

Factsheet N°8

Focus on Budget lines and Eligibility rules

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I. Budget lines

There are different levels of eligibility rules regarding expenditure:

- European level: EU Regulations;
- Programme level: specific rules decided for the Interreg 2 Seas Programme;
- National level: national rules applicable in each Member State;
- 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 achieving the project's outputs and results,
- Be reasonable, justified, consistent with the applicable internal rules of the partner, the EU, Programme and national 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 points do not apply.

The following sections provide an overview on the different budget lines:

- A. Staff (BL1);
- B. Office and administration (BL2);
- C. Travel and accommodation (BL3);
- D. External expertise and services (BL4);
- E. Equipment (BL5);
- F. Infrastructure and construction works (BL6).

For each budget line, a definition is provided as well as guidance for budgeting and reporting. Projects are invited to study the information here carefully when planning their project, but also when preparing their progress reports.

A. Staff costs (BL1)

❖ Definition

Staff costs consist of costs for staff members employed by the partner organisation as listed in the Application Form and working full time or part time on the implementation of the project. In case first level control is internal (e.g. provided by the audit department of the partner organisation), first level control costs shall be declared under 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 directly linked to salary payments paid and not recoverable by the employer, such as:
 - Employment taxes
 - Social security (including health coverage and pension contributions)

Overheads and any other office and administrative expenditure **cannot be included** in this budget line. Staff costs relate to the costs of activities that the relevant partner would not carry out if the project concerned was not undertaken.

The following options for staff costs are eligible in this Programme:

1. Staff costs calculated as 20 % flat rate of direct¹ costs other than staff costs
2. Staff costs calculated as real costs

Each partner organisation must decide on one of the above indicated options and indicate the choice in the Application Form. This 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).

In the following sections more details and information on the different options are provided.

1. Staff costs calculated as 20 % flat rate of direct costs

❖ Key principles

The calculation of staff costs is based on a flat rate of up to 20% of the direct costs other than staff costs and office and administrative 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.

Please note that from 02 August 2018 on, in compliance with Article 272(30) of Regulation (EU) N°2018/1046 (Omnibus Regulation), this flat rate cannot be used for partners with public work contracts above the EU thresholds as defined in the Public Procurement Directive (2014/24/EU).

❖ Example

A	Total eligible amount declared by the partner under all the other budget lines (excl. office and administrative expenditure)	100,000 €
B	Staff costs flat rate	20%
C	Eligible staff costs: (A * B)	20,000 €

❖ Supporting documents for the verification of the expenditure (first level control)

Project partners do not need to provide any justification or supporting documents, apart from the proof that at least one employee is working on the project (e.g. working contract or mission letter). Project partners do not need to document that the expenditure has been incurred or that the flat rate corresponds to the reality. Timesheets are not required.

The FLC check shall verify:

- the correct reporting in the other budget lines,
- that no expenditure related to staff costs is included in any other budget line,
- the existence of proof (e.g. working contract) that at least one employee is working on the project.

2. Staff costs calculated on a real cost basis

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 charges² (provided that they are not recoverable by the employer). In accordance with the personnel policy of the

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%.

² In case of questions about the eligibility of specific charges, please do not hesitate to refer to the national authority representative for your Member State.

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, however 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, as explained below.

a) Person employed by the partner organisation, and working fully on the project

❖ Key principles

Staff costs shall be calculated as follows:

- The employee’s total monthly gross employment cost (incl. employer’s social charges) can be claimed.
- The employer shall issue a document for each employee setting out 100% of time to be worked on the project.
- Overtime (number of hours worked exceeding the number of hours fixed in the contract) is eligible only if foreseen in the employment document and in line with national legislation and the standard practice of the partner organisation and where the extra hours are paid to the employee by the employer. The overtime must be allocated to the project in a transparent manner and shall be quantitatively demonstrated (e.g. internal registration system or other) for the First Level Control
- No separate working time registration (“Timesheet”) is needed.

❖ Example

A	Total monthly salary costs (gross salary and employer’s social charges)	5,000 €
B	Percentage of time worked monthly on the project	100%
C	Eligible costs: (A * B)	5,000 €

❖ Supporting documents for the verification of the expenditure (first level control)

The following documents have to be provided to the first level controller to support the eligibility of the costs:

- Working contract or any other equivalent legal agreement that permits the identification of the employment relationship with the partner’s organisation;
- A document clearly showing that the employee works 100% of the time on the project (it can be the working contract and/or any other document issued by the employer like a ‘**mission letter**’ that should stipulate at least the missions, the assignment period of the staff working on the project and the fixed rate);

- Document identifying the real salary costs (gross salary and employer's social charges) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Evidence that the calculation of the gross employment costs is in line with the applicable European, Programme and national eligibility rules;
- Accounting evidence that the salary has been paid to the employee (proof of payment, e.g. bank statement proving the actual payment of the cost).

Mission letter is a document setting out the fixed percentage worked on the project (employment contract or mission letter or equivalent).

With regard to the staff costs for persons working on the project with a fixed percentage (100% or less), a document is required that clearly indicates the percentage of the employee's working time to be dedicated to the project. The following points have to be respected in relation to this document in order to prove the plausibility of the time allocation:

- The document is issued for the specific employee at the beginning of the period to which it applies.
- It is dated and signed by the employee and a line manager/ supervisor.
- It must contain the percentage of time expected to be dedicated to the project per month and a description of the project-related role, responsibilities and monthly tasks that are assigned to the employee in question and that provide sufficient evidence for the time allocation.
- The time allocation and description of tasks are reviewed on a regular basis (e.g. annually on the occasion of the staff appraisal) and adjusted if needed (e.g. due to changes in tasks and responsibilities).

b) Person employed by the partner organisation, working partly on the project on a fixed percentage

❖ Key principles

Staff costs shall be calculated as follows:

- A fixed percentage of the gross employment cost (incl. employer's charges), in line with a fixed percentage of time worked on the project;
- A document clearly setting out the percentage of time to be worked by the employee on the project (it can be the working contract and/or any other document issued by the employer like a **'mission letter'**);
- No separate working time registration ("Timesheet") is needed.

