

Interreg
Italia-Slovenija



Co-funded by
the European Union

**INTERREG VI-A
ITALIA-SLOVENIJA 2021-2027**

**PROGRAMME MANUAL
ON ELIGIBILITY OF EXPENDITURES**

2021

2027



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TABLE OF CONTENTS

LEGAL FRAMEWORK	5
1. FOREWARD	8
2. BENEFICIARIES	9
3. GENERAL RULES ON ELIGIBILITY OF EXPENDITURE	10
3.1. Eligible activities depending on location.....	11
3.2. Period of eligibility of expenditure	12
3.3. Not eligible expenditure	13
4. EXPENDITURE CATEGORIES	15
4.1. Staff costs	15
4.2. Office and administrative costs	23
4.3. Travel and Accommodation Costs.....	25
4.4. External expertise and services costs.....	27
4.6. Costs for Infrastructure and Works	35
6. PUBLIC PROCUREMENT	42
6.1. Programme rules regarding procurements	42
6.2. In-house contracting	43
6.3. Agreements among public administrations	44
6.4. Agreements among business aggregations and its partner enterprises (ONLY FOR ITALIAN BENEFICIARIES).....	44
6.5. Enforcement of procurement rules and consequences in case of violation.....	45
7. STATE AID PROVISIONS	46
8. ACCOUNTING REGISTERS, AUDIT TRAIL, DOCUMENT STORAGE AND STABILITY OF OPERATIONS	46

ACRONYMS AND SHORT TERMS

AF	Application Form
BL	Budget Line
ERDF	European Regional Development Fund
ESI	European Structural and Investment Funds
ETC	European Territorial Cooperation
CCs	Cost categories
USC	Unit standard cost
JS	Joint Secretariat of the Programme INTERREG VI-A Italy-Slovenia 2021-2027
LP	Project Lead Partner
MA	Managing Authority of the Programme INTERREG VI-A Italy-Slovenia 2021-2027
MC	Monitoring Committee of the Programme INTERREG VI-A Italy-Slovenia 2021-2027
Operation/project	Project co-financed by the Programme INTERREG VI-A Italy-Slovenia 2021-2027,
PP	Project Partner
Programme	Programme INTERREG VI-A Italy-Slovenia 2021-2027
Project proposal	It is intended as the whole documentation submitted, i.e. the application form, as defined herein in this list of acronyms and short terms, together with all annexes requested by the Call.
OG	Official Gazette
WP	Work Package

LEGAL FRAMEWORK

The hierarchy of rules on eligibility of expenditure applicable to Interreg projects is as follows:

1. EU rules on eligibility as set out in the CPR, ERDF Regulation and Interreg Regulation;
2. Programme eligibility rules as set out in this document;
3. National (including institutional) eligibility rules.

Such rules only apply for matters not covered by eligibility rules set in the abovementioned EU and programme rules. This hierarchy of rules only applies to eligibility rules of expenditure. All applicable EU and national rules, apart from eligibility of expenditure, are on a higher hierarchical level than rules set by the Interreg VI – A Italy-Slovenia Programme and must therefore be followed (e.g. procurement law). In such cases, the partner has to follow the stricter applicable rule.

Eligibility of expenditure is ruled by:

a) European provisions:

This Manual contains the guidelines on eligibility of expenses in the framework of the ETC Programme Interreg VI-A Italy-Slovenia 2021-2027 and is drafted in line with the following legal provisions:

COMMISSION IMPLEMENTING DECISION (EU) 2022/74 of 17 January 2022 setting out the list of Interreg programmes and indicating the global amount of the total support from the European Regional Development Fund and from each external financing instrument of the Union for each programme and the list of the amounts transferred between strands under the European territorial cooperation goal for the period 2021 to 2027

COMMISSION IMPLEMENTING DECISION (EU) 2022/75 of 17 January 2022 setting out the list of Interreg programme areas to receive support from the European Regional Development Fund and external financing instruments of the Union, broken down by strand and Interreg programme under the European territorial cooperation goal;

REGULATION (EU) 2021/1060 of the European Parliament and of the council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy;

REGULATION (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments;

REGULATION (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund;

REGULATION (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013;

REGULATION (EU) 2020/2220 of the European Parliament and of the Council of 23 December 2020 laying down certain transitional provisions for support from the European Agricultural Fund for Rural Development (EAFRD) and from the European Agricultural Guarantee Fund (EAGF) in the years 2021 and 2022 and amending Regulations (EU) No 1305/2013, (EU) No 1306/2013 and (EU) No 1307/2013 as regards resources and application in the years 2021 and 2022 and Regulation (EU) No 1308/2013 as regards resources and the distribution of such support in respect of the years 2021 and 2022;

REGULATION (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union”.

- **Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC;**
- **Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC**
- **Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts**
- **Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC**
- **Commission Delegated Regulation (EU) 2017/2364 of 18 December 2017 amending Directive 2014/25/EU of the European Parliament and of the Council in respect of the application thresholds for the procedures for the award of contracts**
- **Commission Delegated Regulation (EU) 2017/2365 of 18 December 2017 amending Directive 2014/24/EU of the European Parliament and of the Council in respect of the application thresholds for the procedures for the award of contracts**
- **Commission Delegated Regulation (EU) 2017/2366 of 18 December 2017 amending Directive 2014/23/EU of the European Parliament and of the Council in respect of the application thresholds for the procedures for the award of contracts**
- **Commission Regulation (EU) 2017/2367 of 18 December 2017 amending Directive 2009/81/EC of the European Parliament and of the Council in respect of the application thresholds for the procedures for the award of contracts**
- **Commission Decision C (2019) 3452 of 14 May 2019 on guidelines for determining financial corrections for non-compliance with public procurement rules**
- **EU legislation laying down provisions regarding State aid:**
 - **Regulation (EU) 2021/1237 of the Commission (GBER) of 23 July 2021, amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty;**
 - **Regulation (EU) 2020/972 of the Commission (GBER) of 2 July 2020 amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments;**

- Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs;
- Regulation (UE) N. 651/2014 of the Commission of 17 June 2014 (Exemption Regulation);
- Regulation (EU) No 1407/2013 of the Commission of 18 December 2013 (de minimis);
- Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest;
- Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest;

b) Documents regarding Interreg VI-A Italy-Slovenia 2021-2021:

- the Cooperation Programme Interreg VI-A Italy-Slovenia 2021-2027,
- the relevant Application packages.

c) Italian and Slovene national legal framework:

National Italian and Slovene provisions shall be applied. Also for national co-financing under the Programme, partners shall follow national provisions.

To Italian beneficiaries also regional provisions shall apply.

This Manual contains instructions to be applied within the Interreg VI-A Programme Italy Slovenia 2021-2027 with reference to EU, Slovene national and Italian national and regional provisions. Those provisions are taken into consideration with their existing text, including the amendments and modifications made subsequently to their adoption.

In case of modifications to national provisions, not listed/specified in this Manual, they shall be applied since they come into force, regardless of what ruled until that moment inside this Manual.

1. FOREWARD

This Manual contains the main rules on eligibility of expenditures incurred by beneficiaries of the financing assigned within the Programme for project implementation.

