme is required to contribute to the following horizontal principles.

### Environment protection and sustainable development

Sustainable development and environment protection are integrated as horizontal principles in the cooperation programme. Therefore all projects supported by the programme will have to respect the relevant policies and rules.

Project applicants have to describe the contribution to sustainable development, explaining how the sustainability principle is anchored within the project design and planned activities.

Further, applicants have to specify which possible environmental effects (positive, neutral or negative) the project will likely have considering the following aspects: water, soil, air and climate, population and human health, fauna, flora and biodiversity, cultural heritage and landscape. This is of particular relevance in case of pilot investments.

Projects submitted under any priority axis are strongly encouraged to incorporate activities for tackling environmental concerns and reducing their environmental and carbon footprint, for example by:

- ◆ Including environmental criteria in procurement procedures
- ◆ Giving preference to environmentally-friendly mobility options (in particular for short travel distances)
- ◆ Considering online meetings instead of face-to-face meetings where possible
- ◆ Organising conferences and events in a sustainable way (e.g. by combining different meetings in one place, reducing printing and using recyclable materials, using video conference facilities, etc.)
- ◆ Considering resource efficiency and the use of renewable energy at all levels
- ◆ Making use of regional supply chains (reducing supply chain length and CO<sub>2</sub> emissions)

### Equal opportunities and non-discrimination

Projects have to ensure that the activities implemented are in line with the principle of equal opportunities and do not generate discrimination of any kind (sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation).

Applicants have to describe the contribution to equal opportunities and non-discrimination, explaining how the equal opportunity principle is anchored within the project design and planned activities.

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Besides actions of projects which explicitly address the reduction of disparities, all projects submitted under any priority axis are encouraged to incorporate measures for promoting equal opportunities and preventing any discrimination, for example by actively tackling concerns of demographic change and inequality. Projects are also encouraged to integrate the principle of barrier-free accessibility at all levels, with a special focus on physical investments.

**Equality between men and women**

Projects have to ensure that the activities implemented are in line with the principle of equality between men and women and do not generate discrimination of any kind.

Applicants have to describe the contribution to this principle, explaining how the equality principle is anchored in the project design and planned activities.

Projects submitted under any priority axis are encouraged to incorporate measures for integrating the gender perspective, for example by integrating equal participation of women and men and/or actively promoting gender mainstreaming.

## II. Basic project requirements

### II.1 Partnership

#### II.1.1 Definition of partners

Partners participating in projects and receiving funding from the Interreg CENTRAL EUROPE Programme shall be the following:

- A. National, regional and local public bodies (including EGTCs in the meaning of Article 2(16) of Regulation (EU) No 1303/2013);
- B. Private institutions, including private companies, having legal personality;
- C. International organisations acting under the national law of any CENTRAL EUROPE Member State or, with restrictions, under international law (see below for details).

In the framework of the Interreg CENTRAL EUROPE Programme, the so-called “public equivalent bodies”, i.e. bodies governed by public law as defined in Article 2(1) of Directive 2014/24/EU on public procurement are eligible partners under category A. “national, regional and local public bodies”. Please note that such bodies have to fulfil all the following characteristics in order to be considered as eligible partners:

1. They are established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
2. They have legal personality; and
3. They are financed, for the most part, by the State, regional or local authorities, or by other bodies governed by public law; or are subject to management supervision by those authorities or bodies; or have an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.

Partners should bear in mind that the absence of advance payments and the time gap between incurring the expenditure and having it reimbursed may lead to cash-flow problems. This might be particularly relevant for private institutions.

Private institutions acting as lead partners must comply with minimum criteria of financial capacity, as described in part D, chapter V.2.b.

#### ATTENTION

*Please note that bodies whose main scope of activities within their business profile, as well as their project role, consists of project coordination, management, communication, knowledge management or other activities that are of a mere executive or supporting character (service providers) cannot be involved as project partners. Compliance with this requirement will be checked during the quality assessment of project proposals which, on a case by case basis, could lead even to the exclusion of such partners.*

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**International organisations acting under international law** can participate in projects only upon their explicit acceptance of all requirements deriving from the Treaty<sup>2</sup> and the regulations applicable in the framework of the Interreg CENTRAL EUROPE Programme, including - but not limited to - the following:

- ◆ Adherence to applicable community policies, including the respect of rules on public procurement;
- ◆ Acceptance of the national control requirements set in the framework of the Interreg CENTRAL EUROPE Programme by the Member State in which the organisation acting as partner is located;
- ◆ Acceptance of controls and audits by all those bodies entitled to carry out such controls in the framework of the Interreg CENTRAL EUROPE Programme, including the managing authority and joint secretariat, the audit authority and the European Court of Auditors as well as the relevant national authorities of the Member State in which the international organisation acting as project partner is located. Storage of all documents required for these controls must allow performing them in the geographical area covered by the Interreg CENTRAL EUROPE Programme;
- ◆ Final financial liability for all sums wrongly paid out.

A project proposal involving international organisations acting under international law in the partnership must include an ad-hoc declaration to be signed by these institutions (step 2 of the first call). For reasons of legal security additional legal information or the signature of direct bilateral agreements between the MA and these institutions may be requested prior to granting the funds.

## II.1.2 Partnership requirements and location of partners

### Size of the partnership

As a minimum requirement the partnership must involve:

- ◆ at least **three financing partners**
- ◆ from at least **three countries** and
- ◆ with at least **two of the partners located in Interreg CENTRAL EUROPE regions.**

### Geographical location of partners

As a basic principle, the Interreg CENTRAL EUROPE Programme supports cooperation between project partners located in the programme area.

Partners outside the programme area can exceptionally participate if any of the conditions below apply:

#### Assimilated partners:

German and/or Italian national public authorities/bodies located outside the programme area which:

- ◆ are competent in their scope of action for certain parts of the eligible area (e.g. ministries);
- ◆ carry out activities which are for the benefit of the regions in the programme area.

The size of the partnership should reflect the scope of the project and remain manageable. Therefore, the recommended maximum size of a partnership should not exceed 12 partners. Larger partnerships are possible but need to be duly justified according to the specific project scope.

