



Factsheet N°3

Project development: from project idea towards a high quality project bid

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I. Programme area

The 2 Seas area covers the **coastal regions of 4 EU Member states** along the Southern North Sea and the Channel: England, Belgium (Flanders), France (Northern France) and the Netherlands. The eligible zone goes all the way from Cornwall to Norfolk in England and stretches from the Picardie Coast to Texel Island on the continental side.

In the 2014 – 2020 programming period, the 2 Seas Programme welcomes new eligible areas in the Netherlands (coastal areas up to Kop Van Noord-Holland) and in England (Swindon and Peterborough).

The eligible 2 Seas area for the new Programme is the following, with new eligible territories indicated in orange:



Eligible 2 Seas area 2014-2020

II. Partnership

A. Eligibility of organisations

In principle any organisation relevant for the project and actively participating in the project can be part of the partnership, independently of its legal status.

Only organisations having legal personality are entitled to participate in a project as formal partners, apart for sole traders whose company needs at least to be nationally registered. Consultancy firms having as primary objective the development and management of European projects are not entitled to participate in a project as formal partners.

Subject to approval by the Monitoring Committee, a partner located outside the Programme area can participate in a project if:

- its involvement is pertinent in relation to the project theme
- its involvement represents a clear added value for the partnership
- its involvement fulfils the 20% ERDF threshold as required by Article 20 of [Regulation \(EU\) No 1299/2013](#)

More particularly, beneficiaries located outside the Programme area are allowed to participate in a 2 Seas project under the following conditions:

- Evidence is provided in the Concept Note and in the Application Form that the project is not feasible without such partner(s);
- Evidence is provided in the Concept Note and in the Application Form that no organisation can be found in the 2 Seas area to provide the same knowledge, competence and expertise as such partner(s);
- All relevant obligations of the Member State in which such partner(s) is(are) located in terms of management, control and audit are fulfilled; costs incurred by such partner(s) can be claimed only after the signature of a specific agreement by the Member State in which such partner(s) is(are) located.

In addition to what is stated above, in order to be deemed a formal partner, an organisation has to be mentioned in the Application Form as **project partner**, actively contributing to the implementation of the project and to the financing of it.

The partner organisation should represent one of the target groups of the 2 Seas Cooperation Programme.

In order to constitute an eligible partnership, a project has to have at least two partners coming from two different Partner States of the Programme. At least one has to be from England. The 2 Seas Programme advises you to try to limit the number of partners to a maximum of 10 partners, as this will ease the management of the project.

Any organisation not fulfilling the requirements described above is not eligible for ERDF funding.

B. Observer

Any organisation can participate in a project as **observer**, as long as their participation is clearly relevant to the overall objective of the project. Observers are organisations that are interested in the project and/or can bring a real added value for the project. Their role should be detailed in the Application Form.

Participation will be at their own expenses and no costs relating to their participation can be claimed within the project budget. Observers are entitled to provide financial contribution to formal partners as long as this is inscribed in the dedicated section of the Application Form and is managed in line with the Programme rules.

C. Lead Partner principle

The Programme functions on the basis of the lead partner principle, which means that the partnership indicates one lead partner, responsible for the overall implementation and management of the entire project.

The **lead partner bears the entire financial and juridical responsibility vis-à-vis the Managing Authority** for the entire project. Project partners keep their own responsibility vis-à-vis the lead partner. The responsibilities of the partners towards the lead partner are detailed in the **Partnership Agreement**. The responsibilities of the entire partnership, represented by the lead partner, towards the Managing Authority, are described in the **Subsidy Contract**.

The **lead partner is responsible for the management, communication, implementation and coordination of the activities among all partners**. Project management entails both the coordination of the activities as the administration and financial management of the project.

Each partner has the responsibility however, to contribute to the implementation of the project activities and undertake sound financial management at their own level. Partners have to undertake administrative tasks, participate in the project development, implementation and closure.

In order to assure that partners are legally and financially capable of participating, they shall sign a **Letter of Commitment**. By signing this letter, they indicate they meet the eligibility requirements, they do not receive any other community funding for the same project, they are able to contribute to the financing of the project and have sufficient capacity to implement the project.