The Manual, in a logical order, develops the main issues arising when a project proposal is financed, from the definition of the concept of beneficiary (see paragraph 2), to general characteristics of expenditure (see paragraph 3), to the analysis of the single expenditure categories (see paragraph 4). Also, the obligations of beneficiaries for information and communication activities (see paragraph 5), provisions on public procurement (see paragraph 6), State aid regulation (see paragraph 7), accounting registers, audit trail, document storage and stability of operations (see paragraph 8) are treated.

The MA of the Programme, may amend and innovate this Manual in new versions, and may issue circulars or explanatory notes on specific points which need specifications/details not contained herewith. Those will be immediately published on the Programme's official web site, during the Programme implementation. Circulars and notes will be in force since publications. Beneficiaries for assistance and information may contact the following:

Managing Authority

Autonomous Region Friuli Venezia Giulia

Central Directorate for Finance

Accounting Unit, Via del Lavatoio 1 – I-34132 Trieste, Italy

Tel.: +39 040 3775973

E-mail: adg.itaslo@regione.fvg.it

Certified e-mail: interreg.itaslo@certregione.fvg.it

Official Programme website: <http://www.ita-slo.eu>

Republic of Slovenia

Government Office for Development and European Cohesion Policy

Štanjel Regional Office

Štanjel 1a, SI-6222 Štanjel, Slovenia

Tel.: +386 5 7318533

E-mail: it-si.svrk@gov.si

Web site: <http://www.svrk.gov.si>, <http://www.eu-skladi.si>

Any modification to the above mentioned contacts shall be published on official Programme web site.

2. BENEFICIARIES

a) The beneficiaries of the financed projects are:

- the LP, whose rights and duties are ruled by the Subsidy Contract;
- the PP, whose rights and responsibilities are ruled by the Partnership Agreement.

LP and PP shall be named as “beneficiaries”.

b) Beneficiaries must have a registered office or local operating units in the Programme area:

- for Italy: to the Autonomous Region of Friuli Venezia Giulia: the provinces of Trieste, Gorizia, Udine, Pordenone;
- for Italy: to the Veneto Region: the province of Venice;
- for the Republic of Slovenia: the statistical regions Primorsko-notranjska, Osrednjeslovenska, Goriška, Obalno-kraška, Gorenjska.

The regions involved at NUTS 2 level are: Veneto and Friuli Venezia Giulia in Italy and Western Cohesion Region (Zahodna Slovenija) and the Eastern Cohesion Region (Vzhodna Slovenija) in Slovenia.

c) Actors with either administrative competence on Programme area or a branch (no matter as it is denominated) in Programme area are considered as eligible beneficiaries of the Programme area provided their intervention has benefits on Programme area.

d) PP located outside Programme area are eligible provided that:

- I. they bring an added value for the implementation of the project and are tightly linked to the project strategy;
- II. they are for the benefit of the Programme area;
- III. they are explicitly foreseen in the project proposal;
- IV. at the time of submission, the same PP shall submit the documents requested by the call, i.e. besides the signature on Partnership Agreement, its own Statement, a self-declaration for confirmation on his legal status on the template provided by the Programme.

e) The obligations in relation to management, control and audit concerning PP located outside the Programme area are fulfilled by the Programme authorities/structures in line with the provisions of the Programme) Outside-Programme-area-PPs, as those coming from Programme area, must comply with the beneficiary typologies and with compulsory requirements stated in the Call, as well as meet all eligibility criteria, like other PPs.

f) The categories of beneficiaries that are entitled to submit a project proposal as LP (applicants) or to join in the partnership as PP are specified in the calls for proposals.

g) The LP and PP are only those listed in the AF.

3. GENERAL RULES ON ELIGIBILITY OF EXPENDITURE

An expenditure is deemed eligible under the Programme if:

- a) is paid and incurred for activities within the project as in the AF approved by the MC;
- b) directly refers to the project, necessary for its implementation and is in line with project objectives;
- c) refers to interventions which are additional to ordinary activities of the beneficiary organisation;
- d) neither the beneficiary nor the employee of the beneficiary/beneficiary organization is outsourced by another beneficiary or acts as an economic operator of the same project;
- e) is in line with the provisions and the deadline periods included in the Subsidy Contract between the MA and the LP and the Partnership Agreement;
- f) is in line with EU/Programme/national provisions foreseen for the single expenditure category;
- g) has been effectively (cash out-flow) and definitively (with no possibility of cancellation, transfer and/or recovery) paid and incurred by the LP and PPs listed in the AF. All payments must be proven by appropriate documentation providing evidence of payment except when simplified cost options rules are applicable.
- h) has a fair value in line with principles of sound financial management¹, effectiveness, efficiency and economy of management, considering the ratio cost/benefit and payments shall be made according to fiscal criteria foreseen by accounting provisions in force;
- i) is part of a project dedicated account or is clearly distinguishable from the ordinary activities of the beneficiary thanks to specific codification;
- j) has been incurred in compliance with the laws (including public procurement, see paragraph 6) and tax regulations and is proven by invoices or other documents of equal probative value, adequately marked with the reference to the Programme and the project (acronym), except when simplified cost options rules are applicable.
- k) is reported in accordance with the procedures and tools provided by the Programme (e.g. they shall be included in a Progress/Final Report;
- l) complies with the principle of real costs except for costs calculated under simplified cost options rules;
- m) is relevant to one of the expenditure categories included in the approved project;
- n) has not been financed and shall not be financed by other EU/national/regional public funds expressly dedicated to the same project activities; (no double financing principle). Other funding sources already in place at the approval of the project does not constitute double funding provided they are included in the calculation of the intensity of financing. In case of double financing, the corresponding amount shall be repaid by the beneficiary to the Programme. If it is proven that the double funding is

¹ Ref. Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

intentional, the contribution shall be revoked and shall be applied the existing regulations on fraud;

o) Cash payments are eligible provided that they are documented - when requested - and in compliance with respective national rules and thresholds.

p) Is in line with the Programme Communication Strategy for the use of Visual Identity and with all information and communication obligations and activities.

q) In case of associated partners for whom the only eligible costs are those of travel and accommodation, expenditure supporting documents must be addressed to them and costs shall be reported under "External expertise and services costs";

Costs which are not in line with the listed criteria cannot be claimed, even if included in the AF of the project once approved.

More detailed information on reporting documents shall be available in Reporting guidelines.

With specific reference to the Regulation (EU) 2021/1060, point 42 provides that as regards grants provided to beneficiaries, Programme should make greater use of SCOs in order to reduce administrative burdens.

The purpose of introducing SCOs in the Interreg VI-A Italy Slovenia Programme is therefore to support beneficiaries and reduce the administrative burden in the reporting phase both by the beneficiaries and in the framework of management verifications.

The SCOs will be applied to the following project categories:

- STRATEGIC PROJECTS
- STANDARD PROJECTS
- SMALL SCALE PROJECTS.

According to the article 25 of the Interreg Regulation, the small project fund constitutes an operation within the meaning of point 4 of Article 2 of Regulation (EU) 2021/1060 which shall co-finance small scale projects.

