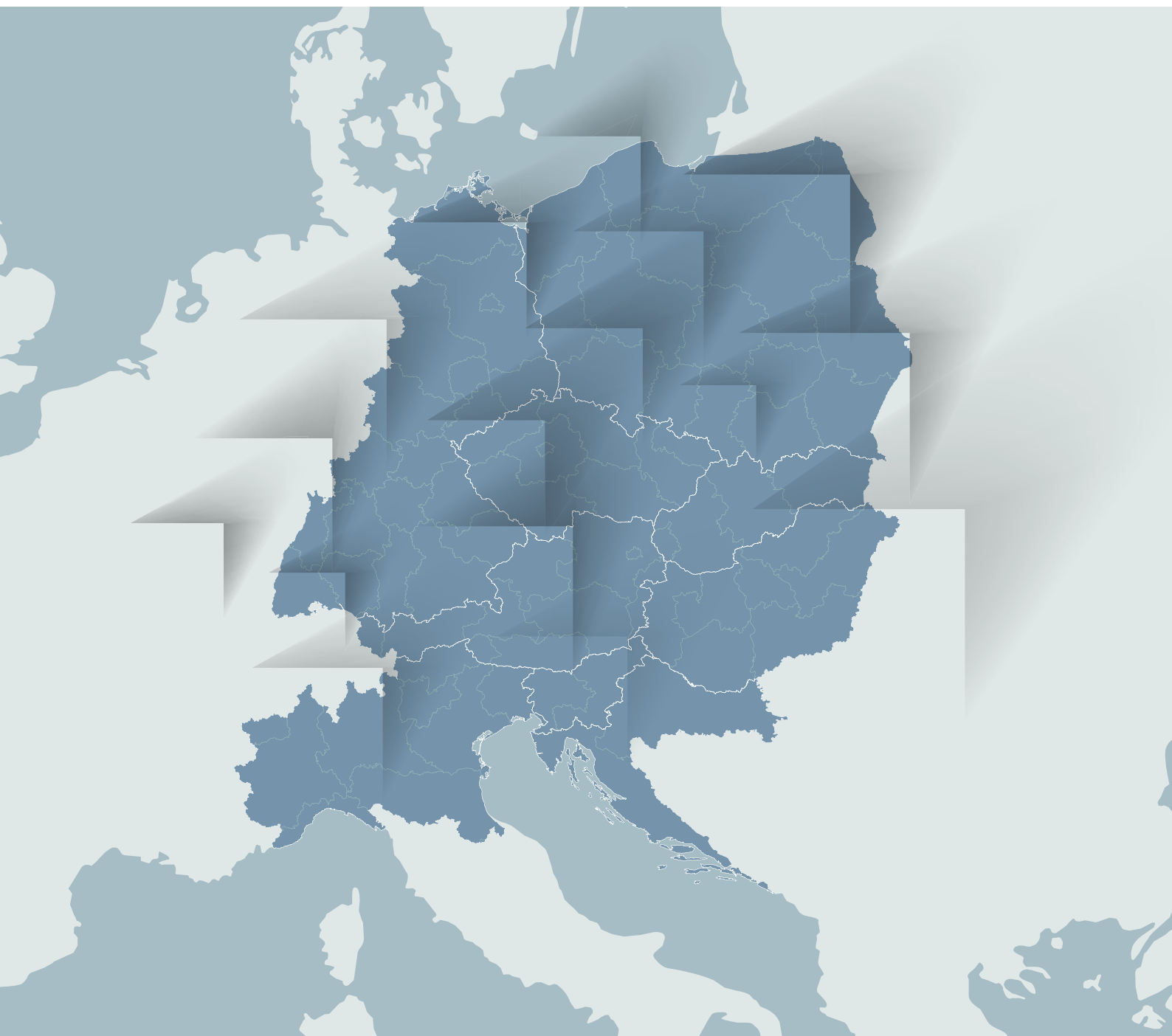


# APPLICATION MANUAL

Third Call

Version 1  
September 2017



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

# I. Interreg CENTRAL EUROPE key principles

## I.1. Result-orientation

### 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 programme specific objectives is provided in part A, chapter III on strategic priorities and programme 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 (if applicable, considering its thematic focus as defined for the third call) 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).