III. Project activities

A. Means of producing outputs and delivering the expected change

As outlined in the factsheet “Introduction and Background”, the new Interreg Programmes are very much **result-oriented**. Through the process of devising the Programme strategy, Programme Authorities have decided on what they want to change in the Programme area. This change is defined as a specific improvement of people’s or communities’ well-being. It should be brought about by **financing projects that contribute to this change**. It is evident that the Programme strategy can only be successful if projects contribute to realising the change the Programme envisages by achieving their own results. This implies a **shift in the approach** of projects **from focusing on project activities to focusing on the results** to which these activities lead. Activities are the means to deliver outputs and consequently the expected change. This means that a project, to be successful at the selection phase and subsequently during its implementation, needs to start its development by thinking first on what it wants to deliver (outputs) in order to trigger the change (results). Activities should be defined only after and in function of the expected outputs and results.

B. Activities outside the Programme area

In compliance with the provisions set by Article 20.2 of Regulation (EU) No 1299/2013, the Programme may accept that one or more project activities are implemented outside the 2 Seas area if:

- The activities implemented outside the Programme area are for the benefit of the Programme area;
- The 20% ERDF threshold required by Article 20 is respected at Programme level;
- All relevant obligations in terms of management, control and audit are fulfilled.

The Programme will put a monitoring system in place to ensure the compliance with the second bullet point. Projects are required to identify, both in the Application Form and in the financial claims, the amount of expenditure related to activities implemented outside the Programme area.

IV. Budget: planning financial means for project implementation

A. Important principles related to budgeting

Eligibility of expenditure is to be considered through different levels of rules:

- the European level: EU regulations
- the Programme level: specific rules decided for the 2 Seas Programme
- the national level: national rules applicable in each Member State
- the partner institutional level: internal rules applicable to each partner organisation

Generally speaking, to be eligible at project level, costs must:

- relate to activities foreseen in the Application Form, be necessary for carrying out these activities and achieve the project's outputs and results,
- be reasonable, justified, consistent with the applicable internal rules of the partner, national, Programme and EU rules and in accordance with the principles of sound financial management,
- be identifiable, verifiable, plausible and determined in accordance with the relevant accounting principles,
- be incurred and paid by the partner organisation, debited from its bank account no later than the project end date, be substantiated by proper evidence allowing identification and checking,

In case of expenditure being reimbursed on the basis of a lump sum or flat rate the latter two principles do not apply.

Simplification is at the core of the legislative package proposed by the European Commission (EC) for 2014-2020. This is to make access to EU funding easier and quicker for all beneficiaries. At the same time, it should lighten the administration linked to the management and audit of EU funding Programmes.

In the Common Provisions Regulation (CPR), the EC promotes a wider use of simplified costs options, as an alternative to the reimbursement based on real costs. Harmonisation is also a key aspect. In the past, project partners involved in different Interreg Programmes faced different rules, different formats to be used and even different wording to describe similar things.

The 2 Seas Programme has as much as possible tried to streamline its processes and rules with other Interreg Programmes in line with the principles of **simplification and harmonisation**.

B. Budget Lines and eligible costs

The following articles of EU regulations are the legal basis to be taken into account:

[Regulation \(EU\) No 1303/2013:](#)

- Article 65: eligibility period (1/1/2014 – 31/12/2023)
- Article 67: simplified costs options
- Article 68: flat rate for indirect costs
- Article 69: contributions in kind; depreciation; land purchase; VAT
- Article 70: location of operations
- Article 71: durability of operations
- Article 120: co-financing rate (maximum 85% for ETC)

[Regulation \(EU\) No 1299/2013:](#)

- Article 18: legal basis for the Commission Delegated Regulation (EU) No 481/2014
- Article 19: staff costs (possibility to use a flat rate of 20% of the total direct costs)
- Article 20: operations located outside the Union part of the Programme area (max 20%)
- Article 28: exchange rate

[Delegated Regulation \(EU\) No 481/2014:](#)

- Specific rules on eligibility of expenditure for cooperation Programmes

Projects applying to the Interreg 2 Seas Programme shall build up their budget through the following six budget lines:

1. Staff
2. Office and administration
3. Travel and accommodation
4. External expertise and services
5. Equipment
6. Infrastructure and construction works

Applicants can find here below the key principles and instructions necessary for building up a project budget.

Further details are available in factsheet “Focus on Budget lines and Eligibility rules”, especially in relation to the detailed procedures and rules to follow in order to fulfil the eligibility requirements.