❖ Example

A	Total monthly salary costs (gross salary and employer's social charges)	5,000 €
B	Fixed percentage of time worked monthly on the project	60%
C	Eligible costs: (A * B)	3,000 €

❖ Supporting documents for the verification of the expenditure (first level control)

The following documents have to be provided to support the eligibility of the costs when reporting to the Programme:

- Document that permits the identification of the employment relationship with the partner's organisation: working contract or any other equivalent legal agreement;
- A document setting out the percentage of time to be worked on the project (it can be the work contract and/or any other document issued by the employer, clearly identifying the fixed percentage of monthly time dedicated to the project);

- Document identifying the real salary costs (gross salary and employer's social charges) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Evidence that the calculation of the gross employment costs is in line with the applicable European, Programme and national eligibility rules;
- Accounting evidence that the salary has been paid to the employee (proof of payment, e.g. bank statement proving the actual payment of the cost).

c) Person employed by the partner organisation, working partly on the project on a flexible percentage

In compliance with Article 1(4) from Commission Delegated Regulation (EU) 2019/693 (amending Article 3(6) of Delegated Regulation (EU) N°481/2014), staff costs related to individuals working partly on a project on a flexible percentage shall be calculated on a single hourly rate basis determined by either:

- Method A: dividing the monthly gross employment cost by the average monthly working time expressed in hours taking into account the working time as fixed in the employment document
- Method B: dividing the latest documented annual gross employment cost by 1 720 hours

Method A: dividing the monthly gross employment cost by the average monthly working time expressed in hours taking into account the working time as fixed in the employment document

❖ **Key principles**

Staff costs shall be calculated as follows:

- A flexible share of the gross employment cost (incl. employer's social charges), in line with a number of hours varying from one month to the other worked on the project;
- A time registration system ("timesheet" dated and signed by both the staff and the line manager) is required and must cover 100% of the working time of the employee (including the working time not related to the project);
- An hourly rate shall be calculated by dividing the monthly or annual gross employment cost by the number of hours per month/year **as per employment contract**. The hourly rate shall then be multiplied by the number of hours actually worked on the project. More information on the hourly rate calculation can be found below.
- Overtime (number of hours worked exceeding the number of hours fixed in the contract) is eligible only if foreseen in the employment document and in line with national legislation and the standard practice of the partner organisation and where the extra hours are paid to the employee by the employer. The overtime must be allocated to the project in a transparent manner and shall be quantitatively demonstrated for the First Level Control.

If the employment contract identifies a number of contractual working hours **per year**, the latest documented annual costs shall be divided by this figure and then multiplied by the number of worked hours according to the timesheets.

❖ Example

A	Latest documented annual costs (gross salary and employer's social charges, including the costs of contractual and bank holidays)	60,000 €
B	Contractual number of working hours per year (excluding the hours of contractual and bank holidays)	1650 hours
C	Hourly rate (A / B)	36,36 €
D	Number of hours worked in a given month (as from timesheet) excluding the hours spent on contractual and bank holidays	100
E	Eligible costs for the given month (C * D)	3,636 €

Contractual and bank holidays are eligible however, the hours spent on contractual and bank holidays shall not be included among the contractual working hours (line B of the table above). As such, the calculated hourly rate is automatically higher and includes the cost of contractual and bank holidays. By multiplying the hourly rate by the time actually worked on the project, a pro-rata of the contractual and bank holidays is also automatically taken into account.

If the employment contract identifies the number of contractual hours **per day, per week or per month** the hourly rate needs to be calculated according to the available contractual information (for the calculation of the hourly rate on a monthly basis, please see the example below).

❖ Supplementary information on the staff costs calculation

This supplementary information seeks to provide some additional guidance on the methodology for calculating the costs of the employees working partly on the project on a flexible percentage of time.

1. Calculation of the hourly rate

We define as **“working hours”** the number of contractual hours as included in the employment contract (or any document of equivalent probative value). In general, from the number of contractual working hours, the following items have to be deducted:

- **Bank holidays**, i.e. official public holidays are deducted from the number of working hours (per se not worked). The number of bank holidays depends on legislation in the country concerned.
- **Annual leave** (contractual holidays) have also to be deducted from the number of working hours **but on the basis of the contractual information not on the basis of what has been actually taken as holidays for the concerned month/year.**

As such, hours for bank holidays and annual leave do not count as working hours but their cost is – *de facto* – included in the calculated hourly rate, since they are deducted in advance from the contractual number of working hours.

The total number of working hours can be identified either per year (as shown in the latest documented annual costs), or per month/week/day (as displayed in the working contract) or cannot be identified. Whenever the number of working hours is not possibly identifiable, please refer to the application of the 1720 hours' option (Article 68.2 of Regulation (EU) No 1303/2013), option B below.

The **hourly rate** is therefore calculated by dividing the monthly gross salary of the employee plus the employer's social charges (providing that these are not recoverable by the employer) by the number of contractual worked hours (excluding contractual and bank holidays)

2. Calculation of the worked hours

We define as “**worked hours**” the number of hours actually worked by the employee (as per timesheet) and partly or fully spent on the project.

Costs for **sick leaves and maternity leaves** can be proportionately charged to the project on the basis of the actual sick and maternity leaves (no statistical estimation) **but only** if this is allowed according to national legislation and to the employment contract, **and if they are not recoverable by the employer**. They can be claimed as time spent on the project, but they must reflect the real share of the time worked by the employee on the project (e.g. if the employee works only part-time on the project, the sick and maternity leaves cannot be claimed in full on the project, but a sound and transparent methodology for sharing the costs must be applied).

It is to be noted that, if in the calculation of the contractual working hours the beneficiary already excludes the eligible sick and maternity leave (e.g. in case the calculation is done *ex post*, and the real number of hours spent for sick and/or maternity leave is known), the hours spent on sick and maternity leave shall not be claimed (otherwise it would lead to a double declaration).

3. Calculation of the eligible staff costs

The eligible costs of the employees working partly on the project on a flexible percentage of time shall be calculated as follows:

$$\text{Staff costs} = [\text{Hourly rate}] * [\text{Number of worked hours}]$$

The worked hours are those exclusively spent on the delivery of the project. They are gathered through a time registration system in the form of monthly timesheets (an [example](#) of a timesheet is available on the [2 Seas website](#)).

Timesheets can be used to register the time spent on the project, the number of hours spent on sick and maternity leave and the time spent on other tasks than the project.