In the programming period 2021-2027 the Interreg VI-A Italy-Slovenia Programme supports the EGTC-GO ECoC Strategy by co-financing the SPF - Small Project Fund which will be managed by EGTC - GO as sole beneficiary.

The same SCOs, as proposed for the other project categories, will be applied also for the SPF operation as well as for the people-to-people projects financed under ISO 1 (c).

3.1. Eligible activities depending on location

According to article 37 of Regulation (EU) 2021/1059 all or part of an Interreg operation may be implemented outside of a Member State, including outside the Union, provided that the Interreg operation contributes to the objectives of the respective Interreg programme. Activities located outside the Programme area have to be explicitly

foreseen in the project proposal or, if not, have been previously authorized by the Managing Authority.

The obligations in relation to management, control and audit concerning activities located outside the Programme area are fulfilled by the Programme authorities/structures in line with the provisions of the Programme and according to the implementing partner.

3.2. Period of eligibility of expenditure

a) Expenses are eligible at Programme level if incurred between 1 January 2021 and 31 December 2029 pursuant to article 63 (2 of (EU) Regulation No. 1060/2021.

b) For projects, expenses are eligible if incurred in the eligibility period of project implementation as indicated in the AF and compulsorily set within the Subsidy Contract² (start and end dates), with the exception of preparation costs (see § 3.2.a).

i. Start date is the date of starting of project activities and shall coincide or follow the date of project application.

ii. End date coincides with the end of project implementation period, i.e. the deadline within which project activities shall be concluded. All activities have to be completed and services rendered (including activities such as the drafting of the Final Report), starting from the start date and within the end date.

For the expenses incurred for the last project period activities, invoices shall be issued within one month after the project end date and can be paid within 3 months from the project end date provided they refer to activities concluded within project end date and regularly reported within the project Final Implementation Report.

3.2.a Preparation Costs

The project budget is used to cover costs incurred by the project after the date of approval. Preparation costs are granted to cover all costs from the time before approval such as the travel and staff costs involved in planning, meetings and writing the application.

The LP may foresee preparation activities by specifying in the AF (WPO – preparation) the start date, the amount and category of costs to be admitted before project submission.

The Full Application form includes a request for payment of preparation costs.

Preparation costs are relating to "preparation activities" carried out by LP or PP before project submission, if actually incurred between 01/01/2021 and the date of project submission or the date set out in the relevant call. They shall have a lump sum of € 9.000,00 according to the project typology. In case of relevance for State aid, preparation costs are ineligible. Preparation costs include those expenses necessary for the drafting of the application form and of documents necessary to apply for a public call, i.e. costs for:

- i. drafting of necessary technical documentation (studies, authorizations, specific researches);
- ii. drafting and translation of application documents and acquisition/purchase of digital signature;

² Dates indicated in the AF can be either confirmed in the Subsidy Contract or modified/updated in agreement between the LP and the MA.

- iii. organisation and participation to preparatory meetings among partners (see limitation on catering services – section 4.4.).

A lump sum one-off payment of 9.000,00 € is available to cover all project preparation costs. Projects apply for this payment as part of submitting the Full Application both for standard and strategic projects.

In the case of small scale projects (lower than 200.000,00 €) the lump sum is reduced to 4.500,00 €.

Preparation costs are eligible provided and reported according to reporting dates as set in the Subsidy Contract:

- i. they are directly and clearly functional to the drafting of the application documents;
- ii. they are included in the application form (in given sections dedicated to the preparation costs-WP0);
- iii. they refer to activities implemented after 01/01/2021 and until the application submission date or the date set out in the relevant call;
- iv. they are reported within the first report;

Each project can only receive preparation costs once. The preparation costs can be claimed only when the project is approved and consequently paid later on. Approved projects will as a rule receive payment as part of their first regular project payment after submitting the first claim.

As the payment is made as a lump sum beneficiaries do not need to keep audit trail evidence to justify individual cost items; the referred amount will be automatically reimbursed with the first report³.

3.3. Not eligible expenditure

Herein follows a not exhaustive list of not eligible expenses:

- a) expenses which do not comply with EU/ national /regional/ / rules or with the provisions on the eligibility of expenditure within the Programme as set in paragraph 3;
- b) expenses not related to the project and to the approved activities;
- c) expenses incurred outside the project implementation period as indicated in the Subsidy Contract;
- d) expenses incurred outside the Programme area save the exceptions described in paragraph 3.1;
- e) expenses related to an asset for which the beneficiary has already received, for the same expenses, financial support from national, EU or other public source;
- f) expenses not exclusively incurred by the beneficiary and invoices addressed to third parties;
- g) representation and gift costs;
- h) cost for creation of project logos;
- i) cost for the development independent project website, except the case it represents a project's output⁴ and it is foreseen in the AF;

³ In Jems system first report could be also devoted to preparation costs as „zero report“.

- j) cost for project's promotion, information and communication activities not in line with the Visual Identity Style Guide for projects information and communication activities;
- k) partial amounts invoiced but not paid;
- l) passive interests' expenses; except those relating to a bank guarantee;
- m) sponsorships, meeting fees;
- n) fines, financial penalties and expenditure on legal disputes and litigations;
- o) expenses related to financial operations, costs related to the fluctuation of foreign exchange rate and other purely financial expenses, commissions and dividends, payments of profits, purchase of shares and trading of shares in stock exchange, interest on debts or arrears for late payments, tax advice, charges for national financial transactions, excluding foreign money transfers from the LP to project partners;
- p) second-hand items and second hand equipment;
- q) tips;
- r) shared costs among PPs;
- s) discounts not considered when claiming the costs (only the discounted amount is eligible)⁵;
- t) fees between beneficiaries of a same project for services and work carried out within the project (services/works cannot be outsourced to PP);
- u) financial retentions regardless if they were paid and regardless if the bank guarantee was issued⁶;
- v) any specific item as specified in each expenditure as follows:
 - in case of relevance for State aid, preparation costs are ineligible;
 - payments incurred without legal basis and not in line with the above mentioned provisions are not eligible;
 - copyrights, membership fees, meetings attendance fees are not eligible;
 - rewards to artists are not eligible if their activity is not directly connected with project results;
 - expenditure relating to the leasing contract is not eligible (e.g. taxes, lessor's margin, interest refinancing costs, overheads, insurance charges, etc.);
 - rent or concession fees are not eligible;
 - costs for creation of alternative project logo are ineligible;
 - costs for the development of alternative project independent website are ineligible
- w) in kind contribution.

For any other costs, refer to the eligibility rules laid down in Articles 63 to 68 of Regulation (EU) 2021/1060 and in Articles 5 and 7 of Regulation (EU) 2021/1058.

⁴ Please refer to next section 5 "Information and Communication".

⁵ For Slovene beneficiaries.

⁶ For Slovene beneficiaries.