<sup>2</sup>Treaty for the Functioning of the European Union (TFEU), available on <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12012E/TXT>.

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**EU partners outside the CENTRAL EUROPE programme area<sup>3</sup> (20 % geographical flexibility rule):**

Organisations located outside the programme area but inside the European Union can become project partners (co-financed by the ERDF) only in exceptional and duly justified cases. This means that their participation needs to bring clear added value and expertise to the implementation of a project and has to be of benefit for the CENTRAL EUROPE programme area. The ERDF allocated to a single project for such partners together with the ERDF spent outside the programme area (as provided for in chapter II.2) **cannot exceed 20 % of the total ERDF contribution to this project.**

Institutions located in EU regions outside the programme area can only act as project partners. Lead partners must compulsorily be located in the programme area or meet the requirements of “assimilated partners” as mentioned above. Participation of EU-partners in project proposals is open to all EU regions, under all four priority axes and irrespective of the legal status of the partners. Nevertheless, should the activities to be carried out by partners located in EU regions outside the programme area be considered as **state aid relevant**, the participation of these partners will finally not be allowed due to the impossibility for the programme monitoring committee to validate the result of the state aid assessment on behalf of a Member State not participating in the programme.

Please note that, in case of project approval, the effective participation of partners from EU regions outside the programme area is subject to the condition that the Member States where they are located sign an agreement with the managing authority on the acceptance of all implementing provisions included in the Interreg CENTRAL EUROPE Programme document (section V)<sup>4</sup>. Due to this, the reimbursement of costs occurred by such partners **may be delayed.**

**Third country partners:**

Participation in projects is open to institutions coming from any third country. However, partners from non-EU countries will not receive ERDF funding from the Interreg CENTRAL EUROPE Programme but could act as associated partners.

<sup>3</sup> For provisions on the implementation of project activities in regions outside the programme area, please refer to chapter II.2.

<sup>4</sup> This includes the acceptance of setting in place, in accordance with Article 23(4) of Regulation (EU) No 1299/2013, of a national control system for the validation of expenditure respecting the requirements applicable to the Interreg CENTRAL EUROPE Programme.

## II. 1.3 Lead partner principle and requirements

The “lead partner principle” applies to the Interreg CENTRAL EUROPE Programme, in compliance with Article 13 of Regulation (EU) 1299/2013. This means that each partnership appoints one organisation to act as lead partner. The lead partner takes full financial and legal responsibility for the implementation of the entire project.

Lead partner organisations can be public bodies, private institutions or international organisations acting under national law. On the contrary, international organisations acting under international law are only eligible as partners and they cannot act as lead partners. The lead partner must be located in the programme area or meet the requirements of “assimilated partners” (see previous chapter II.1.2).

After approval of a project by the monitoring committee, the lead partner will sign a subsidy contract with the managing authority (City of Vienna, Austria) and kick-off the project implementation. During the implementation phase, the main task of the lead partner is the coordination of the project with sound financial and project management. In addition, the lead partner should maintain a good communication flow among the partnership and ensure an efficient exchange of information that enables the successful delivery of the project outputs. The lead partner is also responsible for communication with the programme bodies, especially the managing authority and the joint secretariat.

The responsibilities of the lead partner are defined in the subsidy contract. The lead partner has to lay down the arrangements with all other partners in a written agreement (partnership agreement). The models of subsidy contract and partnership agreement will be made available on [www.interreg-central.eu](http://www.interreg-central.eu) indicatively when launching step 2 of the first call for proposals<sup>5</sup>.

### ATTENTION

*Private lead applicants have to comply with obligatory financial capacity requirements detailed in part D, chapter V.2 of the application manual. Since these requirements will be checked by the programme only within step 2 of the call and since the lead applicant cannot change between step 1 and step 2 of the call, proposal submitted by private lead applicants not meeting the necessary financial capacity criteria will be rejected in step 2 even if selected within step 1 of the call. Private lead applicants should therefore carefully check their ability to fulfil the applicable financial capacity criteria before submitting their application in step 1 of the call.*

Before signing the subsidy contract private lead partners will be asked to provide proof that a valid financial guarantee, issued by a primary financial institution (bank, insurance), is in force (see part D chapter V.5).

## II. 1.4 Associated partners

Institutions willing to be involved in the project without financially contributing to it are to be considered as associated partners. Such associated partners do not account for the fulfilment of minimum the partnership requirements and they may come also from third countries.

Expenditure incurred by these bodies might be borne by any of the financing project partners in compliance with the applicable eligibility rules.

In any case, the involvement of associated institutions must not conflict with public procurement rules. Therefore, expenditure incurred by these bodies should in principle be limited to reimbursement of travel and accommodation costs related to their participation in the project meetings.

<sup>5</sup> Applicants might consider also to consult, for information purposes, the template of subsidy contract used within the CENTRAL EUROPE 2007-2013 Programme, available on [www.central2013.eu/central-projects/implementing-a-project/necessary-documents/model-contracts/#c379](http://www.central2013.eu/central-projects/implementing-a-project/necessary-documents/model-contracts/#c379).

## II. 2. Location of activities

In line with the requirements for the geographical location of partners, and as a basic principle, the Interreg CENTRAL EUROPE Programme supports project activities taking place in the programme area.

This principle applies both to lead partners and partners located in the programme area as well as German and Italian “assimilated partners” (as defined in chapter II.1.2). For the latter, core thematic activities must be implemented in the regions of the programme area, with the exception of the necessary management activities.

All other activities implemented by the lead partners and partners of the CENTRAL EUROPE programme area in EU regions outside the programme area or in third countries - including the participation in missions, study visits and events - can be accepted only in exceptional and duly justified cases. The following requirements must be respected:

- ◆ They are for the benefit of the regions of the programme area;
- ◆ They are essential for the implementation of the project;
- ◆ They are explicitly foreseen in the application form or, if not, have been previously authorised by the MA/JS.

Costs related to such activities must be incurred by a lead partner or partner located in the programme area. Please note that provisions in this chapter do not have to be confused with those concerning institutions located in EU regions outside the programme area participating in projects under the geographical flexibility rule for partnerships. For these specific provisions are defined in chapter II.1.2.