An example of calculation of staff costs for employees working partly on the project on a flexible percentage of time is provided here below:

❖ Example

1/ STARTING POINT		
A	Total monthly salary costs (gross salary and employer's social charges)	5,000 €

2/ CALCULATION OF HOURLY RATE		
<i>B</i>	<i>Number of working hours per working day according to the employment contract</i>	<i>8 hours</i>
<i>C</i>	<i>July 2014: number of workable days (any public/bank holidays* are subtracted)</i>	<i>22 days</i>
D	Number of workable hours in July 2014 (B * C)	176 hours
<i>E</i>	<i>Number of annual holidays (days) according to employment contract</i>	<i>30 days</i>
<i>F</i>	<i>Number of monthly holidays (days) according to employment contract (E / 12 months)</i>	<i>2.5 days</i>
G	Number of monthly holidays (hours) according to employment contract (B * F)	20 hours
H	Monthly working time in July 2014, excluding holidays (D - G)	156 hours

* Bank/public holidays refer to days like 01 January or Christmas Day.

3/ HOURLY RATE		
I	Hourly rate for July 2014 (A / H)	32.05 €

4/ NUMBER OF HOURS WORKED (Based on timesheet)		
J	Total number of hours worked on the project during the month of July	100

5/ ELIGIBLE COST FOR THE WORKED HOURS ON THE PROJECT		
K	Eligible cost (I * J)	3,205 €

❖ Supporting documents for the verification of the expenditure (first level control)

The following documents have to be provided to support the eligibility of the costs when reporting to the Programme:

- Document that permits the identification of the employment relationship with the partner's organisation: working contract or any other equivalent legal agreement;
- Document identifying the annual, monthly or daily contractual working hours and number of holidays per employee such as the working contract or other internal document of equivalent value;
- Document identifying the real monthly or annual employment costs (gross salary and employer's social charges) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Evidence that the calculation of the gross employment costs is in line with the applicable European, Programme and national eligibility rules
- Accounting evidence that the salary has been paid to the employee (proof of payment, e.g. bank statement proving the actual payment of the cost)
- Record of the calculation methodology used for determining the hourly rate
- Registration of the monthly working time covering 100% of the working time of the employee and identifying the time spent on the project: timesheet dated and signed by both the staff and the line manager and or equivalent time recording system.

Method B: dividing the latest documented annual gross employment cost by 1 720 hours

❖ Key principles

- Where a staff member is working partially on the project on a flexible percentage, there is also the possibility to calculate the hourly rate on the basis of a fixed 1 720 hours worked per year. A flexible share of the gross employment costs is defined, in line with the number of hours (which varies from month to month) worked on the project.
- The 1720 hours are already net of holidays and annual leaves, as such no further amendments should be made to the number of hours.
- A time registration system ("timesheet" dated and signed by both the staff and the line manager) is required and must cover 100% of the working time of the employee (including the working time not related to the project);
- An hourly rate can be calculated by dividing the latest documented annual gross employment costs by a corresponding pro-rata of 1720 hours for persons working part-time. The hourly rate is then multiplied by the number of hours actually worked on the project according to the timesheets (excluding contractual holidays).
- Where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the contract for employment, duly adjusted for a 12-month period.
- Using this method implies that the hourly rate is not updated on a monthly basis and that therefore the hourly rate shall be kept fixed throughout the entire project duration. If an organisation wishes to update the hourly rate on a monthly basis, then Method A above shall be used instead.

❖ Example

A	Latest documented annual costs (gross salary and employer's social charges, including the costs of contractual and bank holidays)	60,000 €
B	Contractual number of working hours per year (excluding the hours of contractual and bank holidays)	1720 hours
C	Hourly rate (A / B)	34,88 €
D	Number of hours worked in a given month (as from timesheet) excluding the hours spent on contractual and bank holidays	100
E	Eligible costs for the given month (C * D)	3,488 €

For the application of this methodology, further national guidance may apply.

❖ Supporting documents for the verification of the expenditure (first level control)

The following documents have to be provided to support the eligibility of the costs when reporting to the Programme:

- Document that permits the identification of the employment relationship with the partner's organisation: working contract or any other equivalent legal agreement;
- Document identifying the annual contractual working hours and number of holidays per employee such as the working contract or other internal document of equivalent value;
- Document identifying the real annual employment costs (gross salary and employer's social charges) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Evidence that the calculation of the gross employment costs is in line with the applicable European, Programme and national eligibility rules
- Accounting evidence that the salary has been paid to the employee (proof of payment, e.g. bank statement proving the actual payment of the cost)
- Record of the calculation methodology used for determining the hourly rate
- Registration of the monthly working time covering 100% of the working time of the employee and identifying the time spent on the project: timesheet dated and signed by both the staff and the line manager and or equivalent time recording system.

d) Person employed by the partner organisation, working for the project on an hourly basis

❖ Key principles

- This method applies for employee who are employed and paid by the hour, and working for the project on an hourly basis;
- Staff costs shall be calculated by multiplying the hourly rate (as established in the employment document) by the number of worked hours (as from timesheets);
- The hourly rate is not to be calculated but to be defined in the employment document.

❖ Supporting documents for the verification of the expenditure (first level control)

The following documents have to be provided to support the eligibility of the costs when reporting to the Programme:

- Document that permits the identification of the employment relationship with the partner's organisation: working contract or any other equivalent legal agreement;
- Clear identification of the hourly rate in the working contract or any other equivalent legal agreement;
- Evidence that the hourly rate, as indicated in the employment document, has been defined in compliance with the applicable European, Programme and national eligibility rules;

- Registration of the monthly working time covering 100% of the working time of the employee and identifying the time spent on the project: timesheet dated and signed by both the staff and the line manager and or equivalent time recording system;
- Accounting evidence that the salary has been paid to the employee (proof of payment, e.g. bank statement proving the actual payment of the cost).

e) Country specific methods

Some Member States have expressed the wish to include the possibility to use a country specific method developed at national/regional level.

Only the partners located in the relevant Member States can chose to use the national/regional method developed.

The Member States having developed a country specific method for calculating staff costs are:

- **Belgium (Flanders):** 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).
- **Belgium (Brussels Capital Region):** In case of beneficiaries based in Brussels Capital Region, and not considered as “Flemish beneficiaries”, the country specific method can coexist with the other “real costs” methods in the framework of the same organisation involved in a specific project.