4. EXPENDITURE CATEGORIES

The Interreg VI – A Italy Slovenia Programme applies six different cost categories (CCs). This chapter gives specific provisions regarding each of them:

1. Staff costs – BL1
2. Office and administrative costs – BL2
3. Travel and accommodation costs – BL3
4. External expertise and services costs – BL4
5. Equipment costs – BL5
6. Costs for infrastructure and works – BL6

4.1. Staff costs

In the framework of projects financed through the European territorial cooperation (ETC), the personnel costs represent in several cases the cost item with the largest financial volume. Staff costs expenditure consists of the gross employment costs of staff employed by the beneficiary for implementing the project. Staff can either be already employed by the beneficiary or contracted specifically for the project. Staff may be employed vis-à-vis the project by the beneficiary either on a full-time basis (i.e. employee works 100% of their time on the project) or on a part-time basis dedicated to the project.

This personnel expenses category refers to the payments incurred in favor of the employees of the organizational structure of both public and private beneficiaries, assigned to carry out activities related to the project, in accordance with the project proposal.

Payments to natural persons working for the Interreg partner under a contract other than an employment or work contract may be assimilated to staff costs for the definition of staff costs, see specific paragraph for Italian and Slovene beneficiaries. Activities shall be supplementary to those implemented in the institutional scope of the organization. This criterion is automatically met if the staff is employed for the sole scope of implementing the project. Costs for institutional/ordinary activities not strictly related to the project are not eligible.

Staff costs shall be limited to the following:

- (a) salary payments related to the activities which the entity would not carry out if the operation concerned was not undertaken, provided for in an employment document, either in the form of an employment or work contract or an appointment decision, or by law, and relating to responsibilities specified in the job description of the staff member concerned;
- (b) any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered

by Regulation (EC) No 883/2004 of the European Parliament and of the Council (20), on condition that they are:

- i. provided for in an employment document or by law;
- ii. in accordance with the legislation referred to in the employment document and with standard practices in the country or the organisation where the individual staff member is actually working, or both; and
- iii. not recoverable by the employer

Beneficiaries shall communicate to JS any changes within the project on the employed staff and its responsibilities, as well as any replacement.

Beneficiaries may replace staff assigned to the project, provided the replacement guarantees the same qualifications for execution of the same tasks and associated costs are indicated in the AF.

All the changes should be communicated to the JS.

Personnel costs, as proposed below, will be calculated and reported:

by **Slovene beneficiaries** on real costs based on fixed percentage and the beneficiary must document that expenditure has been incurred and paid out, according to art. 55, par. 5 of Regulation (EU) 2021/1060 and to art. 39, par. 1 letter b) of Regulation (EU) 2021/1059;

by **Italian beneficiaries** through standardized unit costs in accordance with Article 53, of Regulation (EU) 2021/1060 and real costs based on fixed percentage according to art. 55, par. 5 of Regulation (EU) 2021/1060 and to art. 39, par. 1 letter b) of Regulation (EU) 2021/1059.

Another option is to adopt a flat rate of 20% of direct costs other than staff costs pursuant par.1 of art. 55 of Regulation (EU) 2021/1060, where the beneficiary does not need to document that the expenditure has been incurred and paid out.

Summarizing Staff costs of a beneficiary can be reimbursed as follows:

For Slovene beneficiary:

1. real costs based on fixed percentage OR
2. flat rate of 20% of direct costs (BL4, BL5 and BL6) other than staff

For Italian beneficiary:

1. unit standard cost on hourly basis, OR
2. real costs based on fixed percentage, OR
3. flat rate of 20% of direct costs (BL4, BL5 and BL6) other than staff costs

Costs category	IT	SI
BL1 - Staff costs	Unit standard cost on hourly basis	Real costs based on fixed percentage
BL1 - Staff costs	Real costs based on fixed percentage	Of 20% flat rate of direct cost
BL1 - Staff costs	Of 20% flat rate of direct cost	

Each beneficiary shall choose one of the above reimbursement options already when drafting the application form. The same reimbursement option will then apply to all staff members of the beneficiary working in the project and it will be set for the entire project duration.

Only in case of real costs based on fixed percentage it is allowed to change percentage during the project lifecycle/duration. However, the percentage shall remain fixed for an entire financial reporting period. The change may occur only for the next reporting period. the changes can be applied with the next reporting period. The chosen options cannot be changed during project implementation. The beneficiary is recommended to prior consult with its national controller in order to identify possible risks of ineligibility of such expenditure.

4.1.1. Italian beneficiaries – standard unit cost

Standardized fixed costs as below indicated will be applied to the category of personnel costs that refers to the expenses incurred in favour of employees and collaborators of the organizational structures, of both public and private beneficiaries, belonging to the Italian programme area and assigned to the realization of activities related to the project, in accordance with the project proposal.

This SCO is applicable for employees that are not working under a professional contract as individual firm officially registered as autonomous worker authorized by the competent body.

The personnel are divided into 4 groups according to role/function owned by each beneficiary personnel; each group has specific requisites, reporting rules, supporting documents and unit cost as summarized in the table below.

FUNCTION/ROLE	FIGURE AND REQUISITES	REPORTING RULES AND DOCUMENTS	UNIT COST
DIRECTOR	<p>Director, General Manager, full professor.</p> <p>Only managerial figures within the organization with decision-making and supervisory power</p>	<ul style="list-style-type: none"> - Only one person can be reported for each Project, and optional role no necessary - The maximum reporting hours per month are 15 - Excess hours worked on the project can be reported using the unit cost of "EXPERT" function/role. - A Director/GM/Full professor job contract has to be provided - Is alternatively requested <ul style="list-style-type: none"> a) monthly timesheet b) project assignment document with the fixed percentage of working hours on the project 	<p>58,00 €/h</p>
PROJECT MANAGER	<p>Figure with organization and coordination tasks and outcome responsibility like manager, supervisor, associate professor, head of office and similar positions, who leads the project, whose task/responsibility has to be demonstrated through job contract.</p> <p>CEO of SME's are to be considered in this role.</p>	<ul style="list-style-type: none"> - The maximum reporting hours per year are 1,720 - Maximum 2 people can be reported for each Project (within the 1720 hour per year total limit) - Excess hours worked on the project can be reported using the unit cost of "EXPERT" function/role. - A job contract has to be provided (replaceable with pay slip if it contains job contract information) - CV - Is alternatively requested <ul style="list-style-type: none"> a) monthly timesheet b) project assignment document with the fixed percentage of working hours on the project 	<p>38,00 €/h</p>
EXPERT	<p>High and particular skill employee with professional experience like researchers, consultants, external senior collaborators, employees with professional experience</p> <p>A minimum of 3 years of working experience in the role and project activity field is requested</p>	<ul style="list-style-type: none"> - There are no limits in the number of employees reported - maximum 1720 reporting hours per employee, per year - A job contract has to be provided (replaceable with pay slip if it contains job contract information) - CV - Is alternatively requested <ul style="list-style-type: none"> a) monthly timesheet b) project assignment document with the fixed percentage of working hours on the project 	<p>27,00 €/h</p>
JUNIOR	<p>Staff with limited professional experience or</p>	<ul style="list-style-type: none"> - There are no limits in the number of people reported 	<p>18,00</p>

	<p>base skill employees like junior employees, apprentices, junior researchers, non-experienced workers, base job roles, or other levels having less than 3 years' experience in the Project activity field</p>	<ul style="list-style-type: none"> - maximum 1720 reporting hours per employee, per year - A job contract has to be provided (replaceable with pay slip if it contains job contract information) - CV - Is alternatively requested <ul style="list-style-type: none"> a) monthly timesheet b) project assignment document with the fixed percentage of working hours on the project 	<p>€/h</p>
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The staff unit standard cost (USC) can be used to calculate and report both:

- flexible number of hours worked in the project with monthly timesheet
- fixed number of hours monthly worked in the project through project assignment document with percentage.