1. Staff costs

Staff costs consist of costs for staff members employed by the partner organisation and working full time or part time on the project implementation. In case first level control is internal (e.g. provided by the audit department of the partner organisation), costs shall be budgeted under this budget line.

Overheads and any other office and administrative expenditure **cannot be included** in this budget line.

Staff costs cover the partner organisation’s gross employment costs, which comprise the following:

- Salary payments (fixed in an employment/work contract)
- Other costs supported by the partner organisation, directly linked to the salary payments and not recoverable by the employer, such as:
 - Employment taxes
 - Social security (including health coverage and pension contributions)

In line with the Delegated Regulation, the following options for staff costs can be adopted:

- a) staff costs calculated as 20 % flat rate of all direct¹ costs other than staff costs
- b) staff costs calculated as real costs

Each partner organisation shall choose one of the above indicated options and indicate the choice in the Application Form. The chosen option will apply to all staff members of the partner organisation working on the project. It will be set for the entire project duration (no change is possible).

¹ “Office and administration” costs are not direct costs. As such, they are not part of the costs used as basis for the calculation of the 20%.

a) Staff costs calculated as a 20% flat rate of direct costs

In this option, the calculation of staff costs is based on a flat rate of up to 20% of the direct costs other than the staff costs.

The eligible amount for staff cost is equal to 20% of the total eligible amount budgeted and declared under all the other budget lines **excluding office and administrative expenditure**. There is no other calculation to be carried out.

b) Staff costs calculated as real costs

In this option, staff costs must be calculated individually for each employee.

They are taken from the payroll accounts and include the employee's total gross remuneration and the employer's contribution of social charges (provided that they are not recoverable by the employer). In accordance with the personnel policy of the partner organisation, costs such as bonuses, fuel, lease car, relocation benefits, lunch vouchers etc. can be fully or partly claimed after calculating the eligible share for the project.

Within the real cost option for staff costs **five** different cases may be faced:

- a) Person employed by the partner organisation, and working fully on the project
- b) Person employed by the partner organisation, working partly for the project on a fixed percentage
- c) Person employed by the partner organisation, working partly for the project on a flexible percentage
- d) Person employed by the partner organisation, working for the project on an hourly basis
- e) A country specific method is in place to report staff costs.

Except in case e), the cases a) to d) and related calculation methods may co-exist within the same partner organisation if several people are working on the same project, with different working contracts and time involvement in the project. Flemish beneficiaries can report staff costs only by choosing between the 20% flat rate option and the country specific method (the chosen option will apply to all staff members of the partner organisation working on a specific project and it will be set for the entire project duration). In case of beneficiaries based in Brussels Capital Region, and not considered as "Flemish beneficiaries", the country specific method (case "e") can coexist with the other "real costs" methods (cases "a" to "d") in the framework of the same organisation involved in a specific project.

For each of these cases, one specific methodology of calculation shall be followed basing on the real amount of time worked for the project.

Factsheet "Focus on Budget lines and Eligibility rules" gives additional details about eligibility rules applicable to this budget line.

2. Office and administrative expenditure

Office and administrative costs cover general administrative expenses of the partner organisation necessary for the delivery of project activities.

Following the provisions of Article 68 (1) of Regulation (EU) No 1303/2013, office and administrative expenditure shall be calculated on a flat rate basis with the following method:

- A flat rate of up to 15% of eligible direct staff costs (without any methodology needed)

Factsheet "Focus on Budget lines and Eligibility rules" gives an exhaustive list of items covered by this budget line (in line with delegated Regulation (EU) No 481/2014).

3. Travel and accommodation

This budget line concerns the travel and accommodation costs of staff employed by a project partner. The delegated Regulation (EU) No 481/2014 gives an exhaustive list of items covered by this budget line. Travel and accommodation expenditure will be justified on a real costs basis at partner level.

Normally, travel and accommodation costs should relate to trips undertaken within the Programme area. Travels to places located outside the Programme area are eligible if they are explicitly mentioned and justified in the Application Form.

In case of trips outside the Programme area that are not foreseen in the Application Form, a specific request needs to be submitted by the lead partner to the JS for a validation in advance. This requirement does not apply for travels **relating to partnership meetings** in the following cities: Brussels, Paris, London, Amsterdam (e.g. a travel for a project steering committee meeting taking place in Brussels, does not require a validation in advance by the JS). However, the reason why one of these cities outside the Programme area was chosen for a meeting should be explained by the project in the financial claims and annual progress report on activities (e.g. easy logistic arrangements, lower costs, etc.).