For more information on the Flemish “country specific method”, please refer to the additional national guidance available at the following address:

<http://www.agentschapondernemen.be/artikel/personeelskosten-interreg-programmas-2014-2020>

SUMMARY OF OPTIONS AND METHODS FOR STAFF COSTS			
OPTION 1: FLAT RATE	<p style="text-align: center;">20% of direct costs other than staff costs and BL2</p> <ul style="list-style-type: none"> documentation for direct costs: Yes documentation for staff costs: proof that at least 1 employee works on the project (e.g. working contract) Timesheet needed: No 		
OPTION 2: REAL COSTS	Method 1: full gross employment cost	<p style="text-align: center;">Staff working full-time on the project</p> <ul style="list-style-type: none"> Full gross employment costs can be claimed Timesheet needed: No Only a document (e.g. work contract) setting out 100% of time to be worked on the project 	
	Method 2: fixed percentage of gross employment cost	<p style="text-align: center;">Staff working on a fixed % on the project</p> <ul style="list-style-type: none"> [Gross employment costs] * [fixed %] Timesheet needed: No Only a document (e.g. mission letter) setting out the % worked on the project 	
	Method 3: flexible percentage of gross employment cost	<p style="text-align: center;">Staff working on a flexible % on the project</p> <ul style="list-style-type: none"> [Number of hours] * [Hourly rate] Timesheet needed: Yes 	
		Method A: Hourly rate = [Monthly or Annual gross employment costs] / [Contractual hours]	Method B: Hourly rate = [Annual gross employment costs] / [1,720 hours]
	Method 4: Hourly basis	<p style="text-align: center;">Staff working on an hourly basis</p> <ul style="list-style-type: none"> [Number of hours] * [Hourly rate stated in the contract] Timesheet needed: Yes 	
	Method 5: Country specific method	<ul style="list-style-type: none"> National guidance applies (for Flemish beneficiaries, the country specific method is the only possible “real costs” method) 	

B. Office and administrative expenditure (BL2)

❖ Definition

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

Based on Article 68 (1) (b) of Regulation (EU) No 1303/2013, office and administrative expenditure are to be budgeted and reported as a **flat rate of 15% of each partner's staff costs**.

According to [Commission Delegated Regulation \(EU\) No 481/2014](#) Article 4, office and administrative expenditure **are limited to the following items**:

- office rent;
- insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- utilities (e.g. electricity, heating, water);
- office supplies (e.g. stationary like paper, pens etc.);
- general accounting provided inside the beneficiary organisation;
- archives;
- maintenance, cleaning and repairs;
- security;
- IT systems (e.g. administration and management of office hard- and software);
- communication (e.g. telephone, fax, internet, postal services, business cards);
- bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened;
- charges for transnational financial transactions.

❖ Key principles

No detailed budget has to be planned for the budget line 'office and administrative expenditure', the Application Form will automatically calculate a budget corresponding to 15% of the planned staff costs for each partner.

When it comes to reporting office and administrative expenditure, the flat rate of 15% is automatically applied to the actually eligible reported staff costs of each project partner.

❖ Example

A	Eligible reported staff costs	EUR 36,000
B	Flat rate for office and administrative expenditures	15%
C	Eligible reported office and administrative expenditures (automatic reporting without proof of actual costs) (A*B)	EUR 5,400

❖ Supporting documents for the verification of the expenditure (first level control)

Project partners do not need to provide any justification or supporting documents. Project partners thus also do not need to document that the expenditure has been incurred and paid or that the flat rate corresponds to the reality. The FLC check focuses on the correct reporting of the staff costs and that no expenditure related to the office and administrative budget line is included in any other budget line.

❖ Points of attention

- In case a contract with an external expert also includes administration charges, these costs must be included in the budget line "External expertise and services costs" as they are a part of the expertise contract.

- In case a project partner chooses the 20% flat rate for staff costs, the method for calculating the office and administrative expenditure would be:
 - Take as a basis 20% of the expenditure reported in the budget lines relating to direct costs (i.e. travel & accommodation, external expertise & services, equipment and infrastructure & works);
 - From this basis, 15% would be reported for office and administrative costs.

❖ Example

A	Total eligible amount declared by the partner under all the other budget lines (excl. office and administrative expenditure)	100,000 €
B	Staff costs flat rate	20%
C	Eligible staff costs (A * B)	20,000 €
D	Flat rate for office and administrative expenditures	15%
E	Eligible reported office and administrative expenditures (automatic reporting without proof of actual costs) (B*C)	EUR 3,000

C. Travel and accommodation (BL3)

❖ Definition

This budget line concerns the travel and accommodation costs of staff employed by project partners.

❖ Key principles

According to Commission Delegated Regulation (EU) No 481/2014 Article 5, expenditure on travel and accommodation costs **shall be limited to the following elements**:

1. travel;
2. meals;
3. accommodation;
4. visa;
5. daily allowances.

Any element listed in points (1) to (4) covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

The following general principles must be respected:

- Costs must be definitely borne by the partner organisation. Direct payment by an employee must be supported by a proof of reimbursement from the employer.
- Real costs and daily allowances must be in line with the specific national or institutional rules applicable to partner organisation. In the absence of national or internal rules on daily allowances, real costs apply.
- Normally, travel and accommodation costs should relate to trips undertaken within the Programme area. However, trips to places 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 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 trip for a project steering committee meeting taking place in Brussels, does not require a validation in advance by the JS). The same goes for partnership meetings in the following airports: Brussels National Airport Zaventem, Brussels-Charleroi airport, Amsterdam Schiphol airport, Paris airports (Charles de Gaulles, Orly, Beauvais), London airports (Luton, Stansted, Heathrow). For partnership meetings in the listed airports, no pre-approval is necessary.

However, the reason why one of these cities or aforementioned airports outside the Programme area was chosen for a meeting should be explained by the project in the financial claims (e.g. easy logistic arrangements, lower costs, etc.). All expenditure claimed in relation to travel 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).

❖ **Supporting documents for the verification of the expenditure (first level control)**

The following documents must be available for control purposes:

- Agenda (or similar) of the meeting/seminar/conference;
- Documents proving that the journey took actually place (boarding passes or participant lists etc.);
- Paid invoices (including hotel bills, transportation tickets, etc.) and, if applicable, the employee's expense report with a proof of reimbursement by the employer to the employee;
- Daily allowance claims (if applicable), including proof of reimbursement by the employer to the employee.

❖ **Points of attention**

- Travel and accommodation expenses related to individuals other than staff directly employed by the beneficiaries of the project (such as consultants and external experts), have to be included under the 'external expertise and service' budget line.
- It is common practice that travel tickets and accommodation are booked and paid in advance by the project partner organisations. The JS recommends the project partner organisations as a good practice to report these costs in a partner financial claim once the related event has indeed taken place.