FLEXIBLE HOUR REPORT	FIXED MONTHLY PERCENTAGE REPORT
<p>USC x monthly working hours</p>	<p>(USC x 1720/12) x fixed %</p>

SPECIFIC RULES TO BE APPLIED

1. For employees working part-time, the maximum number of annual working hours has to be reduced pro rata.
2. For employees under external specific contracts (eg. Co.co.co) amounts higher than gross cost of contract itself will not be eligible.
3. For each employee has to be submitted the project assignment document.
4. Staff modification during project implementation are allowed; for new employees assigned to project activities a new evaluation process for USC application have to be set.
5. The possession of specific requirements set in above table must be owned by respective staff at moment of project assignment.
6. Role function shift for same employee between junior and expert is not allowed during project lifetime.

For each reporting period a single staff report for each employee must be documented.

The value of standard unit costs may be adjusted periodically (annually) in accordance with the rate of increase of inflation - general prices level.

4.1.1.a Italian beneficiaries – real cost with fixed percentage

One of the following real cost basis options shall apply:

1. employees whose activity is 100% dedicated to the project;

2. employees working part-time within the fixed percentage of the project;

1. For employees indicated in tables of 4.1.1chapter whose activity is 100% dedicated to the project, the related staff costs are fully eligible.

To report on real costs basis, beneficiaries must provide the following documentation to assess the eligibility of staff costs:

- i. employment document or employment contract and selection procedure if new appointed staff;
- ii. an official assignment clearly stating the job description full time on the project (if this statement is not clearly provided already in the document of the previous point);
- iii. evidence of gross costs (direct and indirect) reported;
- iv. pay slips;
- v. bank statements to prove payment and reimbursement;
- vi. periodic report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic staff report (one per each reporting period) must be signed by both the employee and her/his supervisor; no time sheet is needed.

2. For employees indicated in tables of 4.1.1chapter working part-time with fixed percentage on the project, the related staff costs are eligible according to the established percentage.

To report on real costs basis, beneficiaries must provide the following documentation to assess the eligibility of staff costs:

- i. employment document or employment contract and selection procedure if new appointed staff;
- ii. an official assignment by the employer with job description stating the fixed percentage of time worked on the project;
- iii. payslips;
- iv. evidence of gross costs (direct and indirect) reported;
- v. bank statements to prove payment and reimbursement;
- vi. periodic report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic staff report (one per each reporting period) must be signed by both the employee and her/his supervisor; no time sheet is needed.

Specific and detailed rules on reporting of staff costs are indicated in the national control manual set out by the competent structure.

4.1.2 Slovene beneficiaries – real cost with fixed percentage

One of the following real cost basis options shall apply:

3. employees whose activity is 100% dedicated to the project;
4. employees working part-time within the fixed percentage of the project;

1. For employees whose activity is 100% dedicated to the project, the related staff costs are fully eligible.

To report on real costs basis, beneficiaries must provide the following documentation to assess the eligibility of staff costs:

- vii. employment document or employment contract;
- viii. an official assignment clearly stating that the employee works full time on the project and time-frame of his work activities in the project (if this statement is not clearly provided already in the employment document itself);
- ix. job description providing the necessary information on responsibilities related to the project (if not clearly provided already in the employment document itself) or an official assignment;
- x. pay slips; periodic report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic staff report (one per each reporting period) must be signed by both the employee and her/his supervisor;
- xi. bank statements to prove payment and reimbursement;
- xii. no time sheet is needed.

2. For employees working part-time within the project, and whose expenditure is calculated as a fixed percentage of the gross employment costs, it applies as follows: a fixed percentage of time worked on the project is chosen, with no obligation to establish a separate working time registration system. This calculation method is suitable for employees with a steady load of work on the project. The employer shall issue a document (legal basis) for each employee setting out the percentage of time to be worked on project.

To report on real costs basis, beneficiaries must provide the following documentation to assess the eligibility of staff costs:

- i. employment document;
- ii. an official assignment by the employer (drawn up before starting project implementation) that establishes the fixed percentage of time worked on the project and time-frame of his work activities in the project by each employee. It is recommended that the fixed percentage is to be kept constant throughout the whole project duration. Change of the fixed percentage is possible in exceptional cases but only between reporting periods (changes of percentage during the reporting period are not allowed). In the case that the employee is involved in other EU and/or national co-funded projects, name and funding reference of the concerned project(s) and the duration of the working time-frame as well as statement on the expected percentage of the employee's working time on each co-funded project and activities have to be mentioned;
- iii. description of the specific activities carried out for the project and periodic report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic report (one per each reporting period) must be signed by both the employee and her/his supervisor;
- iv. payslips
- v. bank statements to prove payment and reimbursement.
- vi. No time sheet is needed.



4.1.3 FLAT RATE 20% direct costs

Staff cost can be also reported under flat rate rule of art. 55, par.1, of Regulation (EU) 2021/1060, at 20% of direct eligible costs (BL4, BL5 and BL6).

Beneficiaries choosing flat rate 20% of direct costs must provide the following documentation to assess the eligibility of staff costs:

- 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 description of the activities carried out;

No other documentation on staff costs is required to be provided to the controller and no evidence is needed to demonstrate that the expenditure for staff costs has been incurred and paid or that the flat rate corresponds to the reality.

In case direct costs used as calculation basis for determining staff costs are found to be ineligible, the amount of staff costs will be automatically re-calculated and reduced accordingly.

4.2. Office and administrative costs

Office and administrative costs cover operating and administrative expenses of the beneficiary that are necessary for the implementation of the project. Office and administrative costs shall be considered within the following list:

- (a) office rent;
- (b) insurance and taxes related to the buildings where the staff is located and to the equipment of the office (such as fire or theft insurance);
- (c) utilities (such as electricity, heating, water);
- (d) office supplies;
- (e) accounting;
- (f) archives;
- (g) maintenance, cleaning and repairs;
- (h) security;
- (i) IT systems;
- (j) communication (such as telephone, fax, internet, postal services, business cards);
- (k) bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened; and
- (l) charges for transnational financial transactions.

It is to be noted that the purchase of consumables goods falls under the definition of office and administrative costs, when:

1. Following laboratory consumable supplies whose single cost is below 500,00 €:
 - chemical and biological materials
 - reagents
 - pipettes, tubes, syringes
 - laboratory glassware
 - culture/growth media
 - other material and goods that are no more useful after their first use.
2. Small items as plants, disks, plagues, whose single cost is below 500,00 € and whose inventory registration is not compulsory under national legislation.