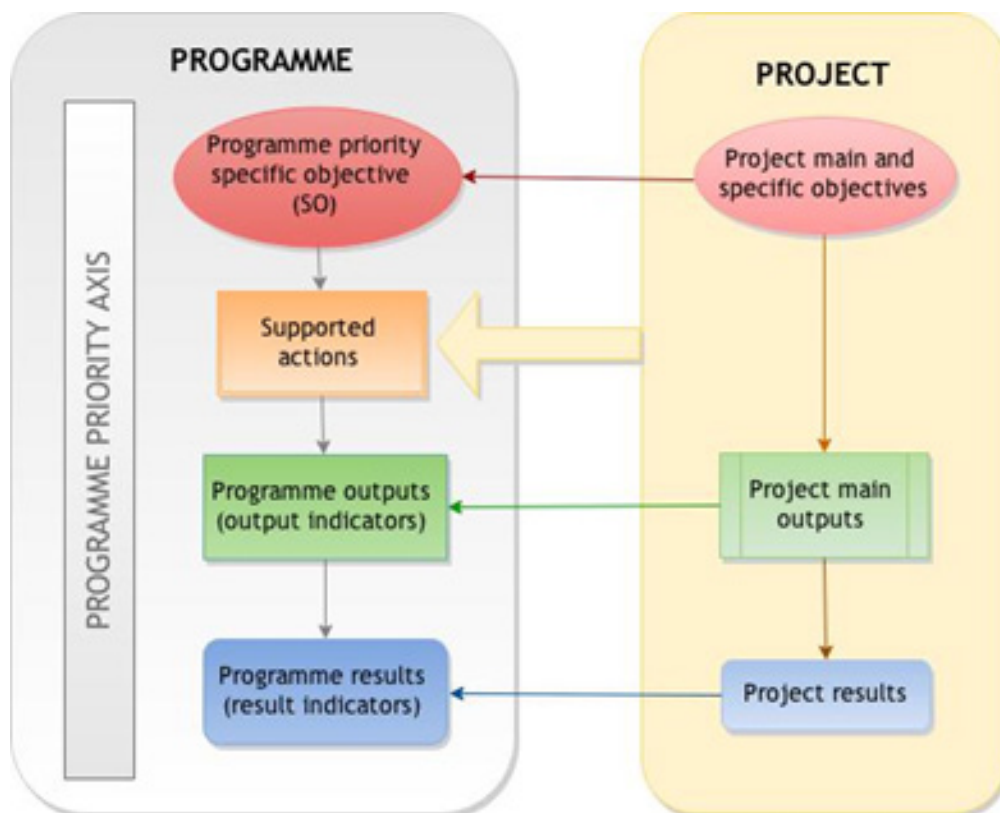
Projects not showing a clear link to a programme specific objective and, if applicable to the respective thematic focus of the third call, and/or not contributing to the respective expected programme result will not be supported by the Interreg CENTRAL EUROPE Programme.

**TIP**

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.
- If applicable, project objectives have to comply with the thematic focus of the selected specific objective.
- The contribution of the project to the respective programme result (and the related result indicator) has to be clearly demonstrated.
- Project activities and outputs have to be logically linked to the targeted programme specific objective.

Figure 1 - Links between the programme and project intervention logic



**TIP**

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

## 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.
- 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 joint 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

In order to achieve tangible and sustainable 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 setting up a relevant partnership the thematic competence and expertise as well as the geographical and institutional relevance and capacity 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.

**TIP**

Partners with relevant competences (thematic expertise, territorial relevance, institutional capacity etc.) for reaching the planned project objectives and results should be included in the partnership. In particular, the partnership should dispose of the necessary institutional capacities for implementing/adopting the developed outputs and results in order to ensure their sustainability.