## II.3. Types of activities supported by the programme

The Interreg CENTRAL EUROPE Programme supports project activities which put emphasis on policy support and/or practical implementation of explorative and/or pilot activities. Within a single project both types of activities (policy support and practical implementation) can be combined. However, projects can also set a specific focus (i.e. pure policy support or implementation projects).

In any case, projects should also foresee capitalisation and communication activities (i.e. making the results available and transfer them to a wider audience) in order to roll-out and mainstream the achieved results.

The types of activities are linked with the typology of outputs as applied by the programme which is further described in part D, chapter IV.2.4.2 and annex III (including examples of outputs per priority axis and programme specific objective).

### Policy support related activities

Activities related to policy support should consider the development, effectiveness and coherence of policies of a certain thematic sector in the countries and regions concerned by the project. This should activate a mutual learning process among the project partners, with the aim to create new policies and/or improve existing ones leading to their concrete adoption or implementation. Respective activities could include analytical and research tasks as well as strategy and action plan development in the relevant thematic fields.

**EXAMPLE**

*Project activities could consolidate knowledge and experience of various cities leading to the preparation and implementation of climate change mitigation plans for urban areas. This could result in cooperation agreements of concerned authorities and other stakeholders.*

### Implementation-oriented activities

Implementation-oriented activities should focus on the practical implementation of knowledge and jointly (transnationally) developed **novel approaches/tools** in a certain thematic sector. They can be physical or technical objects, but also methods, concepts or services, e.g. analytical tools, management tools, technical tools, software tools, monitoring tools, decision support tools etc. To be effective, tools have to be tailored to user needs and the respective framework conditions.

The development of tools can be followed by their practical implementation through **pilot actions**. A pilot action should have the following characteristics:

- ◆ Experimental or demonstration character, i.e. testing, evaluating and/or demonstrating the feasibility and effectiveness of a scheme (e.g. services, tools, methods or approaches). Therefore it covers either the testing of innovative solutions or demonstrating the application of existing solutions to a certain territory/sector.
- ◆ Limited in its scope (area, duration, scale etc.) being unprecedented in a comparable environment.
- ◆ Results and practices of pilot actions should be jointly exploited and transferred to other institutions and territories.

**EXAMPLE**

*Project activities could address the development of business support tools for SMEs which are subsequently applied and tested in various business sectors.*

Pilot actions can include **pilot investments** that represent small-scale interventions which contribute to the successful implementation of a pilot action thereby demonstrating the feasibility and effectiveness of a scheme (e.g. services, tools, methods or approaches) or investment.

A pilot investment must have a demonstrating/model or pilot character and show a clear transnational effect being jointly strived for and evaluated by the partnership. Such successful demonstration is supposed to pave the way for subsequent large-scale investments within the regions participating in the project and beyond.

Pilot investments can cover infrastructure and works (e.g. setting up ex-novo of a building or adapting existing infrastructure) as well as thematic equipment linked to the project activities (e.g. air quality monitoring equipment) - see chapter II.7.3 on budget line specifications.

In addition to the characteristics applicable to pilot actions (as stated above), pilot investments have to comply with the following requirements:

- ◆ Clear transnational effect and added value;
- ◆ Clear contribution to project objectives and expected results;
- ◆ Clear benefit for target groups;

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- ◆ Mutual learning of the whole partnership and transfer of experience to other stakeholders and regions, the transnational transfer of results should form part of the project;
- ◆ Durability of investment (e.g. maintenance, financing) to be ensured after project end (for 5 years following the final payment to the beneficiary);
- ◆ Ownership of investment, to be retained with the responsible partner<sup>6</sup>. If an investment consists of unmovable items, also the related investment site needs to be owned by and remain in the ownership of the respective partner;
- ◆ Where applicable, it should be demonstrated that necessary authorisations by competent national/regional/local authorities (building permission) are already available or can be timely obtained therefore not hampering the realisation of the investment and therefore the overall project implementation;
- ◆ Compliance with environmental policies and legislation (see chapter I.6 on horizontal principles).

### EXAMPLE

*A pilot investment could consist of small-scale renovations of public buildings in order to demonstrate the technical and economic feasibility of novel energy saving technologies and approaches.*

Projects can include **training activities** (e.g. training seminars, study visits, peer reviews, online training courses etc.) as a supporting measure for improving the understanding, knowledge, skills, competences and access to information of targeted stakeholders. Trainings should be jointly developed at transnational level and tailored according to the needs of the specific territories and target groups.

### Capitalisation activities

Projects should include activities to capitalise on the achieved results aiming at their roll out into broader policies, strategies, action plans, thereby contributing also to the preparation of large scale investments and/or leverage of funds. Capitalisation activities should also focus on the widening up of the audience/target groups of existing project results and/or the raising of ownership and awareness of relevant stakeholders.

<sup>6</sup> In line with provisions of Article 71 of Regulation (EU) No. 1303/2013.

## II. 4. Project size and funding

It is recommended that projects should have a total budget ranging from 1 to 5 million EUR. In exceptional cases, smaller or larger projects can be supported.

In any case, partners should ensure that the financial size of the project truly reflects the activities foreseen in the work plan and that it is based on the principles of sound financial management.

## II.5. Duration

The recommended project duration is 30 to 36 months. However, if justified by the project scope and the planned activities a longer implementation period up to maximum 48 months could be acceptable.

## II.6. Co-financing

The Interreg CENTRAL EUROPE Programme is financed by the European Regional Development Fund (ERDF). According to the location of lead partners and project partners the following ERDF co-financing rates apply:

Table 4 - Co-financing rates

Member State	Maximum ERDF co-financing rate
Austria Germany Italy	80%
Croatia Czech Republic Hungary Poland Slovakia Slovenia	85%
Outside Interreg CENTRAL EUROPE programme area but inside the EU	80%
Outside the EU	<ul style="list-style-type: none"> <li>• No ERDF co-financing</li> <li>• Participation with own funds</li> </ul>

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ERDF contribution to project lead partners and partners might be reduced following the application of state aid rules. For further information in this regard please see chapter II.7.7.

