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IPA South Adriatic



# Standard projects IMPLEMENTATION PHASE: ELIGIBILITY OF EXPENDITURES



REGIONE  
PUGLIA

# WHAT COSTS ARE ELIGIBLE?

- ❑ **Principles of economy:** the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price.
- ❑ **Principle of efficiency:** the best relationship between resources employed and results achieved.
- ❑ **Principle of effectiveness:** attainment of the specific objectives set and the achievement of the expected results.
- ❑ **Necessary for activities (AF) / reasonable**
- ❑ **Actually incurred and paid in eligible period/area/partner**

# WHAT COSTS ARE ELIGIBLE?

## ➤ Verifiable and documented / simplified cost options:

- Real costs: reimbursement of eligible costs actually incurred and paid;
- SCOs:
  - Lump sums;
  - Flat-rate financing (Staff, O&A costs, Travel & Accommodation, 40%), determined by the application of a percentage to one or more defined categories of costs;
  - Standard Scale Unit Cost.

# WHAT COSTS ARE ELIGIBLE?

## ➤ Identified in separate or integrated accounts

- Beneficiaries may have a separate set of accounts specifically for the project, or may include the project's accounts in their own accounting system, ensuring that the project's records are still easily identifiable.
- The account system shall be run in accordance with the accounting rules that apply in the country concerned.

# WHAT COSTS ARE ELIGIBLE?



- **No double financing / ineligible items e.g.**
  - Interest on debt and value added tax (VAT) if the total cost of the operation exceeds EUR 5.000.000 (including VAT), in case this is recoverable under national VAT legislation,
  - Purchase of land not built on and land built on in the amount exceeding 10 % of the total eligible expenditure for the operation (15% in case of derelict sites and for those formerly in industrial use which comprise buildings),
  - fines, financial penalties and expenditure on legal disputes and litigation
  - costs of gifts, tips, etc.



# WHAT COSTS ARE ELIGIBLE?

- costs related to fluctuation of foreign exchange rate
- splitting cost items among project partners (i.e. sharing of common costs);
- fees between beneficiaries of a same project for services, equipment, infrastructure and works carried out within the project;
- in kind contributions as defined in the Common Provisions Regulation etc.

- **Euro/exchange rate (month of submission to FLC)**
- **Complying with EU, programme and national rules**

# WHAT KIND OF COSTS?

## ETC eligibility EC

- Staff
- Office and administration (O&A)
- Travel and accommodation (T&A)
- External experts and services (External)
- Equipment
- Infrastructure and works (Works)



# WHAT STAFF COSTS?

**Attention to calculation methods: Real costs /flat/SSUC**

**Attention to contract nature: e.g. internal staff equivalent**

REAL COST:

- Full time
- Part time fixed % / flexible no. of hrs.
- Hourly contract

# WHAT STAFF COSTS?

## HOURLY RATE:

- an hourly rate may be calculated by dividing the latest documented annual (monthly) gross employment costs by 1720 hours (average monthly working time in accordance with applicable national rules) for persons working full time, or by a corresponding pro-rata of 1720 hours, for persons working part-time;
- 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.



# WHAT STAFF COSTS?

## FLAT RATE:

- Up to 20% unless operation includes contracts above the EU thresholds for works or supply or service;
- The beneficiary has to demonstrate that it has at least one employee involved in the project. This is done through a self-declaration issued by the beneficiary's legal representative (or delegated person) certifying that at least one employee of the beneficiary institution has worked in the project in the concerned reporting period.
- The veracity of self-declarations above mentioned may be checked by any of the bodies entitled to perform controls and audits.

# AUDIT TRAIL/STAFF COSTS

Required documents	Real Cost					20% Flat Rate	SSUC
	Full Time	Part Time			Hourly rate set in the contract		
		Fixed %	Flexible n. hours (hourly rate on annual basis)	Flexible n. hours (hourly rate on monthly basis)			
Recruitment procedure documents of new staff involved in project activities (if relevant)	✓	✓	✓	✓	✓	X	X
Employment/work contract	✓	✓	✓	✓	✓	X	✓
Official assignment to the project	✓	✓	✓	✓	✓	X	✓
Gross Salary/Hourly Rate Sheet	✓	✓	✓	✓	✓	X	X
Pay-slips	✓	✓	✓	✓	✓	X	X
Periodic task report	✓	✓	X	X	X	X	X
Timesheet	X	X	✓	✓	✓	X	✓
Salary payment documents	✓	✓	✓	✓	✓	X	X
Payment documents concerning any other costs directly linked to salary	✓	✓	✓	✓	✓	X	X

# WHAT O&A COSTS?

## ➤ Flat rate (15% of eligible Staff) - Exhaustive list in art. 40 ETC eligibility:

- 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
- general accounting provided inside the project partner organisation
- archives
- maintenance, cleaning and repairs
- security
- IT system support of an administrative nature, linked to the implementation of the operation
- 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

# WHAT T&A COSTS?

- Reimbursed solely through a 15% flat rate percentage of eligible direct staff costs.
- Exception in case of the 40% flat rate for eligible direct costs other than direct staff costs:
  - travel costs (e.g. tickets)
  - meals costs
  - accommodation costs
  - visa costs
  - daily allowances

**Attention: Do not include external experts costs!**

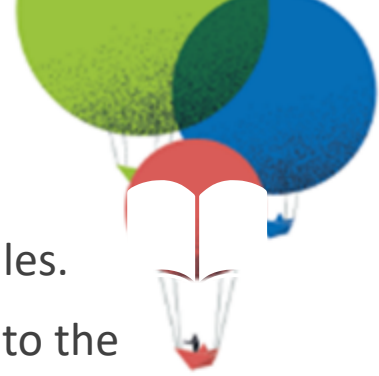
# WHAT EXTERNAL COSTS?