## TIP

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 setting up the partnership and the necessary activities should be integrated in the work plan (e.g. involvement of decision makers, preparation of political decisions, financing models etc.).

## 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 main objective.

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.

Projects need to adopt from the beginning a longer-term, strategic perspective that leads to the 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 and results - 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.?)

## TIP

Projects supported in all programme priority axes need to demonstrate that they adopt an innovative approach to tackle the territorial challenges of central Europe. The „innovativeness“ of a project, which is a key aspect for being successful, is to be understood as the extent to which novel or innovative solutions are developed, tested and/or implemented.

Applicants should clearly describe how planned solutions and expected results go beyond the state of the art in the sector and/or the participating regions.

## I.5. Innovativeness

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.

All projects supported by the Interreg CENTRAL EUROPE Programme have to apply novel or innovative approaches going beyond the state of art in the sector and/or the concerned regions and which also can be transferred beyond the partnership. Innovation can cover for example, technological, social, process or eco-innovation.

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.

Applicants should be aware of recent developments and results achieved in the sector or field concerned and builds on these. It is therefore recommended that, before developing a project idea, applicants check if thematically similar projects have already been implemented or are currently supported, either by the Interreg CENTRAL EUROPE Programme, other Interreg programmes or other instruments. If applicable, applicants should make sure that their

projects and expected achievements will clearly build on previous results and demonstrate the added-value compared to these past or on-going initiatives.

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

## I.6. Horizontal principles

Horizontal principles must be integrated throughout the programme and in all projects. Every project approved by the Interreg CENTRAL EUROPE Programme is required to contribute to the following horizontal principles.

### Environment protection and sustainable development

All projects supported by the programme have to respect the relevant policies and rules regarding environment protection and sustainable development.

Project applicants have to describe the **contribution to sustainable development**, explaining how the sustainable development principles are 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 how the equal opportunity and non-discrimination principle is anchored within the project design and planned activities.

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 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 actively promoting gender mainstreaming.



## TIP

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.

## 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)<sup>1</sup>.

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.

<sup>1</sup> It is to be noted that international organisations acting under the national law of Member States outside of the Interreg CENTRAL EUROPE programme area are not eligible.

**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. 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.

<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>.

## TIP

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.

## 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. In case of an EGTC, its geographical location is in the country where it is registered.

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.

#### ■ 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.

Furthermore, the correctness of the legal status declared by institutions located in EU regions outside the programme area when submitting the proposal is to be confirmed by competent national authorities of the respective Member States outside the programme area. It is a duty of the applicants located in EU regions outside the programme area to obtain the legal status confirmation by their competent national authorities, however the MA/JS will support the process to the possible extent.

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

#### ATTENTION

In the case that this confirmation is not obtained within the timeframe set in part D, chapter V.1, the concerned applicant will be excluded from the project and the lead partner must initiate a partnership modification procedure as described in chapter D.3 of the implementation manual. For further information on the procedure for obtaining the required confirmation please refer to part D, chapter V.1

Please also note that, in case of project approval, the effective participation of partners from EU regions outside the programme area<sup>4</sup> 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 management, control and audit responsibilities as well as of liabilities in case of irregularities. The agreement shall be accompanied by a description of the national control system for the verification of expenditure incurred and paid by beneficiaries located in such Member States. The MA/JS will contact the relevant national authorities immediately after the MC decision for funding of projects which involve partners located in EU regions outside the programme area.

#### ATTENTION

If the responsible national institution of the Member State outside the cooperation area does not provide the signed agreement and the respective description of the national control system within 12 months from the date of the relevant MC decision for funding, the partner organisation concerned shall be excluded from the project. In this case, the lead partner must initiate a partnership modification procedure as described in chapter D.3 of the implementation manual.

- **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 (see chapter II.1.4 in this regard).

<sup>4</sup> With the exception of partners located in regions of Germany and Italy outside the programme area as well as in Belgium (Region Flanders and Region Brussels Capital), since the relevant national authorities already accepted the necessary conditions for programme implementation, management and control.