Other goods that have a durable life, eg more than 1 year, must be considered eligible as thematic equipment under the Budget Line 5, as foreseen in art. 43 of REG(UE) 2021/1059-point d) laboratory equipment, e) machines and instruments, and f) tools or devices”.

Accordingly, cost items accounted under the office and administrative cost category cannot be reimbursed under any other cost category.

The office and administrative costs of the operations are covered exclusively through the flat rate provided for by Article 54, paragraph 1, letter b of Regulation (EU) 2021/1060: (b) through a flat rate of 15% of eligible staff costs calculated under methods described in paragraph 4.1, 4.2 and 4.3. The percentage is to be considered as fixed.

In case the beneficiary applies the up to 40% flat rate option for the calculation of eligible direct costs other than direct staff costs (see chapter 2.7), that percentage also covers office and administrative costs.

Office and administrative costs of a beneficiary can be reimbursed on the basis of one of the following two options:

1. 15% of eligible staff costs
2. Flat rate of up to 40% of eligible direct staff costs.

Costs category	IT -SI
BL2 - Administrative costs	15% flat rate of eligible staff costs

OR:

OTHER COSTS: (Administrative, Travel, External experts/services, Equipment, Investments)	Flat Rate of up to 40 % of eligible direct staff cost
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No documentation is needed to report this item costs.

In case staff costs used as calculation basis for determining office and administrative expenditure are found to be ineligible, the amount of office and administrative expenditures will be automatically re-calculated and reduced accordingly.

4.3. Travel and Accommodation Costs

This cost category refers to the expenditure for travel and accommodation of staff of the beneficiary for missions that are necessary for the project implementation, regardless whether such costs refer to missions taking place inside or outside the Programme area.

Travel and accommodation costs shall be limited to the following elements:

- *TRAVEL COSTS (E.G. TICKETS, TRAVEL AND CAR INSURANCE, FUEL, CAR MILEAGE, TOLL AND PARKING FEES);*
- *COSTS OF MEALS;*
- *ACCOMMODATION COSTS;*
- *VISA COSTS;*
- *DAILY ALLOWANCES.*

In application of the possibility offered by Article 41, paragraph 5 of Regulation (EU) 2021/1059, the travel costs of an operation will be covered exclusively on a flat-rate basis of eligible staff costs.

Consequently, only those beneficiaries who incur in personnel costs will be able to report travel expenses.

The percentage applied (of 4% eligible staff cost) intends to encourage the beneficiaries to make a more efficient use of resources.

All beneficiaries who report personnel expenses will have the possibility to indicate when submitting project proposals if they intend to cover travel costs by applying the aforementioned flat rate.

Travel and accommodation costs are calculated as a flat rate regardless of the form of reimbursement applied under the staff costs category.

Accordingly, cost items accounted under the travel and accommodation cost category cannot be reimbursed under any other cost category.

In case the beneficiary applies the up to 40% flat rate option for the calculation of eligible direct costs other than direct staff costs (see chapter 2.7), that percentage also covers travel and accommodation costs.

Travel and accommodation costs of a beneficiary can be reimbursed on the basis of one of the following two options:

1. 4% of eligible staff costs
2. flat rate of up to 40% of eligible direct staff costs.



Costs category	IT –SI
BL3 – Travel and accomodation costs	4% flat rate of eligible staff costs

OR:

OTHER COSTS: (Administrative, Travel, External experts/services, Equipment, Investments)	Flat Rate of up to 40 % of eligible direct staff cost
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No expenditure documentation is needed to report this item costs, but only activity report specifying if missions and which event do staff participate.

In case direct costs used as calculation basis for determining staff costs are found to be ineligible, the amount of staff costs and therefore the amount of travel and accommodation costs will be automatically re-calculated and reduced accordingly.

4.4. External expertise and services costs

External expertise and services can be provided by a public or private body or a natural person outside of the beneficiary organization. External expertise and services costs are paid on the basis of contracts or written agreements and against invoices or equal probative documents, or requests for reimbursement to external experts and service providers who are sub-contracted to carry out certain tasks or activities linked to the implementation of the project.

Expenditure under this cost category shall be considered within the following list:

- (a) studies or surveys (such as evaluations, strategies, concept notes, design plans, handbooks);
- (b) training;
- (c) translations;
- (d) development, modifications and updates to IT systems and website;
- (e) promotion, communication, publicity, promotional items and activities or information linked to an operation or to a programme as such;
- (f) financial management;
- (g) services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- (h) participation in events (such as registration fees);
- (i) legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- (j) intellectual property rights;
- (k) verifications pursuant to point (a) of Article 74(1) of Regulation (EU) 2021/1060 and Article 46(1) of this Regulation;
- (l) costs for the accounting function on programme level pursuant to Article 76 of Regulation (EU) 2021/1060 and Article 47 of this Regulation;
- (m) audit costs on programme level pursuant to Articles 78 and 81 of Regulation (EU) 2021/1060 and pursuant to Articles 48 and 49 of this Regulation;
- (n) 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;
- (o) travel and accommodation costs for external experts, speakers, chairpersons of meetings and service providers; and
- (p) other specific expertise and services needed for operations.

(r) Other natural persons working on the project under other contracts (eg. Occasional or casual workers⁷)

The above list is exhaustive. Accordingly, cost items accounted under the external expertise and services budget category cannot be reimbursed under any other budget category.

All beneficiaries who report costs for consultancy and external services will have the possibility to choose when submitting project proposals if they intend to apply real costs or a flat rate of up to 40% of eligible direct staff costs.

In case the beneficiary applies the up to 40% flat rate option for the calculation of eligible direct costs other than direct staff costs (see chapter 2.7), that percentage also covers external expertise and services costs.

External expertise and services costs of a beneficiary can be reimbursed on the basis of one of the following two options:

1. real costs
2. within flat rate of up to 40% of eligible direct staff costs.

Costs category	IT -SI
BL4 - External Expertise and Services Costs	Real costs

OR:

OTHER COSTS: (Administrative, Travel, External experts/services, Equipment, Investments)	Flat Rate of up to 40 % of eligible direct staff cost
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Expenses related to this expenditure category require a legal basis (e.g. a contract, legal documents or letters of appointment, agreement, etc.) and shall comply with EU Regulations and Visual Identity Style Guide for projects communication and visibility activities. Payments incurred without legal basis and not in line with the above mentioned provisions are not eligible.

Services shall be awarded in compliance with EU, national, regional or internal provisions on public procurement in force, according to transparent public selection procedures (see Par. 6).

It is forbidden to split the public procurement in order to operate under the relevant thresholds (EU, national or local).

⁷ For Slovene beneficiaries, for casual workers it is meant employment based on: 1. contract for performance of intellectual work aimed at protecting copyright (in Slovene, avtorska pogodba), 2. Cooperation contract (in Slovene, podjemna pogodba); 3. student work (in Slovene, Delo preko študentskega servisa).

For associated partners, the request of reimbursement of their costs of travel and accommodation to the “paying PP/LP” must have a valid legal basis.