The share of expenditure not covered by ERDF shall be guaranteed by each project lead partner and partner by means of national co-financing, which can be provided as follows:

- A. **Public co-financing** - public funding at national, regional or local level, obtained via specific co-financing schemes set up by the Member States or provided directly with own funds by the partners having a public status. Co-financing of international organisations also falls under this category.
- B. **Private co-financing** - the amount of own funds provided as match funding by private institutions.

The contribution of each lead partner and project partner, be it a public or private institution, must be confirmed by the lead partner or partner declaration (the latter has to be provided in step 2 of the application procedure).

## II.7. Financial requirements

This chapter gives a brief outline of the main financial requirements applicants have to consider when developing their project proposals. Further information on financial matters will be given in the control and audit section of the programme implementation manual which will be made available for download on [www.interreg-central.eu](http://www.interreg-central.eu) before launching step 2 of the call. **Applicants invited to prepare proposals within step 2 of the call are strongly advised to consult this document.**

Further guidance on how to develop a sound project budget can be found in part C, chapter VII, of this manual.

### II.7.1. Hierarchy of rules on eligibility

Three levels of rules apply to the eligibility of expenditure in the framework of all Interreg programmes, including Interreg CENTRAL EUROPE :

1. **EU rules:** Due to the fact that the programme is co-financed from the ERDF, all general rules concerning eligibility of expenditure regarding the structural funds are applicable. This includes:
  - ◆ Regulation (EU, Euratom) No 966/2012 (Financial regulation) providing the financial rules applicable to the general budget of the Union;
  - ◆ Regulation (EU) No 1303/2013 (Common provisions regulation) where Articles 6 and 65 to 71 give specific provisions on applicable law as well as on eligibility of expenditure;
  - ◆ Regulation (EU) No 1301/2013 (ERDF regulation) where article 3 gives specific provisions on the eligibility of activities under the ERDF;
  - ◆ Regulation (EU) No 1299/2013 (ETC regulation) where Articles 18 to 20 give specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal;
  - ◆ Commission Delegated Regulation (EU) No 481/2014 containing specific rules on eligibility of expenditure for cooperation programmes.

Please note that, in line with Article 6 of Regulation (EU) No 1303/2013, all applicable EU and national rules, apart from eligibility rules, are on a higher hierarchical level than the rules set by the Interreg CENTRAL EUROPE Programme and they must be obeyed (e.g. public procurement law).

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As provided under chapter 7 of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) the principle of sound financial management builds on the following three principles:

The principle of economy requires that the resources used by the beneficiary in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price;

The principle of efficiency concerns the best relationship between resources employed and results achieved;

The principle of effectiveness concerns the attainment of the specific objectives set and the achievement of the intended results.

2. **Programme rules:** namely additional rules on eligibility of expenditure for the co operation programme as a whole, as outlined in the control and audit section of the programme implementation manual.
3. **National (including institutional) eligibility rules:** which apply for matters not covered by eligibility rules laid down in the abovementioned EU and programme rules.

### II.7.2. General eligibility requirements

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

- ◆ It relates to the costs of implementing a project as submitted by the lead applicant and approved by the monitoring committee;
- ◆ It relates to items that did not receive support from other EU Funds as it would result in **double funding**;
- ◆ It is essential for the implementation of the project and it would not be incurred if the project is not carried out;
- ◆ It complies with the principle of real costs except for costs calculated as flat rates and lump sums;
- ◆ It complies with the principle of sound financial management (see tip box);
- ◆ It has been incurred and paid by a beneficiary for actions as defined in the latest approved application form;
- ◆ It is registered in the beneficiary's accounts through a separate accounting system or an adequate accounting code set in place specifically for the project;
- ◆ It is not in contradiction with any specific eligibility criterion applicable to the respective budget line (as described in the following chapter II.7.3);
- ◆ When applicable, the relevant public procurement rules have been observed;
- ◆ It has been validated by an authorised national controller<sup>7</sup>.

#### ATTENTION

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

**Time-wise**, expenditure is eligible according to the following periods:

- A. Costs for the **implementation** of an approved project are eligible from its start date until its end date as set in the subsidy contract. At the earliest, costs are eligible as from the day after the submission of the full application form, provided that this day is the official start date of the project as indicated in the application form. On this basis, partners may decide at their own risk to start the implementation of the project even before the monitoring committee decision for funding.
- B. Costs for project **closure** (e.g. preparation of the last progress report, final report and costs for control of expenditure) are eligible, and must be paid until the deadline for submission of the final report ( i.e. three months after project end).

<sup>7</sup> National controller is the body or person verifying at national level that the co-financed products and services have been delivered, that the related expenditure has been paid and that it complies with the applicable EU, programme and national/internal rules. For more information on the national controllers in your country please refer to the "country-specific information" section on [www.interreg-central.eu](http://www.interreg-central.eu)

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Please note that preparation costs (including costs for contracting) are covered by a lump sum, therefore they do not refer to expenditure actually incurred by the applicants when preparing their proposals. For further information please refer to chapter II.7.4.

With regard to **non-eligible expenditure**, provisions are given in the following chapter “Budget lines specification”. Nevertheless, the following expenditure should be considered as not eligible in **all** cases:

- ◆ In-kind contributions, as defined in Article 69(1) of regulation (EU) No. 1303/2013;
- ◆ Fines, financial penalties and expenditure on legal disputes and litigation;
- ◆ Costs of gifts, except those not exceeding EUR 50,00 per gift where related to project promotion, communication, publicity or information;
- ◆ Costs related to fluctuation of foreign exchange rate;
- ◆ Interest on debt;
- ◆ Purchase of land;
- ◆ Recoverable VAT except where it is non-recoverable under national VAT legislation;
- ◆ Charges for national financial transactions;
- ◆ Costs for alcoholic beverages;
- ◆ Fees between beneficiaries of a same project for services, equipment and work carried out within the project.

### II.7.3. Budget lines specification

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

1. Staff costs
2. Office and administrative expenditure
3. Travel and accommodation costs
4. External expertise and services costs
5. Equipment expenditure
6. Infrastructure and works expenditure

These budget lines apply to all work packages, excluding the management and communication work packages where budget line 6 is not applicable. Specification of investments included in the work plan (see part D, chapter IV.2.4.2) should specifically describe items foreseen under budget lines 5 and 6.