### 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 (including private companies) having legal personality, 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. **The project shall start its implementation within two months from the date of signature of the subsidy contract.** During the implementation phase, the main task of the lead partner is the coordination of the project ensuring 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 are available on [www.interreg-central.eu/implementation-documents](http://www.interreg-central.eu/implementation-documents).

#### ATTENTION

**Private lead applicants have to comply with obligatory financial capacity requirements detailed in [part D, chapter V.1](#). Proposals submitted by private lead applicants not meeting the necessary financial capacity criteria will be rejected. Private lead applicants should therefore carefully check their ability to fulfil the applicable financial capacity criteria before submitting their application.**

Before signing the subsidy contract private lead partners will be asked to provide a valid financial guarantee, issued by a primary financial institution (bank, insurance)(see [part D chapter V.4](#)). A document setting the requirements of the financial guarantee set in place by the private lead partner is available on [www.interreg-central.eu/application-documents](http://www.interreg-central.eu/application-documents)

**TIP**

Please note that it is not mandatory to define associated partners. Relevant institutions can be also involved as external stakeholders or target groups. In any case, the required competences and capacities for implementing the project need to be covered by the financing partners (i.e. lead partner and project partners).

#### **II.1.4 Associated partners**

Institutions which are interested in the envisaged project results and willing to directly participate in the project but without financially contributing to it, could be involved as associated partners.

Associated partners belong to the key stakeholders which are relevant to be involved in the project for planning, developing and sustaining outputs and results. In other words, associated partners should be directly contributing and ensuring the ownership and mainstreaming of project results and/or generating multiplier and leverage effects according to a participatory approach.

Associated partners have to bring a clear added value to the project and help reaching the project results.

The purpose and way of their involvement as well as their role during project implementation and should be well defined in the work plan (involvement of target groups and sustainability/transferability - see part D chapter IV.2.4.2).

## 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, a partner located in the programme area or an assimilated partner. 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).

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 and/or implementation. Respective activities could include analytical and research tasks as well as **strategy and action plan development** in the relevant thematic fields.

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**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.*

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### 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 and should be deployed within the frame of the project and used by a larger number of institutions.





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. In case a project foresees several pilot actions, they should differ from each other in order to maximise the mutual learning of the whole partnership.
- Limited in its scope (area, duration, scale etc.) being unprecedented in a comparable environment.
- Results and practices of pilot actions should be jointly evaluated, exploited and transferred to other institutions and territories.

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**EXAMPLE** *Project activities could address the development of innovative services for social enterprises, which are subsequently applied and tested in pilot actions involving disadvantaged target groups.*

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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.

A pilot investment can include items belonging to the budget lines infrastructure and works (e.g. setting up ex-novo of a building or adapting existing infrastructure) and/or thematic equipment (e.g. air quality monitoring equipment). For more information on budget line specifications please see chapter II.7.3.

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 to the partnership, e.g. through mutual learning of the whole partnership and transfer of experience to other stakeholders and regions;
- Clear contribution to the project specific objectives and expected results being linked to a pilot action;
- Clear benefit for the target groups;
- Transparent integration into the work plan, with a clear anchorage of the investment within the other transnational project activities
- Durability of the investment (e.g. maintenance, financing) to be ensured after project end in line with provisions of chapter E.2 of the programme implementation manual;
- Ownership of investment, to be retained with the responsible partner<sup>5</sup>. If an investment consists of unmovable items, also the related investment site must be in the property of the partner or the partner must have set in place long-term legally binding arrangements in order to fulfil durability (including maintenance) requirements as provided for in chapter E.2 of the programme implementation manual;
- 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 the overall project implementation;

Compliance with environmental policies and legislation (see chapter I.6 on horizontal principles).

The compliance with the above mentioned requirements has to be demonstrated for each investment planned (see part D chapter IV.2.4.2).