All expenditure claimed in relation to travels and activities outside the Programme area – independently from the need of a JS validation or not - needs to be followed up in compliance with the provisions set by Article 20 of Regulation (EU) No 1299/2013 (20% flexibility outside the Programme area).

Factsheet “Focus on Budget lines and Eligibility rules” gives additional details about eligibility rules applicable to this budget line.

4. External expertise and services

External expertise and service costs include expenditure paid on the basis of contracts or written agreements and against invoices or requests for reimbursement to external service providers who are subcontracted to carry out certain tasks/activities linked to delivery of the project. In-kind contribution is also eligible under this budget line, as far as the requirements of Article 69 of Regulation (EU) No 1303/2013 are fulfilled (for further information about In-kind contribution see the chapter on “Horizontal topics related to finance” below and the factsheet “Focus on In-kind contribution”).

Costs of first level control shall be budgeted under this budget line in case first level control is externalised (e.g. provided by an external company following public procurement procedure).

External expertise and services costs are connected to the implementation of certain project tasks that cannot be carried out by the project partners themselves (mainly due to the lack of internal resources) and therefore are outsourced to external service providers. The work of external service providers must be necessary for the project.

All applicable EU, national and internal public procurement rules must be respected. Even below EU thresholds, contracts with external providers must comply with the principles of transparency, non-discrimination, equal treatment and effective competition.

Project partners cannot contract one another in the framework of the same project. This is due to the fact that the roles of project partner and service provider are different and in general not compatible. Nevertheless, observer partners can act as a supplier of goods or services of a project partner as long as the following conditions are fulfilled:

- The observer plays a key role in the project and its implication as observer is fundamental for the successful delivery of the project (for this reason, the observer cannot leave the project to act as external provider only, since this would impact the project delivery).
- The observer has won the procurement in compliance with the applicable European, national, local and internal public procurement rules of the project partner;
- It can be proved by the project partner and the observer that the latter did not benefit of any undue advantage (such as position-related knowledge, non-public information, etc.) which could lead to a distortion of the open competition principle and a discriminated treatment of candidates in the framework of the attribution of the contract;
- It can be proved by the project partner and the observer that the attribution of the contract is done in absence of any conflict of interest.

Subcontracting in-house or other affiliated companies must be done on a real costs basis and reported.

Factsheet "Focus on Budget lines and Eligibility rules" gives an exhaustive list of items covered by this budget line (in line with delegated Regulation (EU) No 481/2014) as well as a focus on the rules to be respected.

5. Equipment

Projects can report in this budget line the expenditure for the financing of equipment purchased, rented or leased by a partner, necessary to achieve the objectives of the project. This includes costs of equipment already in possession by the partner organisation and used to carry out project activities.

In-kind contribution is also eligible under this budget line, as far as the requirements of Article 69 of Regulation (EU) No 1303/2013 are fulfilled (for further information see the chapter on "Horizontal topics related to finance" below and the factsheet "Focus on In-kind contribution").

Factsheet "Focus on Budget lines and Eligibility rules" gives an exhaustive list of items covered by this budget line (in line with delegated Regulation (EU) No 481/2014).

In principle, depreciation rules must be applied to the equipment used for managing and implementing the project. However, for equipment that is a **key component of one or more project outputs** the full cost of the equipment can be claimed (i.e. no depreciation is to be applied).

6. Infrastructure and works

This budget line covers costs related to investments in infrastructure that do not fall into the scope of other budget lines. This includes costs necessary for the implementation of infrastructure works.

In-kind contribution is also eligible under this budget line, as far as the requirements of Article 69 of Regulation (EU) No 1303/2013 are fulfilled (for further information see the chapter on "Horizontal topics related to finance" below and the factsheet "Focus on In-kind contribution")

Purchase of land cannot exceed the limits set by Article 69.3(b) of Regulation (EU) 1303/2013

Infrastructure and construction works shall be:

- the **result of cross-border cooperation** actions specifically directed at improving the development of the Programme area in line with the additionality principle. The cross-border dimension and added value must be evident;
- financed only if **crucial for the achievement of the project's outputs and results**, and if they are inscribed in one or more investment work packages of the Application Form;

- compliant with applicable European, national and internal **procurement rules**. The partners in charge of the infrastructure and construction works are responsible for ensuring that these rules have been respected.