The services costs occurred for purchasing a specific service are eligible provided they are reasonably justified by their necessity for the project and the appropriateness of the expenditure in terms of cost/quality ratio is confirmed.

Following the above general principle, catering services at events are eligible (with detailed information on the event, including a list of participants⁸) and the expenditure show a sound cost/quality ratio (with detailed invoice).

Regarding publications and promotional material, with a view to an eco-friendly approach, the Programme will strive to keep the quantity of printed materials as low as possible and shall promote the best sustainable solutions. Nonetheless, if the project foresees printed material, a copy shall be delivered at reporting phase as described in the following list (see point vi).

Copyrights, membership fees, meetings fees are not eligible.

The beneficiaries have to assure that the services costs provided by experts are proportionate to the type of service provided and to the professional qualification of the provider or expert (correspond to the market price given by professional fees published for the relevant professional category or to what foreseen in national legislation or by internal regulation of the beneficiary organization⁹).

Rewards to artists are not eligible if their activity is not directly connected with project results.

For the Italian beneficiaries, expenses related to social security, taxes, e.g. irrecoverable VAT, are also eligible¹⁰ as well as contributions for health care, for trade associations, etc. As for other foreseen taxes (e.g. IRAP, for Italian beneficiaries shall follow the legal provisions in force at national level).

Travel and accommodation costs for external experts are also eligible under this category provided the amount is indicated in the contract; these costs must be clearly linked to the project and their duration has to be proportionate to the concerned event/meeting/activity; as a general rule, it should be used the most economical and environmentally friendly way of transport. These costs can be reimbursed if supported by probative documents and reimbursement attributable to the project made by the beneficiary to the external expert.

Except application of up to 40% residual cost flat rate, the following documents shall be presented to the controllers to prove the eligibility of costs:

- i. all documentation relating to the procedures for tendering and contracting;
- ii. contract or agreement¹¹ or letter of assignment duly signed by both parties concerned. Those documents shall indicate the reference to the project and the programme to which they refer, the type of services / activities to be provided/performed, the duration of the contract, the costs, payment terms, etc.;

⁸ According to and in line with GDPR Regulation 2016/679

⁹ In any case the lower fare principle shall be applied.

¹⁰ Only for the portion relating the fee paid for the staff involved in the project.

¹¹ In Slovene words contract and agreement coincide with *pogodba*.

- iii. activity reports with evidence of the work done and the time spent to carry it out;
- iv. invoice or receipt or other documents of equivalent probative value, addressed to the beneficiary in digital, in original or copy (or certified copy for Italian beneficiaries);
- v. bank statements as proof of payment (included payment of taxes and social security);
- vi. for events: list of participants, copy of the invitation letter and of deliverables, reports and papers on the event, including also description of: contents, speakers, duration, number of participants, languages for which the translation service was provided); copy of promotional material, information products (publications, DVDs, CD-Rom, USBs) and gadgets.
- vii. other documents foreseen by legislation in force.

External expertise – for Italian beneficiaries

External experts' costs working as natural persons fall in this category when appointed under a contract of Autonomous Job, as individual firm issuing invoice and officially registered as autonomous worker in the member state chamber of commerce with a VAT Code.

External experts' costs must be considered also payment for speakers or other technical experts that participate in events or in project activities for a specific and occasional action in the project, even if employee of another body or not registered with a VAT code.

All direct and indirect costs foreseen in the contract are eligible when the contract is ad hoc signed for the project's purposes.

If the contract is not fully dedicated to the project, the amounts to be reported on the single projects shall be predetermined or reported pro quota on projects on the basis of the calculation of the workload realised for each project in an equitable and fair method.

For expenses related to consulting services for typical project activities (management, financial, monitoring...), it is eligible a fee not exceeding € 420,00/diem (VAT excluded) for experts with more than 7 years of experience, taking into account the level of professional experience.

External expertise – for Slovene beneficiaries

The beneficiary may enter into contracts for the provision of intellectual work aimed at preserving copyrights (in Slovene "avtorske pogodbe") or collaboration contracts (in Slovene "podjemne pogodbe") with external experts, or with people with whom no employment contract is in place. Please refer to the Law on copyright contracts and to the Slovene Code of Obligations.

The following documents shall be presented to controllers in the reporting phase to prove the eligibility of costs:

For the collaboration contracts (in Slovene "podjemne pogodbe"):

- i. any documentation or information about the selection (official note); collaboration contract (in the moment of reporting related expenses under the contract or in the event of any changes);
- ii. list of professional references of the person providing the performance;
- iii. list of provided services (signed by the responsible);

- iv. produced reports or other evidence on the services actually provided (for instance timesheet);
- v. incurred payment.

For contracts for performance of intellectual work aimed at protecting copyright (in Slovene “avtorska pogodba”):

- i. any documentation or information about the selection (official note);
- ii. contract for performance of intellectual work (in the moment of reporting related expenses under the contract or in the event of any changes);
- iii. list of professional references of the person providing the performance;
- iv. produced reports or other evidence on the services actually provided (timesheet);
- v. digital, original or copy of the invoice and
- vi. incurred payment.

For student work (in Slovene “Delo preko študentskega servisa”):

The hourly rate for students’ work shall be comparable to the hourly costs suggested by intermediary agencies for work done by students.

The following documents shall be presented to the controllers to prove the eligibility of costs:

- i. order and account drawn up (referral) by intermediaries of the work done by students;
- ii. evidence on the work actually provided (any document, timesheet, report on provided activity);
- iii. digital, original or copy of the invoice of the intermediary employment agency and
- iv. incurred payment.

4.5. Equipment costs

This cost category refers to expenditure incurred by a beneficiary for equipment purchased, rented or leased other than those covered by the cost category “office and administrative costs”, which is necessary for the implementation of the project.

Costs of equipment shall be considered within the following list:

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

Accordingly, cost items accounted under this cost category cannot be reimbursed under any other cost category.

It is to be noted that the purchase of consumables that do not fall under the definition of office and administrative costs and that are necessary for the use of laboratory equipment or machines and instruments is eligible and should be included under this cost category.

In addition to the costs incurred for the purchase of equipment, also subsidiary costs are eligible, such as for transport, installation, delivery and maintenance of the equipment.

Equipment costs are eligible on depreciation basis or on actual incurred total cost, depending if *supporting or thematic* equipment, intended as follows:

- **supporting equipment** – used for project management such as pc, printer, laptop, tablet, camera, monitor, cables (to be bought within the first two reporting periods and depreciation method to be applied). In this case the full purchase price is allowed provided the exclusive use for the project and where the depreciation payback period is equal to or shorter than the remaining life of the project; if the duration of usability is longer than the remaining life of the project only depreciation costs shall be claimed, provided they are calculated according to national rules and depending on the co-financing period of the project and that for the same purchase of goods has not already been granted other EU or national contribution. In case where the ratio between the supporting equipment purchased and the staff working by each project partner is higher than 1 employed person, the supporting equipment will be eligible only on a proportionate pro rata basis.
- **thematic equipment** - all other equipment focused with the core objectives of the projects whose exclusive use is essential for the achievement of project

objectives (e.g.: specific software, technical instruments, etc.). For this type of equipment, the entire cost is eligible provided the maintenance of properties and the intended use for at least five years from the date of the final payment. The rule to be applied is according to the Final Beneficiaries' declaration on the % of usage of equipment for the projects.