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**EXAMPLE** *A project under the programme Specific Objective 3.3 aims at improving the management of brownfield sites within functional urban areas, including the development of a joint management model. Its feasibility is tested in a series of pilot actions in different partner territories. One pilot action focuses on the measurement of pollution levels for which sensor devices are foreseen as investment by the respective partner. The measurements are conducted in the frame of the pilot action and the results are jointly evaluated at transnational level and feed into the improvement of the transnational joint management model.*

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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. On the other hand, a project having training as main objective cannot be supported by the Interreg CENTRAL EUROPE Programme.

<sup>5</sup> In line with provisions of Article 71 of Regulation (EU) No. 1303/2013.

#### **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 beyond the partnership and/or the raising of ownership and awareness of relevant stakeholders.

For a detailed explanation on how to plan project capitalisation activities in the communication work package, please refer to part D, chapter IV.2.4.2.

## II.4. Project size and funding

It is recommended that projects should have a **total budget in the range of 1 to 5m 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 from **24 to a maximum of 36 months**, taking into account that the latest possible end date for a project is **31 December 2021**.

## 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

Maximum ERDF co-financing rate	80 %	85 %	80 %	NO ERDF CO-FINANCING PARTICIPATION WITH OWN FUNDS
Member State	Austria, Germany, Italy	Croatia, Czech Republic, Hungary, Poland, Slovakia, Slovenia	Outside Interreg CENTRAL EUROPE programme area but inside the EU	Outside the EU

In case of an EGTC covering a geographical area in which different co-financing rates apply, the co-financing rate applicable to the EGTC is the one of the country in which it is registered.

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.

**TIP** 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 adhered to (e.g. public procurement law).

## 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 is enclosed in the programme implementation manual, available for download on [www.interreg-central.eu/implementation-documents](http://www.interreg-central.eu/implementation-documents). **Applicants are strongly advised to consult this document.**

Further guidance on how to develop a sound project budget can be found in part C, chapter IV.2.5.

### 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.
2. **Programme rules:** namely additional rules on eligibility of expenditure for the cooperation programme as a whole, as outlined in the programme implementation manual (available for download on [www.interreg-central.eu/implementation-documents](http://www.interreg-central.eu/implementation-documents)).
3. **National (including institutional) eligibility rules:** which apply for matters not covered by eligibility rules laid down in the abovementioned EU and programme rules.

**TIP**

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.

## 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 or other contributions from third parties;<sup>6</sup>
- It is essential for the achievement of the project objectives/outputs and it would not be incurred if the project is not carried out (the additionality of costs incurred for project purposes is to be ensured);
- 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 in the period between the project start and end date set in the subsidy contract;<sup>7</sup>
- 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 and as further detailed in chapter C.2 of the implementation manual);
- The relevant public procurement rules have been observed, if applicable;
- It has been validated by an authorised national controller<sup>8</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.

<sup>6</sup> With the exception of financial contributions from third parties to the expenditure not exceeding the share of beneficiary's contribution to that expenditure (as further explained in chapter C.1.2 of the implementation manual).

<sup>7</sup> Without prejudice to the eligibility of preparation and contracting costs - reimbursed as a lump sum (as provided for in chapter II.7.4 and as further specified in chapter A.1.4 of the implementation manual) - as well as project closure costs related to final reports and audit certificates as provided for in chapter C.1.4 of the implementation manual.

<sup>8</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) as well as to chapter A.4.1 of the implementation manual.

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

- a. Costs for the **preparation and contracting** of an approved project can be compensated through a lump sum under the terms and conditions further explained in chapter II.7.4 as well as chapter A.1.4 of the implementation manual. The lump sum will be paid out upon condition that the partnership successfully fulfilled all conditions for approval of the project set by the MC, all necessary information is included in the section "Supplementary information" in the eMS and the subsidy contract is signed. The date of the MA/JS acceptance of the revised application form fulfilling all conditions for approval is also the date by which preparation and contracting activities end. Costs for these are covered by the lump sum. In case a project starts its implementation phase earlier than such date, real costs linked to preparation and contracting (e.g. staff, travel and accommodation) cannot be charged under the implementation costs.
- b. 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 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.
- c. Costs for project **closure** (e.g. preparation and submission 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 as set in the subsidy contract (i.e. three months after project end).

