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Guidance on Financial Issues

Anna Wiktor, Luca Ferrarese
Interreg CENTRAL EUROPE Programme

Interreg 
CENTRAL EUROPE
Co-financed by European Union – European Regional Development Fund

1. General budget principles




Hierarchy of rules (general)

1. EU
 2. National
 3. Programme
- } The stricter applies

Hierarchy of rules (eligibility of expenditure in ETC)

1. EU
 2. Programme
 3. National
- } National rules apply only on areas not ruled at higher level



Detailed eligibility rules and provisions on reporting will be available in the “control & audit” section of the programme implementation manual

1. General budget principles



General eligibility requirements

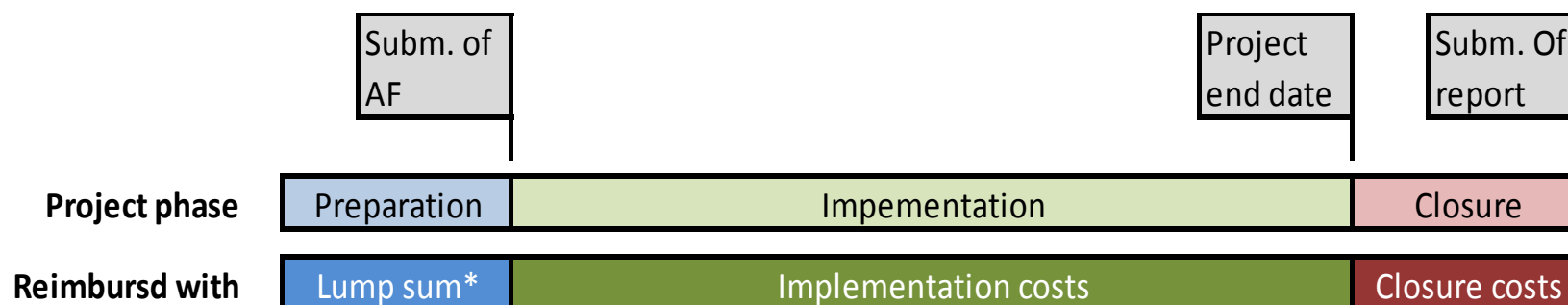
Main Aspect of eligibility	Explanation
Legal	It complies with applicable rules at all levels
Relevant	It refers to an approved project and there is clear additionality
Adequate	It is economic, efficient, effective (sound financial management)
In time	Incurred and paid within the relevant eligibility period
Geography	It refers to activities implemented in the programme area (with exceptions)
Co-funding	It is not fully co-funded from other EU subsidies
Documentable	Existence of an adequate audit trail at all levels

Further details in part B, chapter II.7.2 of the application manual

1. General budget principles



Focus on time-wise eligibility of expenditure



**Including costs for contracting*

1. General budget principles



Focus geographical eligibility of expenditure

- As a basic principle, the Interreg CENTRAL EUROPE Programme supports:
 - Cooperation between project partners located in the programme area...
 - ...for implementing project activities taking place in the programme area
- Exceptions are acceptable, however only in duly justified cases (conditions are set in part B, chapters II.1.2 and II.2 of the application manual)
- Within a single project, the ERDF allocated to for partners located outside the programme area, together with the ERDF spent outside the programme area cannot exceed 20 % of the total ERDF contribution

1. General budget principles



Non eligible expenditure (1)

- 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;

1. General budget principles



Non eligible expenditure (2)

- 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;
- Any other cost not eligible according to general provisions on eligibility as well as specific provisions at budget line level.

2. Budget lines specification



Six 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

2. Budget lines specification



BL1. Staff costs

- Refer to the costs of staff employed by the beneficiary institution for implementing activities which the beneficiary would not carry out if the project concerned was not undertaken
- Two options of reimbursements:
 - Real costs; or
 - Flat rate up to 20% of direct costs other than staff costs (i.e. costs under all budget lines except “staff costs” (BL1) and “office and administrative expenditure” (BL2))
- One of these reimbursement options must be chosen in the full application form submitted within step 2 of the call. The chosen option cannot be changed during project contracting or implementation

2. Budget lines specification



BL2. Office and administrative expenditure

- Calculated as flat rate: 15 % of eligible staff costs
- Eligible costs shall refer to the exhaustive list provided in part B, chapter II.7.3 of the application manual
- Direct costs falling under this budget line are not eligible
- Simplified reporting!