This information is intended to help partners to properly allocate costs to each budget line. More details as well as guidance on how to report these costs is provided in the control and audit section of the programme implementation manual, expected to be published when launching step 2 of the first call.

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### BL1. Staff costs

This budget line refers to the costs of staff employed by the beneficiary institution (lead partner or project partner) for implementing the project. Staff can either be already employed by the beneficiary or contracted specifically for the project. Staff costs can be reimbursed according to the following options:

- A. Real costs; or
- B. Flat rate up to 20 % of direct costs other than staff costs<sup>8</sup>.

Each beneficiary must choose one of these reimbursement options in the full application form submitted within step 2 of the call . The same reimbursement option will apply to all staff members of the beneficiary institution working on the project and it will be set for the entire project duration. **The chosen option cannot be changed during project contracting or implementation.**

For staff costs reimbursed on a real cost basis, expenditure included under this budget line is limited to:

- A. **Salary payments** fixed in an employment document (employment contract or appointment decision) or by law relating to responsibilities specified in the job description of the staff member concerned. Salary payments have to relate to activities which the beneficiary would not carry out if the project concerned was not undertaken. Payments to natural persons working for the beneficiary under a contract other than an employment/work contract may be assimilated to salary payments and such costs are eligible if:
  - ◆ the person works under the beneficiary's instructions and, unless otherwise agreed with the beneficiary, on the beneficiary's premises;
  - ◆ the result of the work carried out belongs to the beneficiary;
  - ◆ the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.
- B. **Any other costs directly linked to salary payments** incurred and paid by the employer (such as employment taxes and social security including pensions) as covered by Regulation (EC) No 883/2004 provided that they are:
  - ◆ Fixed in an employment document or by law;
  - ◆ In accordance with the legislation referred to in the employment document and with standard practices in the country and/or institution where the individual staff member is working;
  - ◆ Not recoverable by the employer.

**Unjustified ad-hoc salary increases or bonuses for project purposes are not eligible.**

### BL2. Office and administrative expenditure

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

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

- a. Office rent;
- b. Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);

<sup>8</sup> Namely costs under all budget lines except "staff costs" (BL1) and "office and administrative expenditure" (BL2).

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- c. Utilities (e.g. electricity, heating, water);
- d. Office supplies;
- e. General accounting provided inside the beneficiary organisation;
- f. Archives;
- g. Maintenance, cleaning and repairs;
- h. Security;
- i. IT systems (operating/administrative IT services of general nature, linked to the implementation of the project);
- j. Communication (e.g. telephone, fax, internet, postal services, business cards);
- k. Bank charges for opening and administering the account or accounts where the implementation of the project requires a separate account to be opened;
- l. Charges for transnational financial transactions.

Office and administrative expenditure shall be reimbursed by the programme according to a flat rate of **15 % of eligible staff costs**. **Direct costs falling under this budget line are not eligible.**

### **BL3. Travel and accommodation costs**

Costs under this budget line refer to the expenditure on travel and accommodation of the staff of the beneficiary for missions necessary for the implementation of the project (e.g. participation in project meetings, project site visits, meetings with the programme bodies, seminars, conferences, etc.). Eligible cost items under this budget line are (exhaustive list):

- a. Travel costs (e.g. tickets, car mileage);
- b. Costs of meals;
- c. Accommodation costs;
- d. Visa costs;
- e. Daily allowances.

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

Travel and accommodation costs occurred outside the programme area are eligible only if they accomplish with requirements provided in Article 20(2) of Regulation (EU) No. 1299/2013 and Article 5 of Regulation (EU) No. 481/2014. Furthermore, travel and accommodation costs outside the programme area are eligible only if they are indicated in the approved application form or they have been authorised by the MA/JS prior to the travel. For more information on the location of project activities please refer also to chapter II.2.

Travel and accommodation costs of external experts and service providers can be reimbursed only under the external expertise and services budget line. The same applies to travel and accommodation costs occurred by institutions acting as “associated partners”.

### **BL4. External expertise and services costs**

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

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- a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- b. Training (e.g. venue and trainers);
- c. Translations;
- d. IT systems and website development, modifications and updates (e.g. setting-up and/or update of a project IT system or website);
- e. Promotion, communication, publicity or information;
- f. Financial management;
- g. Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- h. Participation in events (e.g. registration fees);
- i. Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- j. Intellectual property rights;
- k. Verification and validation of expenditure carried out by authorized national controllers;
- l. Provision of guarantees by a bank or other financial institution where required by the programme;
- m. Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- n. Other specific expertise and services needed for the project.

External expertise and services have to be duly specified in the full application form (step 2) by describing at least the nature and quantity of the expertise/service, the link to the relevant deliverable or output as listed in the work plan and the related budget of the concerned project partner.

Eligibility of costs for external expertise and services is subject to the full respect of EU, programme and national (including institutional) public procurement rules (please refer to chapter II.7.7 in this regard) and must comply with the basic principles of transparency, non-discrimination and equal treatment.

Costs referring to project-related tasks sub-contracted by the beneficiary to in-house bodies, as well as costs referring to cooperation between public bodies, are eligible as long as they are charged on a real costs basis - thus without any profit margin - and they comply with the applicable public procurement provisions.

Even if the programme does not set ceilings for this budget line, the share of external expertise **should not exceed 50 % of the total eligible budget** as beneficiaries of a project should be the actual implementers of the project. Higher shares are possible but must be duly justified.

### **BL5. Equipment expenditure**

Costs under this budget line refer to equipment purchased, rented or leased by a beneficiary which is essential for the implementation of the project. This includes costs of equipment already in possession of the beneficiary organisation and used to carry out project activities. Eligible cost items under this budget line are (exhaustive list):

- a. Office equipment;
- b. IT hardware and software;
- c. Furniture and fittings;
- d. Laboratory equipment;
- e. Machines and instruments,

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- f. Tools or devices;
- g. Vehicles;
- h. Other specific equipment needed for the project.