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;

#### ATTENTION

Please note that gifts can be eligible up to a maximum amount of EUR 500 for the entire project lifetime. For further information on requirements applicable to gifts please refer to chapter C.1.5.3 and C.2.4.3 of the implementation manual.

- 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;
- Splitting cost items among project partners (i.e. sharing of common costs);
- Discounts not considered when claiming the costs (only the discounted amount is to be regarded as eligible);

- Fees between beneficiaries of a same project for services, equipment and work carried out within the project;
- a. Any other cost not eligible according to general provisions on eligibility (as in this chapter) as well as specific provisions at budget line level (as provided for in chapter II.7.3 and as further specified in chapter C.2 of the implementation manual).

### 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 implementation manual (available for download on [www.interreg-central.eu/implementation-documents](http://www.interreg-central.eu/implementation-documents)).

#### BL1. Staff costs

Expenditure on staff costs consists of the gross employment 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 one of the following options:

- a. Real costs; or
- b. Flat rate up to 20 % of direct costs other than staff costs<sup>9</sup>.

Each beneficiary must choose one of the above reimbursement options (a. or b.) in the application form. 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.** However, different partners in a same project may choose different options for reimbursing staff costs.

<sup>9</sup> Namely costs under all budget lines except "staff costs" (BL1) and "office and administrative expenditure" (BL2).





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 any other equivalent legal agreement that permits the identification of the employment relationship with the partner's organisation) 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 all the following conditions are respected:
- ☐ 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.**

Additional detailed information on this budget line can be found in chapter C.2.1 of the implementation manual.



## **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);
- 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.

Additional detailed information on this budget line can be found in chapter C.2.2 of the implementation manual.

## **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;
- 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 are in line with programme general provisions on expenditure for activities implemented outside the programme area, as provided for in chapter II.1.2 and as further detailed in chapter C.3.3 of the implementation manual. 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 as well as part D, chapter IV.2.5.2.

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 of associated partners.

Additional detailed information on this budget line can be found in chapter C.2.3 of the implementation manual.

#### **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 strictly linked to the project and are essential for its effective implementation (e.g. studies and surveys, translation, promotion and communication, services related to meetings and events). External expertise and services costs are paid on the basis of contracts or written agreements and against invoices or requests for reimbursement. Eligible cost items under this budget line are (exhaustive list):

- a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, 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 authorised national controllers;
- l. Provision of guarantees by a bank or other financial institution where required by the programme;<sup>10</sup>
- m. Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- n. Other specific expertise and services needed for the project.

<sup>10</sup> A document setting the requirements of the financial guarantee set in place by the private lead partner is available on <http://www.interreg-central.eu/implemntationdocuments>

External expertise and services have to be duly specified in the application form 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, national and programme procurement rules and must comply with the basic principles as described in chapter C.1.5.1 of the implementation manual.

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 (with the exception of office and administrative expenditure, to be calculated as a flat rate of 15 % of eligible direct staff costs). Such costs shall be accounted under each relevant budget line (**and not under external expertise and services**), according to the nature of the service provided, as well as under the same general and specific provisions on eligibility, reporting and audit trail applicable to the relevant budget lines.

Sub-contracting to in-house-bodies as well as cooperation between public bodies shall comply with the applicable public procurement provisions (please see in this regard also chapter C.1.5.1 of the implementation manual).

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.

Additional detailed information on this budget line can be found in chapter C.2.4 of the implementation manual.

#### 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,
- 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, which is used for project purposes only and which is not already included under the "office and administrative expenditure" budget line. Equipment for general (office) use **shall be reimbursed as depreciable asset** in compliance with national accounting rules and internal accounting policies of the beneficiary. The full cost of such equipment is eligible **solely** in the case that the depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project.
2. **Thematic equipment** directly linked to (or forming part of) the project outputs, which will be used by beneficiaries and target groups in line with 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>11</sup>.