2. Budget lines specification



BL3. Travel and accommodation costs

- Costs under this budget line refer to the expenditure of the staff of the beneficiary. Eligible costs are (exhaustive list):
 - a. Travel costs;
 - b. Costs of meals;
 - c. Accommodation costs;
 - d. Visa costs;
 - e. Daily allowances.
- Any cost items covered by daily allowances shall not be reimbursed in addition to the daily allowance.
- Limitations on eligibility of travel and accommodation costs outside the programme area apply.
- Travel and accommodation costs of external experts and “associated partners” can be reimbursement under BL4. external expertise and services costs.

2. Budget lines specification



BL4. External expertise and services costs

- This budget line refers to external expertise and services provided by a public or private body or a natural person outside the beneficiary organization
- Eligible costs shall refer to the exhaustive list provided in part B, chapter II.7.3 of the application manual
- Eligibility of costs is subject to the full respect of EU, programme and national public procurement rules
- Costs referring to tasks sub-contracted to in-house bodies, as well as costs referring to cooperation between public bodies, are eligible if charged on a real costs basis - thus without any profit margin

2. Budget lines specification



BL5. Equipment expenditure

- This budget line refers to the costs of equipment purchased, rented or leased by a beneficiary which is essential for the implementation of the project

- Eligible costs are (exhaustive list):
 - a. Office equipment;
 - b. IT hardware and software;
 - c. Furniture and fittings;
 - d. Laboratory equipment;
 - e. Machines and instruments,
 - f. Tools or devices;
 - g. Vehicles;
 - h. Other specific equipment needed for the project.

2. Budget lines specification



BL5. Equipment expenditure

Two categories of equipment:

- 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. → **depreciable assets**.
- 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. → **requirements for investments and can be reimbursed in full**.

2. Budget lines specification



BL6. Infrastructure and works expenditure

- This budget line refers to costs incurred by the beneficiary for the execution of an infrastructure which is essential for the implementation of the project
- Directive 2014/24/EU defines “works” and contains, in Annex II, a detailed list of all elements that are eligible under this budget line
- Costs for infrastructure and works outside the CENTRAL EUROPE programme area are not eligible

3. Other financial features



Preparation costs

- Lump sum amounting to EUR 15.000 of total eligible expenditure per project
- ERDF contribution linked to the actual co-financing rate applicable to the partner(s) to which the lump sum is allocated (as in the application form)
- It covers all costs for preparation and contracting (i.e. including negotiation, attendance to meetings at JS premises, etc.)
- Paid after the signature of the subsidy contract

3. Other financial features



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.
- Public procurement rules are set on the following levels:
 1. EU rules
 2. National rules
 3. Programme rules



The stricter applies

3. Other financial features



Programme rules on public procurement

- Evidence of adequate market searches for contracting is required for amounts comprised between EUR 5.000,00 (excl. VAT) and the threshold set by the applicable EU or national rules
- The adequacy of costs must always be ensured and demonstrated (irrespective to thresholds)
- Institutions not falling under the scope of application of the public procurement laws (most private companies) are exempt from the application of public procurement laws.
 - Specific procedures will be set up at programme level
(control & audit section of the programme implementation manual)

4. Tool time



Financial capacity check of private lead applicants

For private commercial organisations, at least criteria No. 1. and 2. of the following four criteria must be respected:

1. The ratio "total grant requested divided by the number of project years" / "shareholders' equity" is lower than 1
2. The ratio "current assets" / "current liabilities" is higher than 1
3. The ratio "total debts" / "total assets" is lower than 0.8
4. There is a positive operational profit

For private non-commercial organisations, at least two of the following three criteria must be respected:

1. The ratio "total grant requested divided by the number of project years" / "subsidies" is lower than 1
2. The ratio "current assets" / "current liabilities" is higher than 1
3. The ratio "total debts" / "total assets" is lower than 0.8

4. Tool time



Self-assessment tool for financial viability

Who: private lead applicants

When: already at the first step of the application procedure

What: to self-assess the financial viability on the basis of financial data as in the most recent balance sheet and profit/loss account

How: filled-in by the applicant with same data used in the simplified financial statement → the result is automatically displayed