When drafting the proposal, the above equipment items shall be categorised within the following two categories:

1. **Equipment for general (office) use** as computers, office furniture, etc. which is necessary for the implementation of the project and which is used for project purposes only. Equipment for general (office) use **shall be reimbursed as depreciable asset** in compliance with national accounting rules and internal accounting policies of the beneficiary. The full cost of such equipment is eligible **solely** in the case that the depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project.
2. **Thematic equipment** directly linked to (or forming part of) the project thematic activities, which will be used for the project implementation by beneficiaries and target groups in line with the project objectives. Thematic equipment must be in line with the programme requirements for investments (as in chapter II.3) in order to be regarded as eligible. Thematic equipment **can be reimbursed in full**<sup>9</sup>.

All equipment items have to be duly specified in the full application form in step 2 by describing at least the nature and quantity of the equipment to be purchased, the link with the relevant deliverable or output as listed in the work plan and the related budget of the concerned project partner. During project implementation, purchase of any equipment not explicitly mentioned in the application form will have to be subject to prior approval by the MA/JS.

Eligibility of costs for equipment is subject to the full respect of EU, programme and national (including institutional) public procurement rules and must comply with the basic principles of transparency, non-discrimination and equal treatment.

Moreover, equipment items listed in the application form are only eligible:

- ◆ If they have not already been financed by other EU grants
- ◆ If they have not already been depreciated
- ◆ If they are not already included as indirect costs under the office and administration budget line

“Thematic equipment” for which the exclusive use in the project cannot be demonstrated shall be charged pro-rata on the basis of a transparent method set in place by the beneficiary for allocating the share of its use in the project. Opposite, “equipment for general (office) use” for which the exclusive use in the project cannot be demonstrated shall be considered as not eligible.

### BL6. Infrastructure and works expenditure

Article 2(1) of the Directive 2014/24/EU defines a “work” as “*the outcome of building or civil engineering works taken as a whole which is sufficient in itself to fulfil an economic or technical function*”.

Expenditure for works<sup>10</sup> refers to costs incurred by the beneficiary for the execution of an infrastructure which is essential for the implementation of the project.

Works expenditure may refer either to an object (e.g. a building) that will be set up ex-novo or to the adaptation of an already existing infrastructure. Whatever the case, these costs are only eligible if in line with the programme requirements for investments as provided for in chapter II.3.

Works expenditure shall be limited to elements listed in **annex II of the directive mentioned in the tip box.**

<sup>9</sup> I.e. outside depreciation schemes if in line with national accountability rules and internal accountability policies of the beneficiary.

<sup>10</sup> In the sense of the definition of ‘work’ provided for in Article 2(1) of the Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014.

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Costs of feasibility studies, environmental impact assessments, architectural/engineering activities and any other expertise needed for the realisation of the infrastructure and not comprised in the aforementioned Directive shall be allocated under “Staff” or “External expertise and services” cost categories (depending whether carried out internally by the beneficiary or with the support of external suppliers respectively).

Infrastructure and works items have to be duly specified in the full application form in step 2 to allow for a detailed presentation and evaluation of costs by describing at least the nature and quantity of each item foreseen, the link with the relevant output as listed in the work plan and the related budget of the concerned partner. The implementation of infrastructure and works not explicitly mentioned in the application form has to be subject to prior approval by the competent programme bodies.

### **Costs for infrastructure and works outside the CENTRAL EUROPE programme area are not eligible.**

Eligibility of costs for infrastructure and works is subject to the full respect of EU, programme and national (including institutional) public procurement rules. They must also comply with the basic principles of transparency, non-discrimination and equal treatment.

Furthermore, and depending on the nature of the intervention linked to the works to be carried out, the eligibility of costs for infrastructure and works is subject to the following:

- ◆ Fulfilment of all compulsory requirements set by Community and national legislation on environmental policies
- ◆ Fulfilment of all EU compulsory requirements on publicity
- ◆ Where applicable, availability of authorisations by competent national/regional/local authorities (building permission)

Infrastructure and works expenditure cannot refer to items financed by other EU grants and must not be already depreciated. In the case of works being part of a larger infrastructural investment, the part realised by the project must be clearly and univocally identifiable.

## II.7.4. Preparation costs

Approved projects which successfully signed the subsidy contract with the MA are entitled to receive reimbursement of their preparation costs in the form of a lump-sum. The reimbursement of these costs will follow the principles detailed below:

- ◆ The lump sum will amount to **EUR 15.000** of total eligible expenditure per project
- ◆ The lump sum covers all costs linked to the preparation and/or contracting<sup>11</sup> of the project
- ◆ The co-financing rate of the preparation costs will be in line with the co-financing rate applicable to the partner to which the lump sum is allocated. Accordingly, the lump sum of ERDF reimbursement payable to the concerned partners will be automatically calculated by the electronic monitoring system (eMS).

In order to apply for the reimbursement of preparation costs, the preparation costs budget must be indicated in the full application form (step 2), giving information on the amount allocated to the concerned project partner(s) (for further information please see part D, chapter IV.2.5).

The partnership decides which partners will receive what share of the reimbursement of preparation costs. Even a single partner might advocate the entire lump-sum. It is strongly recommended to achieve a joint agreement within the partnership on the distribution of preparation costs reflecting the actual preparation activities carried out by the partners.

<sup>11</sup> In the project contracting phase the partnership is often requested to revise its application forms following conditions for approval set by the monitoring committee. This might also include a meeting with the MA/JS in Vienna. For further information on contracting please refer to part D, chapter V.5.