- All specific expertise/services needed for projects: e.g. studies or surveys, training, translations, IT systems and website development, modifications and updates, promotion, communication, publicity or information; financial management; services related to the organization and implementation of events or meetings, travel and accommodation for external experts, speakers, chairpersons of meetings, service providers and stakeholders, associated partners; etc.
- External expertise and service costs shall be reimbursed on a real costs basis, unless the 40% Flat rate is applied.
- No sub-contracting among project partners is allowed.

**Attention: Public procurement rules**

**Attention: Sound financial management principle**

# AUDIT TRAIL EXTERNAL COSTS



- Evidence of the selection procedure, in line with EU, national and Programme procurement rules.
- Contract or written agreement laying down the services to be provided with a clear reference to the project (at least acronym and eMS code) and the Programme, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows.
- Invoice or request for reimbursement providing all relevant information in line with the applicable accountancy rules as well as references to the project (at least acronym) and the Programme, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows.
- A detailed description of the services provided in line with the contents of the contract.
- The fulfillment of the communication/visibility rules.
- Deliverables produced (e.g. studies, promotional materials) or, where applicable, documentation of the delivery (e.g. in case of events: agenda, list of participants, photodocumentation, etc.).
- Proof of payment (e.g. bank transfer), indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows.



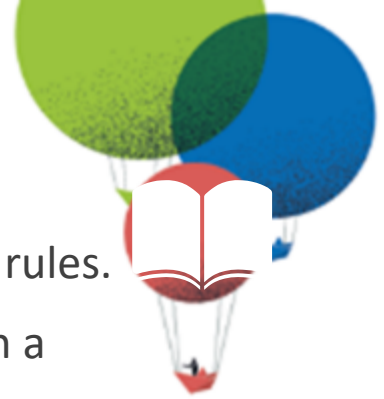
# WHAT EQUIPMENT COSTS?

- General office equipment purchased (depreciation method), rented or leased (rental or leasing costs for the respective time period, excluding insurance, overheads and interest costs linked to the contract).
- Thematic equipment which is part of or fully represents an investment item (full cost): the equipment should be solely used for the project purposes during the project life the purpose and ownership of the equipment cannot be changed for at least 5 years from the last payment to the lead partner.

**Attention: Public procurement rules!**

# AUDIT TRAIL EQUIPMENT COSTS

- ❖ Evidence of the selection procedure, in line with EU, national and Programme procurement rules.
- ❖ Contract or written agreement laying down the services and/or supplies to be provided with a clear reference to the project and the Programme, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows. Any changes to the contract must comply with the applicable procurement rules and must be documented.
- ❖ Invoice (or a supporting document having equivalent probative value to invoices) providing all relevant information carried out in line with the contents of the contract, bearing references to the project and the Programme, and indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flow;
- ❖ In case of assets subject to depreciation, a calculation scheme of depreciation;
- ❖ Photo documentation or any other means required to prove the existence and installation of the equipment and the fulfillment of the communication/visibility rules;
- ❖ Proof of payment (e.g. bank transfer), indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows.



# WHAT WORKS COSTS?

- Infrastructure only if necessary in the scope of and to achieve the project objectives.
- May either refer to an object that will be set up ex-novo or to the adaptation of an already existing infrastructure.
- Requirements concerning durability, including ownership and maintenance, as provided for in Article 65 of the Common Provisions Regulation, apply to infrastructures realised within the project.
- Costs for infrastructure and works shall be limited to the following elements: • (a) purchase of land in accordance with point (b) of Article 64(1) of the CPR; • (b) building permits; • (c) building material; • (d) labour; and • (e) specialised interventions (such as soil remediation, mine-clearing).
- Compliance with publicity/information requirements for all investments in infrastructure within the project, in line with the provisions set out in the Programme Information and Publicity Manual.
- Compliance with all compulsory requirements set by Community and national legislation on environmental policies.
- The part realized by the IPA project must be clearly and univocally identifiable.



# AUDIT TRAIL WORKS COSTS



- Legal documents specifying the ownership or long-term arrangement for the land and/or buildings where the works will be carried out;
- Where applicable, necessary permissions for the execution of the works, issued by the national/regional/local relevant authorities;
- Evidence of the appropriate selection procedure, in line with EU, national or Programme procurement rules;
- Contract or written agreement laying down the supplies and/or services to be provided with a clear reference to the project and the Programme, indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows. Any changes to the contract must comply with the applicable procurement rules and must be documented;
- Invoice providing all relevant information to the project & the Programme and a detailed description of the infrastructures/works carried out in line with the contents of the contract, indicating also, if any, information required by National Laws on transparency and control of public investments and traceability of financial flows;
- Proof of payment (e.g. bank transfer), indicating also, if applicable, information required by National Laws on transparency and control of public investments and traceability of financial flows;
- Photo documentation or any other means required to prove the existence of the infrastructure and the fulfillment of the communication/visibility rules;
- Certificate of regular execution/final test issued accordingly to the national legislation.



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# Thanks for your attention

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