All equipment items have to be duly specified in the application form by describing at least the nature and quantity of the equipment to be purchased, the link with the relevant 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, national and programme procurement rules and must comply with the basic principles as described in chapter C.1.5.1 of the implementation manual.

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

- If they have not already been financed by other EU or third party subsidies (as provided for in chapter C.1.2 of the implementation manual);
- If they have not already been depreciated;
- If they are not already included as indirect costs under the office and administration budget line.

<sup>11</sup> I.e. outside depreciation schemes if in line with national accountability rules and internal accountability policies of the beneficiary.

“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.

The purchase of consumables linked to the use of laboratory or other thematic equipment is eligible and should be included under BL5.

Additional detailed information on this budget line can be found in chapter C.2.5 of the implementation manual.

## TIP

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”*.

Furthermore, Annex II of this Directive provides a detailed list of all elements that are eligible under this budget line.

## BL6. Infrastructure and works expenditure

Expenditure for works<sup>12</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 mentioned Directive**.

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 (see tip box) shall be allocated under “Staff” or “External expertise and services” budget lines (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 application form 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, national and programme procurement rules. They must also comply with the basic principles as described in chapter C.1.5.1 of the implementation manual.

<sup>12</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.

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)
- The land and/or buildings where the works will be carried out must be in the property of the beneficiary or the beneficiary must have set in place long-term legally binding arrangements in order to fulfil durability (including maintenance) requirements as provided for in chapter E.2 of the programme implementation manual (available for download from [www.interreg-central.eu/implementation-documents](http://www.interreg-central.eu/implementation-documents)).

Infrastructure and works expenditure cannot refer to items financed by other EU or third party subsidies (as provided for in chapter C.1.2 of the implementation manual) 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.

Additional detailed information on this budget line can be found in chapter C.2.6 of the implementation manual.

**TIP** When drafting the application form, it is up to the partnership to decide 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.

## II.7.4 Preparation and contracting costs

Approved projects may be 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>13</sup> of the project until the day on which the final application form fulfilling all conditions for approval set by the MC has been finally accepted by the MA/JS;
- The ERDF contribution effectively granted to the project is linked to the actual co-financing rate applicable to the partner(s) to whom the lump sum is allocated in accordance to the approved application form.

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

After the signature of the subsidy contract and completion of the section “Supplementary information” in the electronic Monitoring System (as provided for in chapter A.1.3 of the implementation manual), the lump sum will be 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.

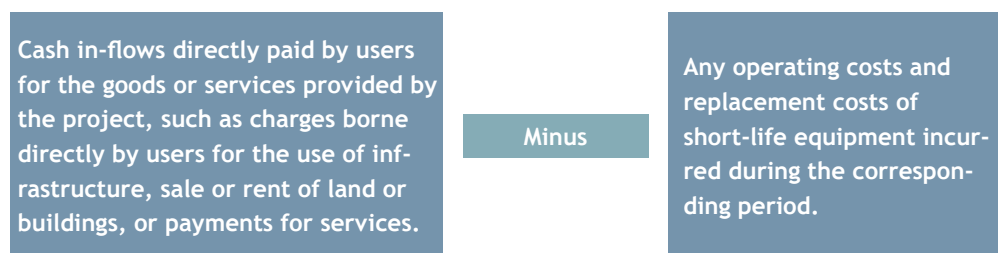
<sup>13</sup> In the project contracting phase the partnership is often requested to revise its application forms following conditions for approval set by the monitoring committee. This might also include a meeting with the MA/JS in Vienna. For further information on contracting please refer to part D, chapter V.5.

In case the project is not implemented following the signing of the subsidy contract, the MA may recover the ERDF granted for preparation costs.