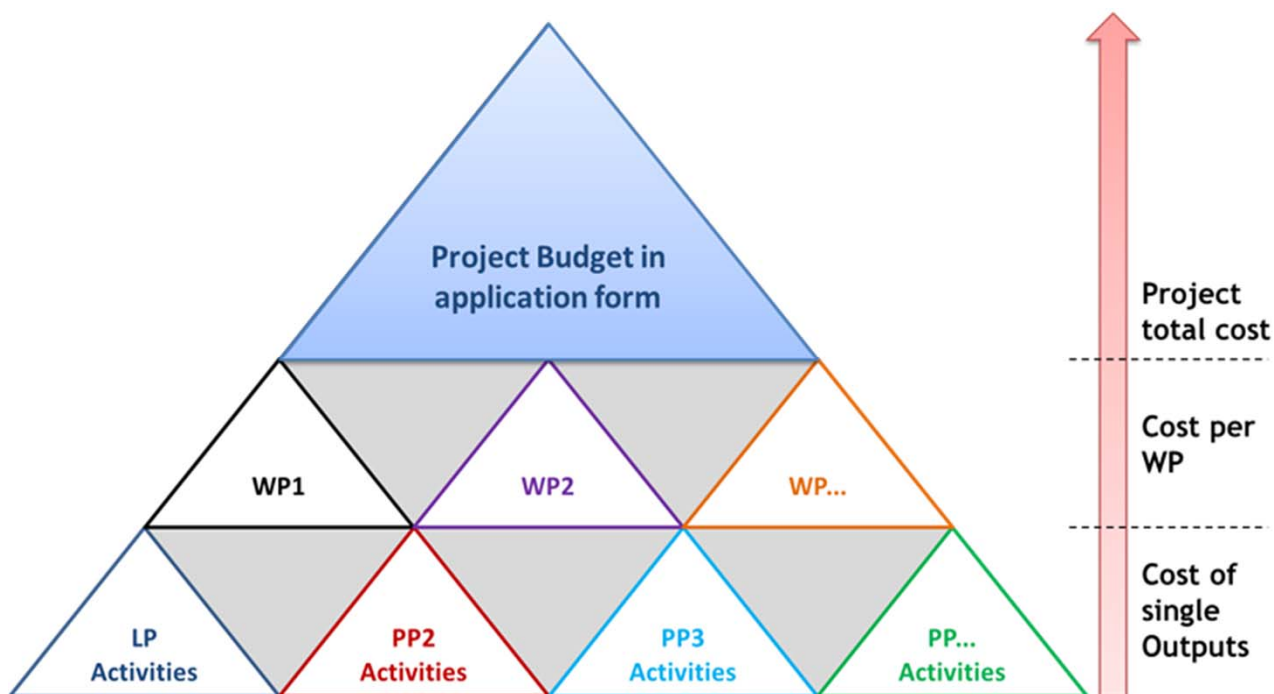
- The tool is applicable to **most but not all** private institutions;
- The use of tools is not compulsory: programme bodies cannot be held responsible for any mistake, non-functioning or misuse

4. Tool time



Designing a sound project budget

- The budget must be drafted following the real cost principle (except for preparation costs as well as when simplified cost options are used)



4. Tool time



Tool for budget design

Who: all

When: when developing step 2 applications (but earlier use highly recommended)

What: a basic table giving as example of one of the possible/existing tools for budget design

How: To be firstly personalised and then filled-in by the applicant on the basis of already done estimations.

4. Tool time



Tool for budget design - characteristics

- The budget tool is a basic example
- It necessarily needs to be adapted to:
 - No. of partners
 - No. of WPs/investment specifications
 - No. of reporting periods
 - Use of the “20 % flat rate” option for staff costs
- The level of detail within each budget line can be further increased → formulas need to be adapted



- The risk of making mistakes when personalising the table is high;
- Users must be knowledgeable about MS Excel;
- Again, the use of tools is not compulsory: programme bodies cannot be held responsible for any mistake, non-functioning or misuse.

Contact



Interreg CENTRAL EUROPE Programme

Joint Secretariat

Kirchberggasse 33-35/11

1070 Vienna

Austria

Phone +43 (0) 1 8908 088 - 2403

Mail info@interreg-central.eu

Web www.interreg-central.eu

FB www.facebook.com/CentralEuropeProgramme

LinkedIn www.linkedin.com/in/CentralEuropeProgramme

Twitter @CEProgramme