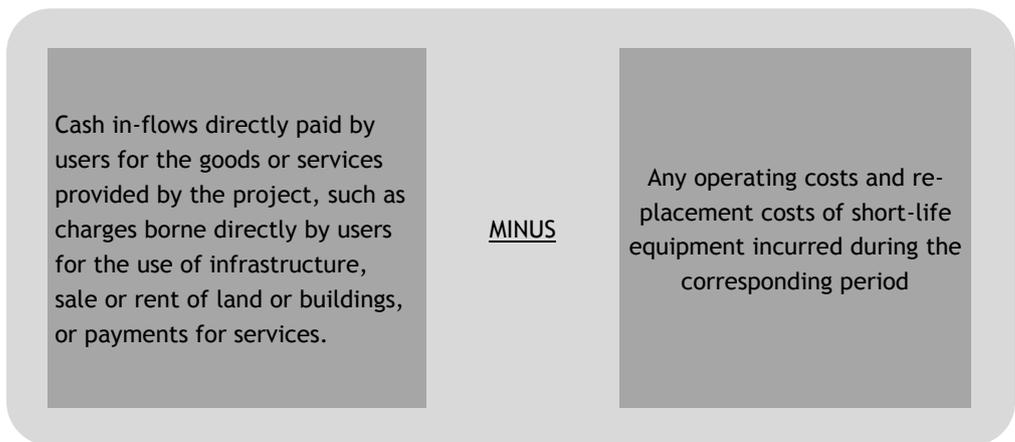
After the signature of the subsidy contract the lump-sum will be automatically transferred to the bank account of the lead partner. It is then the lead partner's responsibility to transfer the agreed share of the lump-sum to the respective project partners.

Any difference between the granted lump-sum and the real costs occurred for preparation is neither checked nor further monitored by the programme.

## II.7.5. Revenues

As a general principle<sup>12</sup>, eligible expenditure of a project (and consequently the ERDF contribution to it) shall be reduced according to the net revenue generated by the project both during its implementation as well as until three years after its completion.

**Net revenues are:**



Please note that operating cost-savings generated by the project shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

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

Expected net revenues are to be indicated in the full application form (step 2) in order to offset the corresponding ERDF contribution. Applicants shall not indicate expected net revenues in the application form in the following cases:

- ◆ If the total budget of the project does not exceed EUR 1.000.000<sup>13</sup>;
- ◆ If the specific project output generating net revenue is state aid relevant (for further information on state aid please refer to chapter II.7.7).

<sup>12</sup> In accordance with Articles 61 and 65(8) of Regulation (EU) 1303/2013.

<sup>13</sup> Please note that even if a project below EUR 1.000.000 total budget is exempted to include the forecast of expected net revenues in the application form, such project - in case of approval - must record and deduct from the ERDF contribution net revenues generated during implementation or after closure.

## II.7.6. Conversion into Euro

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

Expenditure incurred in a currency other than the Euro shall be converted into Euro using the monthly accounting exchange rate of the European Commission in the month during which that expenditure was submitted for verification by the concerned partner to its national controller<sup>14</sup>.

## II.7.7. Other financial requirements

Even if detailed information on financial requirements related to project implementation will be provided in control and audit section of the programme implementation manual, key principles explained in this chapter must be kept in mind by applicants when preparing their project proposals.

### Compliance with EU policies and other rules

#### Public procurement

The acquisition by means of a public contract of works, supplies or services from economic operators is subject to rules on public procurement. Such rules aim at securing transparent and fair conditions for competing on the common market and shall be followed by the beneficiaries when procuring the above mentioned services, works or supplies on the market.

Rules differ depending on the kind of goods and/or services to be purchased, as well as the value of the purchase and the legal status of the awarding institution. They are set at the following levels:

1. EU rules as set by the applicable directives on the matter<sup>15</sup>
2. National rules<sup>16</sup>
3. Programme rules

It is strongly recommended to become familiar with applicable procurement rules and, if necessary, seek the advice of procurement experts early enough before launching an award procedure.

Please note that, differing from the hierarchy of rules concerning the eligibility of expenditure (see chapter II.7.1), in case of public procurement all applicable EU and national rules are on a higher hierarchical level than the rules set by the Interreg CENTRAL EUROPE Programme and they must be obeyed.

With regard specifically to **programme rules**, in order to guarantee a harmonised standard in contracting procedures across Member States and to accomplish sound financial management principle (as mentioned in chapter II.7.2), the Interreg CENTRAL EUROPE Programme requires from beneficiaries to give evidence of adequate market searches for contracting amounts comprised between **EUR 5,000,00** (excl. VAT) and the threshold set by the applicable EU or national rules. This means that in such cases, **unless stricter national or internal rules apply**, beneficiaries must **perform and document the execution of adequate market searches** (e.g. through collecting bids, using centralised e-procurement services). This is meant to provide a sound knowledge and sufficient information on the relevant market allowing for a sound comparison of offers in terms of price and/or quality and a profound assessment of the adequacy of the price to be paid.

<sup>14</sup> Please note that the Euro conversion method presented in this chapter is not in line with the method indicated in chapter 5.5 of the document “Interreg CENTRAL EUROPE Cooperation Programme”, which will be updated in spring 2015 aligning its chapter 5.5. with provisions on Euro conversion as in this manual

<sup>15</sup> More information on EU rules on public procurement can be found at the following link: [http://ec.europa.eu/internal\\_market/publicprocurement/index\\_en.htm](http://ec.europa.eu/internal_market/publicprocurement/index_en.htm)

<sup>16</sup> National rules include laws on public procurement, related delegated or implementing acts or any other generally applicable legally binding rules and decisions.

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Lead partners and project partners are recommended to carefully define their legal status and thoroughly analyse the legal terms of the mentioned Directives on public procurement with regard to their applicability.

The adequacy of costs must always be ensured and demonstrated. For contracts having a value below 5.000 Euro (excl. VAT), however, beneficiaries do not have to give evidence of a specific selection procedure conducted unless stricter national rules apply.

Public authorities and other institutions falling under the scope of application of the procurement laws<sup>17</sup> must comply with the applicable rules on public procurement.

Institutions not falling under the scope of application of the public procurement laws (e.g. private companies for most procurement activities as defined under the “classical directive”<sup>18</sup>) are exempt from the application of public procurement laws. Notwithstanding this, such institutions **have to observe the basic principles on which the procurement norms are based and ensure the best value for money or, if appropriate, the lowest price**. Please check national rules and guidelines in this respect. The Interreg CENTRAL EUROPE Programme has developed specific procedures to be followed by such institutions when procuring works, supplies or services. These are laid down in the control and audit section of the programme implementation manual (expected to be published when launching step 2 of the first call for proposals).

### State aid

Public support granted by the Interreg CENTRAL EUROPE Programme must comply with state aid rules applicable at the point of time when the public support is granted. According to Article 107 (ex Article 87) of the Treaty on the Functioning of the European Union, state aid is defined as “any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods”, therefore affecting trade between Member States.