D. External expertise and services (BL4)

❖ **Definition**

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 see 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 externalized (e.g. provided by an external company following public procurement procedure).

According to the Commission Delegated Regulation (EU) No 481/2014 Article 6, expenditure on external expertise and service **shall be limited to the following services and expertise** provided by an organisation other than the project partner:

- studies or surveys (e.g. evaluations, strategies, Concept Notes, design plans, handbooks);
- training;
- translations;
- IT systems and website development, modifications and updates;
- promotion, communication, publicity or information linked to a project or to a cooperation Programme as such;
- financial management;
- services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (e.g. registration fees);
- legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;

- intellectual property rights (see also section G-14 of this factsheet);
- verifications under Article 125(4)(a) of Regulation (EU) No 1303/2013 and Article 23(4) of Regulation (EU) No 1299/2013 (i.e. first level control costs³);
- certification and audit costs on Programme level under Articles 126 and 127 of Regulation (EU) No 1303/2013 (i.e. Second Level Audit costs);
- the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee;
- travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- other specific expertise and services needed for operations.

❖ Key principles

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.

External expertise and services should be justified on a real costs basis at partner level and have to be paid on the basis of:

- Contracts or other written agreements of equivalent probative value;
- Invoices or requests for reimbursement of equivalent probative value.

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.

❖ Supporting documents for the verification of the expenditure (first level control)

The following documents must be available for control purposes:

- Evidence of the selection process, in compliance with the applicable EU, national and internal public procurement rules. Any changes to the contract must comply with the public procurement rules and must be documented;
- A contract or other written agreements of equivalent probative value laying down the services to be provided with a clear link to the project;
- An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules;
- Proof of payment;
- Outputs of the work of external experts or service deliverables.

❖ Points of attention

- Project partners cannot contract one another in the framework of the same project⁴. This is due to the fact that the roles of project partner and service provider are different and not compatible: a project partner is required to cooperate with the other partners in the delivery of the project against partial reimbursement of ERDF; a provider delivers services/goods against payment and in compliance with the applicable public procurement rules. If a project partner cannot implement a certain task, the task may be reallocated to another partner or procured to an external service provider.

³ In order to be eligible, please note that the First Level Controller costs absolutely require to be budgeted under the Work Package Management in the Application Form.

⁴ Please note that this requirement does not apply in a situation of legal monopoly established in compliance with EU law (as defined in the Commission notice on the Notion of State Aid (2016/C262/01) under Section 6.2 (188) "Distortion of competition").

- Subcontracting in-house or other affiliated companies must be done on a real costs basis and reported in:
 - In case of provision of service from an internal service inside the same legal entity of the formal project partner, costs must be claimed by using each relevant budget line, according to the nature of service provided, as far as the reporting requirements applicable to the budget lines are fulfilled. For instance, in case of an internal audit department carrying out first level control, time spent on checking the claims shall be reported as staff costs, provided that the rules applicable to staff costs are fulfilled.
 - In case of provision of service from an internal service inside a different legal entity than the formal project partner, costs must be claimed in “External expertise and services” budget line. In this case, the applicable public procurement rules have to be complied with.
- Advance payments may only be accepted if they are supported by an invoice or another document of probative value. The corresponding activity must have taken place (and verified by the first level controller) by the end date of the project at the latest.
- The costs of services contracted by project partners for arranging the travel and accommodation of their own staff members (e.g. travel agencies, etc.) shall be claimed under the budget line ‘travel and accommodation’.
- As a good practice, Project partners are recommended to inform the JS in advance (via the LP) for travel and accommodation costs outside the Programme area relating to external experts, speakers, chairpersons of meetings and service providers.

E. Equipment (BL5)

❖ Definition

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

According to the Commission Delegated Regulation (EU) No 481/2014 Article 7 equipment expenditure **is limited to the following items:**

- office equipment;
- IT hardware and software;
- furniture and fittings;
- laboratory equipment;
- machines and instruments;
- tools or devices;
- vehicles;
- other specific equipment needed for operations.

❖ Key principles

Equipment items can only be funded by the Programme, if no other EU funds have contributed towards the financing of the planned equipment. Equipment has to be purchased in respect of public procurement rules.

When reporting expenditure for equipment the following points need to be considered:

1. If the equipment has been purchased before the project approval, depreciation shall be applied. Only the value of the depreciation incurred during the project timeframe can be reported.
2. If the equipment has been purchased during the project lifetime but the depreciation plan is longer than the period of time between the date of purchase and the project’s end, depreciation shall be applied. Only the value of the depreciation incurred during the project timeframe can be reported.
3. If non-depreciable equipment (e.g. low-value asset) has been purchased, the full purchase cost of the equipment can be reported.
4. If the equipment is rented or leased, depreciation does not apply, i.e. full cost can be reported.

5. If the equipment has been purchased by the partner organisation, but is used only partially for the project, only a pro rata corresponding to the share related to the use of the equipment for the project can be reported. This pro rata has to be calculated in compliance with points 1, 2 and 3 above (depreciation), and according to a justified and equitable method in line with legislation or general accounting policy of the partner organisation.

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). Equipment in the form of key component of one or more project outputs means equipment that is an integral part of the output itself and is thus fully necessary and justified for the existence and durability of the output.

Provision of equipment as in-kind contribution is eligible (ref: Art. 69.1 Common Provisions Regulation (EU) No 1303/2013), provided that the value of the contribution does not exceed the generally accepted price on the market and it can be independently assessed and verified. 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. For further information see the factsheet "Focus on In-kind contribution".

❖ Supporting documents for the verification of the expenditure (first level control)

The following documents must be available for control purposes:

- Evidence of compliance with the applicable EU, national and internal procurement rules.
- Invoice (or a supporting document having equivalent probative value to invoices, in case of depreciation) providing all relevant information in line with the applicable accountancy rules.
- Calculation of depreciation in compliance with the applicable national/internal schemes and rules.
- Proof of payment.

❖ Points of attention

- Rented equipment: any equipment (including rented one) necessary for the implementation of the project needs to be budgeted and reported in this budget line. Renting costs for equipment do not fall under the budget line 'external expertise and services costs'.
- Second hand equipment: costs of second-hand equipment may be eligible under the following conditions:
 - No other assistance has been received for it from the ESI Funds;
 - Its price does not exceed the generally accepted price on the market in question;
 - It has the technical characteristics necessary for the project and complies with applicable norms and standards.
- The concept of "investment" is larger than "infrastructure" and goes beyond the existence of a BL6: whenever a project funds a pilot, even in the absence of a budget in BL6, it is recommended to frame the expenditure related to the pilot under an "investment" work package. As such, also the equipment bought for pilots can be claimed under BL5 and in the framework of an "investment" work package.