## II.7.5 Revenues

As a general principle<sup>14</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 as provided for in Article 61(3) b) of the Common Provisions Regulation and as further detailed under Articles 15 to 19 of the Delegated Regulation (EU) No 480/2014.

Expected net revenues **are to be indicated in the application form** 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>15</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>14</sup> In accordance with Articles 61 and 65(8) of Regulation (EU) 1303/2013.

<sup>15</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.

All beneficiaries located outside the Euro-zone shall convert expenditure incurred and paid in national currency 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.

**TIP** 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.

### II.7.7 Other financial requirements

Even if detailed information on financial requirements related to project implementation is provided in 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>16</sup>
2. National rules;<sup>17</sup>
3. Programme rules (see specification below).

In addition to what is set out in the procurement laws, all relevant laws related to procurement (e.g. rules on contracting, intellectual property, business law etc.) are to be observed as well.

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 followed.

For detailed information on public procurement rules see chapter 1.5.1 of the implementation manual available at [www.interreg-central.eu/implementation-documents](http://www.interreg-central.eu/implementation-documents)

<sup>16</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>17</sup> National rules include laws on public procurement, related delegated or implementing acts or any other generally applicable legally binding rules and decisions.

### 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 Interreg CENTRAL EUROPE Programme, **public support given by the programme to undertakings will be granted under the de minimis rule<sup>18</sup> by the Member State Austria**. This implies that undertakings will receive grants from the Interreg CENTRAL EUROPE Programme **only if they have not received by Austria public aid under the de minimis rule totalling more than EUR 200.000 within three fiscal years from the date of granting the aid<sup>19</sup>**. This ceiling is reduced to EUR 100.000 in the road transport sector while other sectors as agriculture, aquiculture and fisheries have lower ceilings. Furthermore, aid to export-related activities and aid contingent upon the use of domestic over imported good cannot be granted under the de *minimis* rule.

Public aid considered for the applicable de *minimis* ceiling comprises all aids granted by the national, regional or local authorities of the Member State where the undertaking is located, 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.

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**.

<sup>18</sup> As provided for in Regulation (EU) No 1407/2013 on de *minimis* aid.

<sup>19</sup> Date of signature of the subsidy contract.

**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 same year in which it applied 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 %)*

*If this company was located in Germany instead of Austria and - in turn - was receiving the national grant of EUR 150.000 by Germany, the ERDF granted by Austria through the Interreg CENTRAL EUROPE Programme would have remained EUR 80.000 since the ceiling to the accumulation of de minimis aid applies "per Member State".*

Applications 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 application form as well as on self-declarations provided by applicants.

In compliance with Article 3(3) d) of Regulation (EU) No 1301/2013 the Interreg CE Programme does not support undertakings in difficulty<sup>20</sup>. In the occurrence that the LP and/or any of the PPs is in the situation of undertaking in difficulty, the affected institution is to leave the partnership following the procedure described in chapter D.3.2 of the implementation manual. Furthermore, in such cases the MA is entitled to terminate, in whole or in part, the subsidy contract and/or to demand repayment of the granted subsidy.

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>21</sup> is available. Applicants may also consult relevant national authorities to obtain more specific information on rules and limitations concerning State aid.

<sup>20</sup> As defined in point 24 (in conjunction with point 20) of the "Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty" (Communication from the Commission No. 2014/C 249/01 of 31.07.2014).

<sup>21</sup> [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0719\(05\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0719(05)&from=EN)

### Information and communication (branding)

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 (as defined in chapter C.1.5.3 of the implementation manual). 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 branding requirements are provided in chapter C.1.5.3 of the implementation manual.

(available for download from [www.interreg-central.eu/implementation-documents](http://www.interreg-central.eu/implementation-documents)).

### 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.

### TIP

Applicants are strongly advised to carefully plan the budget allocation to reporting periods (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.

### 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.** For further information in this respect please refer to chapter B.5.3 of the implementation manual (available for download from [www.interreg-central.eu/implementation-documents](http://www.interreg-central.eu/implementation-documents))