In addition:

- The full cost of infrastructure and construction works can be reported in this budget line as far as it is fully justified in the framework of the project activities (no depreciation shall be applied).
- A project can also claim the provision of land and/or real estate in the form of in-kind contribution (if the applicable rules to in-kind contributions are respected – see more details about in-kind contribution in the next chapter and in factsheet “Focus on In-kind contribution”).

C. Horizontal topics related to finances

1. Grant rate

Under the Interreg 2 Seas Programme, the project activities are co-financed from the ERDF at **60% (fixed rate)** except for projects approved under a state aid scheme that imposes a different funding rate. The other 40% has to be provided by the partners themselves. The sources of the partners’ own contribution can be manifold. It can come from the partners’ own budget, or from other external sources.

One organisation that is partner in a project cannot be source of contribution of another organisation that is partner in the same project (unless the two organisations are naturally and structurally linked by financial arrangements existing even in the absence of the project or if the funding consists in a specific national, regional or local contribution granted for the participation in the project). For further details, please refer to the factsheet “Focus on Budget lines and Eligibility rules”.

It is not possible to receive an advance payment from the ERDF under Interreg 2 Seas Programme. This means that each project has to pre-finance its activities until it submits a financial claim which is subsequently assessed for approval. The Programme then reimburses to the lead partner up to 60% of the total eligible expenditure declared by each partner. Project partners therefore need to set aside sufficient liquidity if they are to become involved in a project.

The Monitoring Committee can decide to finance specific operations at a higher ERDF rate, as far as the average ERDF rate per Priority is respected.

2. Preparation costs

It is important that projects consider financial issues from the very beginning. This approach requires the involvement of all partners in the preparatory work and planning meetings during the development phase of the project application. Time invested prior to the submission of the application results in strong partnerships with clear responsibilities and well justified budget allocations. Good preparation is fundamental to ensuring a prompt start to the project’s activities after approval, as well as smooth project implementation thereafter.

Under the Interreg 2 Seas Programme, the preparation costs of all approved projects are reimbursed through a lump sum of up to 30 000 € ERDF per project and will be paid to the lead partner (except for beneficiaries approved under the General Block Exemption Regulation for which a different ERDF rate may apply – for additional details on state aid please refer to the factsheet “Focus on State aid”).

In order to receive the lump sum payment, **projects are not required to submit a financial claim**: the ERDF payment covering the reimbursement of preparation costs will be automatically processed by the Programme to the lead partner once the signed paper version of the subsidy contract is received by the JS.

The lead partner shall share the amount of the lump sum with other partners in line with the information indicated in the application form only once the partnership agreement is signed.

3. Eligibility period

In order to be deemed eligible, project expenditure shall relate to activities and costs which are carried out, incurred, and paid from the date of the Approval Decision till the project end date as indicated in the Application Form. For projects having indicated in the Application Form a starting date later than the Monitoring Committee approval date, any costs linked to the project's implementation paid between the approval and the project's starting date can also be claimed.

Costs paid prior to the project approval date are not eligible, except for:

- Costs related to preparation and covered by the lump sum
- Depreciated value of equipment items, as far as the Programme eligibility rules are respected (see factsheet "Focus on Budget lines and Eligibility rules" for further details on equipment).

The project end date shall be indicated in the Application Form and in the subsidy contract. Expenditure can be deemed eligible only if actually paid by the partner organisation before the project end date.

It is recommended to close project activities 3 months before the project end date in order to claim the costs linked to administrative closure.

4. Contributions in kind

Contributions in kind in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made, may be eligible according to Article 69 of Regulation (EU) No 1303/2013, which sets also some specific conditions.

Contributions in kind are eligible only if they are included in the Application Form, if they comply with the applicable European rules and if they do not contravene national rules.

In-kind contribution in the form of equipment can be deemed eligible as far as the item of equipment was not previously paid or co-financed by European funds.

The value of in-kind contribution in the forms of equipment, land and real estate must be in line with the current open market value and must be certified by an independent, appropriately qualified person/body in the Member State where the partner claiming in-kind contribution is located.

In-kind contribution in the form of unpaid voluntary work is not eligible in the 2 Seas Programme.