A detailed overview of the applicable rules for each typology of equipment is provided in the following table:

Typology of equipment			Applicable rules	
Paid cash	Key component of one or more project outputs		<ul style="list-style-type: none"> The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules. 	
	New purchased equipment	Depreciable	Used at 100% for the project purposes	<ul style="list-style-type: none"> The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules. A depreciation plan in line with the applicable internal, national, Programme and EU rules must be provided. Only the depreciation allowances can be claimed.
			Not used at 100% for the project purposes	<ul style="list-style-type: none"> The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules. A depreciation plan in line with the applicable internal, national, Programme and EU rules must be provided. Only a share of the depreciation allowance incurred in the period covered by the claim can be claimed. The methodology for the calculation of the share must be provided.
		Non depreciable	Used at 100% for the project purposes	<ul style="list-style-type: none"> The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules.
			Not used at 100% for the project purposes	<ul style="list-style-type: none"> The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules. Only a share of the cost can be claimed. The methodology for the calculation of the share must be provided.
	Second hand equipment	Depreciable	Used at 100% for the project purposes	<ul style="list-style-type: none"> The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules. A declaration from the seller, stating the origin of the equipment and attesting that at no point the equipment has been previously purchased with the aid of ESI Funds, must be provided. Evidence that the cost of second-hand equipment does not exceed the generally accepted price on the market and is inferior to the cost of a similar new equipment must be provided. A depreciation plan in line with the applicable internal, national, Programme and EU rules must be provided. Only the depreciation allowances can be claimed.
			Not used at 100% for the project purposes	<ul style="list-style-type: none"> The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules. A declaration from the seller, stating the origin of the equipment and attesting that at no point the equipment has been previously purchased with the aid of ESI Funds, must be provided.

Typology of equipment			Applicable rules
			<ul style="list-style-type: none"> • Evidence that the cost of second-hand equipment does not exceed the generally accepted price on the market and is inferior to the cost of a similar new equipment must be provided. • A depreciation plan in line with the applicable internal, national, Programme and EU rules must be provided. • Only a share of the depreciation allowance incurred in the period covered by the claim can be claimed. • The methodology for the calculation of the share must be provided.
		Used at 100% for the project purposes	<ul style="list-style-type: none"> • The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules. • A declaration from the seller, stating the origin of the equipment and attesting that at no point the equipment has been previously purchased with the aid of ESI Funds, must be provided. • Evidence that the cost of second-hand equipment does not exceed the generally accepted price on the market and is inferior to the cost of a similar new equipment must be provided.
		Non depreciable	
		Not used at 100% for the project purposes	<ul style="list-style-type: none"> • The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules. • A declaration from the seller, stating the origin of the equipment and attesting that at no point the equipment has been previously purchased with the aid of ESI Funds, must be provided. • Evidence that the cost of second-hand equipment does not exceed the generally accepted price on the market and is inferior to the cost of a similar new equipment must be provided. • Only a share of the cost can be claimed. • The methodology for the calculation of the share must be provided.
	Rented/leased equipment	Used at 100% for the project purposes	<ul style="list-style-type: none"> • The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules.
		Not used at 100% for the project purposes	<ul style="list-style-type: none"> • The expenditure must be supported by invoice, proof of payment and evidence of compliance with public procurement rules. • Only a share of the cost can be claimed. • The methodology for the calculation of the share must be provided.
Value in-kind	Provided by external sources	Key component of one or more project outputs	<ul style="list-style-type: none"> • A written agreement between the organisation that provides the contribution in-kind and the formal partner receiving the contribution must exist. • The proof of the value of the in-kind contribution must be provided. • Evidence that the value of the in-kind equipment does not exceed the generally accepted price on

Typology of equipment			Applicable rules
			<p>the market for similar equipment must be provided.</p> <ul style="list-style-type: none"> • The in-kind equipment item cannot be previously paid or co-financed by European Funds. • A valid certificate proving that the property of the in-kind equipment has been signed over to the formal partner must exist.
		Depreciable	<p>Used at 100% for the project purposes</p> <ul style="list-style-type: none"> • A written agreement between the organisation that provides the contribution in-kind and the formal partner receiving the contribution must exist. • The proof of the value of the in-kind contribution must be provided. • Evidence that the value of the in-kind equipment does not exceed the generally accepted price on the market for similar equipment must be provided. • The in-kind equipment item cannot be previously paid or co-financed by European Funds. • A valid certificate proving that the property of the in-kind equipment has been signed over to the formal partner must exist. • A depreciation plan in line with the applicable internal, national, Programme and EU rules must be provided. • Only the depreciation allowances can be claimed.
		Depreciable	<p>Not used at 100% for the project purposes</p> <ul style="list-style-type: none"> • A written agreement between the organisation that provides the contribution in-kind and the formal partner receiving the contribution must exist. • The proof of the value of the in-kind contribution must be provided. • Evidence that the value of the in-kind equipment does not exceed the generally accepted price on the market for similar equipment must be provided. • The in-kind equipment item cannot be previously paid or co-financed by European Funds. • A valid certificate proving that the property of the in-kind equipment has been signed over to the formal partner must exist. • A depreciation plan in line with the applicable internal, national, Programme and EU rules must be provided. • Only a share of the depreciation allowance incurred in the period covered by the claim can be claimed. • The methodology for the calculation of the share must be provided.
		Non depreciable	<p>Used at 100% for the project purposes</p> <ul style="list-style-type: none"> • A written agreement between the organisation that provides the contribution in-kind and the formal partner receiving the contribution must exist. • The proof of the value of the in-kind contribution must be provided.