In practical terms, state aid applies when **all five criteria** listed below are met:

1. The recipient of the aid is an “**undertaking**”, i.e. an entity engaged in an economic activity in the context of the proposed project. Any project partner offering good or services on a market in the context of the proposed project is an undertaking. This is the case regardless of its legal status and whether its aim is to make profit or not. An undertaking can be an SME, a large company, a public body, a charity, an NGO, an association, a university, etc.
2. The aid **comes from the State**, which is always the case for any Interreg programme.
3. The aid gives **an economic advantage** (a benefit) which an undertaking would not have obtained under normal market conditions.
4. The aid is **selectively** favouring certain undertakings or the production of certain goods.
5. The aid **distorts** or threatens to distort competition and trade within the European Union.

In the framework of the first call for proposals, **public support given by the programme to undertakings will be granted under the *de minimis* rule<sup>19</sup>**. This implies that undertakings will receive grants from the Interreg CENTRAL EUROPE Programme **only if they have not received public aid under the *de minimis* rule totalling more than EUR 200.000 within three fiscal years from the date of granting the aid**. This ceiling is reduced to EUR 100.000 in the road transport sector while other sectors as agriculture, aquaculture and fisheries have lower ceilings. Public aid considered for the applicable *de minimis* ceiling comprises all aids granted by the national, regional or local authorities, regardless of whether the resources are provided from domestic sources or are partly financed by the European Union. However, this will not affect the possibility of an undertaking to receive public support under other state aid schemes.

<sup>17</sup> Namely “contracting authorities” within the meaning of Directive 2004/18/EC or “contracting entities” within the meaning of Directive 2004/17/EC as further amended.

<sup>18</sup> More information on EU rules on public procurement can be found under: [http://ec.europa.eu/internal\\_market/publicprocurement/index\\_en.htm](http://ec.europa.eu/internal_market/publicprocurement/index_en.htm)

<sup>19</sup> As provided in Regulation (EU) No 1407/2013 on *de minimis* aid.

## Part B What projects we are looking for

As a consequence undertakings (i.e. not only private companies but also public authorities, NGOs etc.) carrying out state aid relevant activities in the project might receive limitations on the public contribution to their budgets.

### EXAMPLE

*A private company located in Austria and acting in the IT sector has applied for funding in an Interreg CENTRAL EUROPE project. The total budget of this company in the project is EUR 250.000, out of which EUR 100.000 refers to a specific project activity which will give an economic advantage to the company (production of a new IT tool which will be ready to be sold on the market). The company will co-finance its project budget through own resources.*

*This company also received a national grant of EUR 150.000 under the de minimis rule in the year before applying for funding through the Interreg CENTRAL EUROPE Programme.*

*According to the de minimis limitation of up to EUR 200.000 in three fiscal years, the aid granted by the Interreg CENTRAL EUROPE Programme will be calculated as follows:*

***ERDF contribution to non-state aid relevant project activities = EUR 120.000 (80 % of EUR 150.000)***

***ERDF contribution to state aid relevant project activities = EUR 50.000 (80 % of EUR 100.000 = EUR 80.000 minus EUR 30.000. The reduction by EUR 30.000 follows the reaching of the de minimis ceiling of EUR 200.000)***

***Total ERDF contribution granted by the programme to the company = EUR 170.000 (68 %).***

Applications submitted within step 2 of the call will undergo a specific “state aid assessment” (as mentioned in part D, chapter V.2.e) focusing on the five criteria listed above, with particular attention to the assessment of the status of “undertaking” of project lead partners and project partners (criterion 1 above) and of the materialisation of an economic advantage for the undertaking (criterion 3 above). This assessment will be based on information included in the full application form as well as on self-declarations provided by applicants within step 2 of the first call.

Further information on state aid can be found on the European Commission’s DG Competition website ([http://ec.europa.eu/competition/state\\_aid/overview/index\\_en.html](http://ec.europa.eu/competition/state_aid/overview/index_en.html)) where also a comprehensive guideline on the notion of state aid<sup>20</sup> will be soon made available. Applicants may also consult relevant national authorities to obtain more specific information on rules and limitations concerning state aid.

### Information and communication

Responsibilities of lead partners and project partners related to information and communication measures (including a set of instructions for project communication and branding) are laid down in Articles 115-117 and annex XII of Regulation (EU) No 1303/2013 as well as in Articles 4-5 of the Implementing Regulation (EU) No 821/2014. In addition to these, specific programme requirements also apply. Please note that all these rules do not only apply to promotional material but are also relevant for the organisation of meetings and events and, if foreseen by the project, the purchase of physical objects and the realisation of works.

More details as well as guidance on information and communication requirements will be provided in the control and audit section of the programme implementation manual, expected to be published when launching step 2 of the first call for proposals.

## Part B What projects we are looking for

Applicants are strongly advised to carefully plan the budget allocation to reporting periods within step 2 of the first call for proposals (see part D, chapter IV.2.5), by realistically reflecting the actual spending capacity of the project as well as the time needed for paying out costs incurred. For further information on this please consult part C, chapter VII.

### Shared costs

The practice of splitting cost items among project partners (i.e. sharing of common costs) is not allowed in the framework of the Interreg CENTRAL EUROPE Programme. Accordingly, the budget allocated to a project partner shall fully reflect the activities actually implemented by that partner.

### Financial performance and decommitment of funds

In order to be considered as eligible, expenditure must have been actually paid out following verification by national controllers. Financial performance of projects will be measured exclusively on the basis of paid out expenditure.

It is to be kept in mind that programmes may get funds decommitted by the European Commission<sup>21</sup> in case that allocations set in the financial tables of the Cooperation programme are not translated into effective requests for payment to the European Commission within the set timeframe. Should this loss of funds result from projects lagging behind their payment targets based on the spending forecast included in the approved application form (as further explained in part D, chapter IV.2.5), the programme might have to reduce the ERDF contribution to these projects. This would occur in the framework of the mid-term review carried out by the MA/JS (as further explained in part C, chapter V).

<sup>21</sup> As provided for in Article 136 of Regulation (EU) No 1303/2013.