Factsheet "Focus on In-kind contribution" gives further details about the management of in-kind contribution.

5. Revenues

Revenues are fully explained in the Programme Manual under Factsheet 10 "Focus on revenue-generating projects".

6. State aid

The following documentation represents the legal basis to be taken into account as far as state aids are concerned:

- The Treaty on the functioning of the European Union: Articles 107 and 108
- The General Block Exemption Regulation (GBER): [Regulation \(EU\) No 651/2014](#) of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.
- [Regulation \(EU\) No 1407/2013](#) of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de Minimis* aid

According to Article 107 of the Treaty, the European Union defines state aid as covering any measure involving a transfer of state resources which distorts competition (or threatens to) by favouring certain undertakings as so far as it affects trade between Member States.

State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities. Therefore, subsidies granted to individuals or general measures open to all enterprises are not covered by this prohibition and do not constitute State aid (examples include general taxation measures or employment legislation).

As part of an administrative simplification, the Commission adopted the General Block Exemption Regulation (GBER) and allows any Member State to not notify a number of state aid measures to the Commission. It consolidates and harmonizes the rules previously existing and enlarges the categories of state aid covered by the exemption.

Compared to the previous GBER², a specific and new Article 20 has been adopted which is directly opened to the European Territorial Cooperation (ETC). Article 20 of the GBER applies only to SMEs fulfilling the following conditions: criteria of the SME definition³, thresholds, transparency, incentive effect, aid intensity, eligible costs, cumulation, publication and information. In case these conditions are fulfilled, the following costs can be deemed eligible:

- costs for organisational cooperation including cost for staff and offices to the extent that it is linked to the cooperation project;
- costs of advisory and support services linked to cooperation and delivered by outside consultants and service providers;
- travel expenses, costs of equipment and investment expenditure directly related to the project, depreciation of tools and equipment, to the extent that they are used exclusively for the project.
- The services referred above shall not be a continuous or periodic activity nor relate to the undertakings usual operating costs, such as routine tax consultancy services, regular legal services or advertising.

The aid amount under Article 20 of GBER shall not exceed 50% (all types of public sources included) of the eligible costs. In addition, aid to SMEs for cooperation costs incurred by participating in ETC projects cannot exceed EUR 2 million per undertaking and per project.

In the field of State aid, the Interreg 2 Seas Programme decided to apply both the GBER as well as the *De Minimis* rule, according to the individual situations (for further details see factsheet "Focus on State aid").

² See Commission Regulation (EC) No 800/2008 of 6 August 2008

³ See annex 1 of the GBER (General Block Exemption Regulation) - COMMISSION REGULATION (EU) No 651/2014

7. Common costs

As a general recommendation projects are advised to share tasks and not costs. Experience has shown that it is much more efficient to allocate tasks which are for the common benefit of all project partners equally among the partnership instead of sharing the costs for those tasks.

In case of common costs, in the sense of costs that concern two or more project partners (e.g. project web-site, final conference, etc.), the contracting-partner-only principle applies to the budgeting and reporting of these costs. In practice this means that:

- the contracting partner is the only one that budgets, actually pays and reports the 100% cost item of joint benefit and receives the related ERDF,
- the partnership can internally decide to share the national co-financing for that expenditure item, however, **it does not enter the partners' financial claims**. It is nevertheless advised to agree upon the procedures and the shares of such contributions within an agreement.

Common costs are not to be considered as own contribution by the partners: in the case of a common expenditure shared by two or more project partners, the payment of each partner's share to the partner responsible of the initial full expenditure is not to be considered as a source of contribution (for further details, please refer to the factsheet "Focus on Budget lines and Eligibility rules").

8. Public procurement

During the implementation of a project, virtually all project partnerships buy goods and services externally: for instance, external auditors are hired to carry out the first level control, a project and finance manager is hired to assist the lead partner with the organisational and administrative aspects of project implementation, catering and technical equipment for conferences and meetings is ordered.

Whenever purchases are made and contracts are awarded to external suppliers, the public tendering rules principles must be observed.

Further information is available in the factsheet "Focus on Public procurement".

Projects which cannot prove the award of contracts in compliance with public tendering procedures risk losing the ERDF grant. Due to the complexity of public procurement matters, project partners are invited to work closely with their legal department to ensure the compliance of awarded contracts with EU, national and internal public procurement rules.