Typology of equipment				Applicable rules
				<ul style="list-style-type: none"> Evidence that the value of the in-kind equipment does not exceed the generally accepted price on the market for similar equipment must be provided. The in-kind equipment item cannot be previously paid or co-financed by European Funds. A valid certificate proving that the property of the in-kind equipment has been signed over to the formal partner must exist.
			Not used at 100% for the project purposes	<ul style="list-style-type: none"> A written agreement between the organisation that provides the contribution in-kind and the formal partner receiving the contribution must exist. The proof of the value of the in-kind contribution must be provided. Evidence that the value of the in-kind equipment does not exceed the generally accepted price on the market for similar equipment must be provided. The in-kind equipment item cannot be previously paid or co-financed by European Funds. A valid certificate proving that the property of the in-kind equipment has been signed over to the formal partner must exist. Only a share of the value can be claimed. The methodology for the calculation of the share must be provided.
	Provided by internal source (own contribution)	Key component of one or more project outputs		<ul style="list-style-type: none"> The proof of the value of the in-kind contribution must be provided. Evidence that the value of the in-kind equipment does not exceed the generally accepted price on the market for similar equipment must be provided. The in-kind equipment item cannot be previously paid or co-financed by European Funds.
		Depreciable	Used at 100% for the project purposes	<ul style="list-style-type: none"> The proof of the value of the in-kind contribution must be provided. Evidence that the value of the in-kind equipment does not exceed the generally accepted price on the market for similar equipment must be provided. The in-kind equipment item cannot be previously paid or co-financed by European Funds. A depreciation plan in line with the applicable internal, national, Programme and EU rules must be provided. Only the depreciation allowances can be claimed.
			Not used at 100% for the project purposes	<ul style="list-style-type: none"> The proof of the value of the in-kind contribution must be provided. Evidence that the value of the in-kind equipment does not exceed the generally accepted price on the market for similar equipment must be provided. The in-kind equipment item cannot be previously paid or co-financed by European Funds.

Typology of equipment				Applicable rules
				<ul style="list-style-type: none"> • A depreciation plan in line with the applicable internal, national, Programme and EU rules must be provided. • Only a share of the depreciation allowance incurred in the period covered by the claim can be claimed. • The methodology for the calculation of the share must be provided.
			Used at 100% for the project purposes	<ul style="list-style-type: none"> • The proof of the value of the in-kind contribution must be provided. • Evidence that the value of the in-kind equipment does not exceed the generally accepted price on the market for similar equipment must be provided. • The in-kind equipment item cannot be previously paid or co-financed by European Funds.
		Non depreciable	Not used at 100% for the project purposes	<ul style="list-style-type: none"> • The proof of the value of the in-kind contribution must be provided. • Evidence that the value of the in-kind equipment does not exceed the generally accepted price on the market for similar equipment must be provided. • The in-kind equipment item cannot be previously paid or co-financed by European Funds. • Only a share of the value can be claimed. • The methodology for the calculation of the share must be provided.

F. Infrastructure and construction works (BL6)

❖ Definition

“Infrastructure and construction works” budget line covers costs related to investments in infrastructure that do not fall into the scope of other budget lines. This includes costs for:

- Purchase/provision of land;
- Purchase/provision of real estate;
- Site preparation;
- Delivery;
- Handling;
- Installation;
- Renovation;
- Other costs necessary to the implementation of construction works.

In order to be eligible, 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.

Infrastructure and construction works will be 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.

In case of infrastructure and works that are not exclusively used for the project purposes, only a share of the infrastructure costs can be claimed in the framework the project. The share allocated to the project must be calculated according to a fair, equitable and verifiable method. The documents supporting the calculation method shall be available in case of control and audits.

In compliance with Article 69.3(b) of Regulation (EU) 1303/2013, in case of purchase of land not built on and land built on, the overall cost of the land shall not exceed 10% of the total eligible expenditure of the project. For derelict sites and for those formerly in industrial use which comprise buildings, that limit shall be increased to 15 %. In exceptional and duly justified cases, the limit may be raised above the respective aforementioned percentages for operations concerning environmental conservation.

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 factsheet "Focus on In-kind contribution").

❖ Key principles

- All costs shall be subject to 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.
- 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).
- Purchase of land cannot exceed the limits set by Article 69.3(b) of Regulation (EU) 1303/2013.
- A project can also claim the provision of land and/or real estate in the form of in-kind contribution.
- Project comprising investment in infrastructure or productive investment must ensure that no cessation, change in ownership and substantial changes in the nature of the infrastructure happen in the five years following the project closure (further details about durability requirements are available in factsheet "Project closure")

❖ Supporting documents for the verification of the expenditure (first level control)

- Evidence of compliance with the applicable EU, national and internal procurement rules;
- Documents pertaining to the work may be required such as feasibility studies, environmental impact assessment and planning permission;
- In the case of land and real estate purchase (or provision in the form of in-kind contribution), a certificate from an independent qualified evaluator or duly authorised official body confirming that the cost is in line with the market value;
- In case of land and real estate provided in the form of in-kind contribution, evidence of compliance with the applicable rules in the field of in-kind contribution (further details in the factsheet "Focus on In-kind contribution");
- Documents specifying the ownership of land and/or real estate where the works are carried out, as well as proof of commitment to establish and maintain an inventory of all fixed assets acquired, built or improved under the ERDF grant.

II. Horizontal topics related to finance

A. 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 – see the examples below).

❖ Example – structural financial arrangements

Partner A is a regional authority and Partner B is a not-for-profit organisation **structurally funded** by the regional authority. Partner A and Partner B are involved in the same project. The contribution provided by Partner B is partially accorded by the regional authority that is also Partner A of the project. However, we can consider that the full amount of contribution provided by Partner B comes from Partner B own budget (internal resources) since the financial arrangement between Partner A and B is pre-existing and independent from the project. For this reason, Partner B shall indicate the full amount of contribution as “own funding” in the sources of contribution table of the application form. All funding accorded by the regional authority to Partner B (that is finally considered Partner's B “own funding”) must be totally distinguished from and additional to the contribution provided by the regional authority itself for its own participation in the Project.

❖ Example – other funding schemes

Partner A is a regional authority and Partner B is a not-for-profit organisation that **is not structurally** funded by the regional authority. In order to participate in the project, Partner B will provide 20.000 € of own funds and 50.000 € that are granted by the regional authority in the framework of a regional funding scheme. Partner B shall indicate, among the sources of contributions in the application form, both its “own funding” (for 20.000 €) and the “regional authority” (for 50.000 €). The two sources must be indicated separately. The 50.000 € granted by the regional authority to Partner B must be totally distinguished from and additional to the contribution provided by the regional authority itself for its own participation in the Project.

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 when they are 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.

B. Preparation costs

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.

C. 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

The project end date is 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.

D. 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.

E. Revenues

The following documents represent the legal basis to be taken into account as far as revenues are concerned:

- Articles 61 and 65(8) and Annex V of Regulation (EU) No 1303/2013
- Articles 15 to 19 of Delegated Regulation (EU) No 481/2014
- [Revised Guidance Note on Article 55 for ERDF and Cohesion Funds of Council Regulation \(EU\) No 1083/2006: Revenue-Generating Projects, Final version of 30 Nov. 2010, COCOF 07/0074/09.](#)

The Regulation (EU) No 1303/2013 makes a distinction between projects generating net revenue after completion (and possibly during implementation as well), which are covered by Article 61, and projects generating net revenue during their implementation and to which paragraphs 1 to 6 of Article 61 do not apply, which are covered by Article 65(8).

According to paragraph 1 of Article 61 of Regulation (EU) No 1303/2013, “net revenue” means cash in-flows directly paid by users for the goods or services provided by the project, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services less any operating costs and replacement costs of short-life equipment incurred during the corresponding period.

Factsheet “Focus Revenue-generating projects” gives further details about the management of net revenue.

1. Projects generating net revenue after completion (and possibly during implementation as well)

In line with paragraphs 2 to 5 of Article 61 of Regulation (EU) No 1303/2013, the eligible expenditure of the project shall be reduced in advance, by calculating the discounted net revenue of the project. The estimated amount of net revenue shall be based on a “Net revenue analysis” (template provided by the Programme) that will be assessed during the project selection phase. The “Net revenue analysis” shall be also assessed in detail by the First Level Controller of the beneficiary concerned in the framework of the management verifications on its first financial claim. The budget that will be inscribed in the project Application Form shall be already net of revenues.

In case net revenue is also generated during the project implementation, resulting from sources of revenue not taken into account in the original estimation, it shall be deducted no later than in the final payment claim submitted by the beneficiary.

Art. 61.7 of Regulation (EU) No 1303/2013 stipulates among others in point b) that Art.61 is not applicable to projects whose total eligible cost does not exceed EUR 1 000 000.

2. Projects generating net revenue only during implementation

In accordance with Article 65.8 of Regulation (EU) No 1303/2013, the eligible expenditure of the project shall be reduced by the net revenue not taken into account at the time of approval of the project and directly generated only during its implementation, no later than at the final payment claim submitted by the partner concerned.

Projects generating net revenue during their implementation only, shall report the generated revenue in their financial claims. The reported revenue will be automatically deducted from the eligible costs in order to comply with the provisions set by Article 65.8. There is no need to deduct the estimated revenue in advance before the submission of the Application Form.

Where not all the costs are eligible for co-financing, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the cost. This provision shall not apply to projects for which the total eligible cost does not exceed EUR 50 000.

3. Revenue that is not possible to estimate in advance

Pursuant to Article 61.6 of Regulation (EU) No 1303/2013, where it is objectively not possible to estimate the revenue in advance, the net revenue generated within three years of the completion of the project or by the Programme closure deadline, whichever is earlier, must be deducted from the expenditure declared to the Commission. If necessary, a procedure of recovery of unduly paid ERDF will be undertaken by the Managing and Certifying Authorities towards the beneficiary concerned.

F. 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
- Commission [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 GBER⁵, 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 definition⁶, 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.

⁵ See Commission Regulation (EC) No 800/2008 of 6 August 2008

⁶ See annex 1 of the GBER (General Block Exemption Regulation) - COMMISSION REGULATION (EU) No 651/2014

- 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”)

G. 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 contracting partner is not to be considered as a source of contribution (see example below).

❖ Example – common costs vs partner contributions

Partner 02 is paying the full costs of the project web-site. This expenditure must be shared with the Lead Partner, Partner 03 and Partner 04. The share must be managed according to the “contracting-partner-only principle”. The reimbursements from the Lead Partner, Partner 03 and Partner 04 to Partner 02 **CANNOT** be considered as source of contribution of Partner 02!

From the Programme perspective, only Partner 02 has to budget, pay and claim the full costs related to the common expenditure. The other partners involved in the common cost can internally decide to share that cost; however, this internal regularisation does not enter the financial claims of the Lead Partner, Partner 03 and Partner 04 nor the sources of contributions of Partner 02.

H. 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.

I. 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.

J. 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.

K. 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.

L. 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.

M. 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). This flexibility rule does not apply to WP0 (preparation costs) as the ERDF lump sum for reimbursing preparation costs is fixed and cannot be modified.

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).

The following tables illustrate an example of application of the flexibility rules. The amounts reported in red show cases that go beyond the flexibility rule and should be dealt with a technical modification:

APPROVED BUDGET	BL1	BL2	BL3	BL4	BL5	BL6	TOTAL
WP1	100 000 €	15 000 €	100 000 €	100 000 €	100 000 €	300 000 €	715 000 €
WP2	100 000 €	15 000 €	100 000 €	100 000 €	100 000 €	100 000 €	515 000 €
WP3	100 000 €	15 000 €	100 000 €	100 000 €	100 000 €	200 000 €	615 000 €
WP4	100 000 €	15 000 €	100 000 €	100 000 €	100 000 €	100 000 €	515 000 €
Total	400 000 €	60 000 €	400 000 €	400 000 €	400 000 €	700 000 €	2 360 000,00 €

CLAIMED COSTS	BL1	BL2	BL3	BL4	BL5	BL6	TOTAL	Flexibility rule at WP level
WP1	100 000 €	15 000 €	50 000 €	0 €	100 000 €	50 000 €	315 000 €	44%
WP2	200 000 €	30 000 €	100 000 €	150 000 €	100 000 €	80 000 €	660 000 €	128%
WP3	100 000 €	15 000 €	50 000 €	150 000 €	100 000 €	90 000 €	505 000 €	82%
WP4	100 000 €	15 000 €	60 000 €	50 000 €	200 000 €	80 000 €	505 000 €	98%
Total	500 000 €	75 000 €	260 000 €	350 000 €	500 000 €	300 000 €	1 985 000 €	
Flexibility rule at BL level	125%	125%	65%	88%	125%	43%		

Partner	Approved budget	Claimed costs	Calculation of flexibility rule at partner level
PP1	500 000 €	377 500 €	76%
PP2	350 000 €	330 000 €	94%
PP3	300 000 €	180 000 €	60%
PP4	400 000 €	290 000 €	73%
PP5	300 000 €	380 000 €	127%
PP6	250 000 €	277 500 €	111%
PP7	260 000 €	150 000 €	58%
Total	2 360 000 €	1 985 000 €	

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".