9. Exchange rate

In accordance with Regulation (EU) No 1299/2013 Article 28, any expenditure paid by any beneficiary in another currency than Euro, shall be converted into Euro by applying the exchange rate of the **month in which the expenditure is submitted for verification to the First Level Controller**.

The conversion from any other currency than Euro into Euro applies only on the expenditure actually incurred by the partner organisation and is automatically done by the EEP once a beneficiary submits its financial claim to the First Level Controller. As such, all expenditure paid by a beneficiary must be entered into a financial claim **by using its original currency**.

"Expenditure paid" is defined as "expenditure incurred and paid by the partner organisation and debited from its bank account". As such, if an employee pays some costs in another currency than Euro and is reimbursed by the employer organisation in Euro, the original currency of the expenditure is the Euro. If an employee pays some costs in Euro and is reimbursed by the employer organisation in British Pound, the original currency of the expenditure is the British Pound.

The First Level Controller does not have to perform any check on the correct application of the exchange rate to the expenditure claimed by the beneficiary, as this is automatically dealt with by the EEP system. The First Level Controller may still wish to verify the conversion rate used by the beneficiary to reimburse costs incurred and paid by its own employees in another currency than Euro, and the conformity of the conversion rate to the internal rules of the beneficiary.

The Certifying Authority will pay all ERDF funds in Euro only.

10. VAT

In accordance with Regulation (EU) No 1303/2013 Article 69 (3) VAT is not eligible except in the case of VAT non-recoverable under national VAT legislation. In practice, if a partner can recover VAT (independent of the question if it actually does or not), all expenditure reported to the Programme has to be reported without VAT.

11. Fines, financial penalties and expenditure on legal disputes and litigation, exchange rate fluctuation, interest on debt

Fines, financial penalties and expenditure on legal disputes and litigation, as well as interest on debt are not eligible in accordance with Regulation (EU) No 1303/2013 Article 69 (3) and Delegated Regulation (EU) No 481/2014 Article 2 (2).

Also, costs related to fluctuation of foreign exchange rate are not eligible.

12. Gifts

Costs of gifts are not eligible, except those not exceeding EUR 50 per gift where related to project promotion, communication, publicity or information.

Gift should be distinguished from prizes (e.g. prizes and awards provided to winners of competitions organised as part of the project), which are eligible in line with Article 65 of Regulation (EU) No 1303/2013.

13. Flexibility rule

The Application Form contains a detailed budget per partner and project. The budget at project level is structured per budget line and work-package.

Projects have the possibility to claim up to 20% more than originally planned at budget line, work-package and partner's budget levels, if the increase is compensated by an equivalent decrease in the same budget table (no need for a modification of the Application Form).

In case a project needs a higher reallocation of budget that exceeds the 20% flexibility, a technical modification of the Application Form would be needed (to be approved by MA/JS with mandate from MC).

In case of major financial modification, a major modification of the Application Form is required (to be approved by the MC).

Further details about the types of project modifications are available in the factsheet "Project implementation".

14. Intellectual property rights

All expenses related to the IP rights on deliverables and outputs derived from the project are **eligible** in the 2 Seas Programme provided that they are incurred during the project implementation. These costs shall fall under **Budget Line 4** (External expertise and services – see factsheet 8 for more information).

For more information on Intellectual Property Rights see fact sheet 13.

V. Where to find assistance during this stage of your project?

During the project development phase, your **main contact** with the 2 Seas Programme is the **Territorial Facilitator** of your area. He/she can support you with the following:

- He/she always ensures a good communication to you about the Programme strategies, Programme rules, Concept Note principles and content;
- He/she coordinates all projects per themes, in order to ensure the thematic relevance of the projects under development for the 2 Seas Programme;
- He/she can explain the intervention logic to you;
- He/she can assist you in filling in a Concept Note and Application Form;
- Together with the JTS, he/she proposes trainings to applicants;
- He/she can also help you take into account all the recommendations from the Member States once the assessment has been finalised in order to develop further your final Application Form;

The **Joint Secretariat** can also support you during the project development:

- They can answer technical questions (i.e. eligibility and admissibility rules, requirements regarding the partnership etc, publicity requirements);
- They can explain the intervention logic to you.

However – in order to avoid any conflict of interest – their assistance is limited to the above as they are involved later on in the assessment of your project upon receipt of the Application Form.