For thematic equipment, beneficiaries must indicate in application form the necessity to purchase equipment and to report it on 100% cost, providing evidence of the essentiality for achieving project objective.

The equipment shall remain in property of beneficiaries for at least minimum 5 years after the final payment to the beneficiary.

Supporting equipment is for partial use for the project, and must be reported pro quota under depreciation methods.

In line with national/regional provisions, equipment must be recorded in special registers.

For the calculation, it shall be submitted the approved depreciation plan, in line with the national legislation, containing at least the following information:

- the cost of the purchased assets;
- the date of purchase;
- the start date of its use;
- depreciation period.

When the equipment is visible or exposed to the public, it shall be properly labelled/plaque complying with the reference to the Programme. Labelling or plaques and their content shall comply to provisions laid down in the EU Regulations and in the Visual Identity Style Guide for projects information and communication activities. In the case of inventoried assets, the inventory registration number must be provided for the verification (separate labelling).

In application of the possibility offered by Article 43, paragraph 5 of Regulation (EU) 2021/1059, the equipment costs of an operation will be covered on a real costs basis.

All beneficiaries who report equipment costs will have also the possibility to indicate when submitting project proposals if they intend to cover them by applying real costs or a flat rate of up to 40% of eligible direct staff costs.

Equipment Costs of a beneficiary can be reimbursed on the basis of one of the following two options:

1. real costs
2. flat rate of up to 40% of eligible direct staff costs.

Costs category	IT -SI
BL5 – Equipment	Real costs basis

OR:

OTHER COSTS: (Administrative, Travel, External experts/services, Equipment, Investments)	Flat Rate of up to 40 % of eligible direct staff cost
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When equipment costs are reported on real cost basis following rules apply:

- Purchase and supply of equipment shall comply with EU and national provisions on public procurement.
- It is forbidden to split the public procurement in order to operate under the thresholds (EU, national). The compliance with this threshold shall be checked for each supplier throughout the whole project duration.
- The selection of the supplier must be in line with the norms of public procurement.
- In choosing purchase, rental or lease of equipment, the beneficiary shall choose the most convenient ratio cost/benefit according to the use he intends to do of the equipment and shall justify his choice with due documentation.
- Expenditure relating to the leasing contract is not eligible (e.g. taxes, lessor's margin, interest refinancing costs, overheads, insurance charges, etc.).

The following documents shall be presented to the controller to prove the eligibility of costs:

- i. documentation relating to the procedures for tendering and contracting;
- ii. documents necessary for the calculation of depreciation (the approved depreciation plan as described above);
- iii. register of capitalized assets;
- iv. note of delivery or installation report;
- v. lease contract (to be sent once, when reporting related expenses or whenever changes are made to the contract);
- vi. invoice or receipt or other documents of equivalent probative value, addressed to the beneficiary/project in digital, or original, or copy (or certified copy for Italian beneficiaries);
- vii. other documents foreseen by legislation in force;
- viii. bank statements as proof of payment.
- ix. the declaration of maintaining the property for at least minimum 5 years after the final payment to the beneficiary.

4.6. Costs for Infrastructure and Works

Costs for infrastructure and works shall be considered within the following list:

- a. purchase of land in accordance with point (b) of Article 64(1) of Regulation (EU) 2021/1060*
- b. Building permits;*
- c. Building material;*
- d. Labor;*
- e. Specialized interventions (e.g. soil remediation, mine-clearing).*

Cost items accounted under this cost category cannot be reimbursed under any other cost category.

Costs for infrastructure and works may either refer to an object (e.g. a building) that will be set up ex-novo or to the adaptation of an already existing infrastructure. In any case these costs are only eligible if complying with Programme requirements for investments.

Costs of feasibility studies, environmental impact assessments, architectural or engineering activities and any other expertise needed for the realization of the infrastructure, shall be allocated under the cost categories "Staff costs" or "External expertise and services costs" (depending whether carried out internally by the beneficiary or with the support of external suppliers). In any case all the engineering costs referred to an infrastructure intervention can be reported under cost category Infrastructure and works when the budget of the investment foresees all costs of the intervention in a unique common framework.

Infrastructure and works costs are eligible provided that:

- a) there is a direct link between the purchase/restoration/recovery/construction and project objectives / cross-border impact (to be assessed before approval);
- b) for the purchase of land an independent qualified professional or duly authorized official body provides a certificate confirming that the price does not exceed the market value and that the property complies with the national standards, or details any non-compliance the beneficiary intends to correct;
- c) the expenditure on the purchase of land do not exceed 10% of the total expenditure of the project
- d) it is used for the purpose of the project and for the period as foreseen in the article 65 of the of Regulation (EU) No 1060/2021, the infrastructure investment shall remain of property of beneficiaries for minimum 5 years after the final payment to the beneficiary, as indicated in the Subsidy Contract (included any extension). In cases when the owner is the State and if the beneficiary is funded by the State, the investment is eligible;
- e) the beneficiary possesses all the foreseen necessary legal authorizations or, alternatively, he bears full responsibility to overcome within a given deadline any obstacle hindering the issue of such authorizations.

For public buildings or lands, rented or licensed, interventions of building, restructuring or restoration are eligible; however, rent or concession fees are not eligible.

In case when the beneficiary is not the owner, the beneficiary is required to provide evidence that the property / land is publicly owned and submit the lease/rent or concession contract with a minimum validity of five years from the final payment to the beneficiary. In this case for the same property/land is not eligible rents or concession.

Investments are eligible on public real estate or public lands.

Investments are also eligible on private property when the beneficiary owns the property or other property rights in rem, provided that the rights in rem will be maintained by the beneficiary for at least 5 years from the last payment claim.

Expenditure on housing and taxes on the purchase of properties are not eligible.

Beneficiaries shall comply with the EU Regulation requirements for information and publicity as for the application of the Visual Identity Style Guide for projects information and communication activities and obligations.

In application of the possibility offered by Article 44 of Regulation (EU) 2021/1059, the costs for infrastructure and works of an operation will be covered on a real costs basis. All beneficiaries who report investment expenses will have the possibility to indicate when submitting project proposals if they intend to cover them by applying real costs or a flat rate of up to 40% of eligible direct staff costs.

Costs for infrastructure and works of a beneficiary can be reimbursed on the basis of one of the following two options:

1. IT-SI: real costs
2. IT-SI: within flat rate of up to 40% of eligible direct staff costs.

Costs category	IT -SI
BL6 - Investments	Real costs (not to be necessary included in all the projects)

OR:

OTHER COSTS: (Administrative, Travel, External experts/services, Equipment, Investments)	Flat Rate of up to 40 % of eligible direct staff cost
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When infrastructure and works costs are reported on real basis, following rules apply.

In case project approved financing infrastructure and works, being a part of a larger infrastructural investment, any event that produces the reduction of the cost of the whole investment, will proportionally reduce the part financed by the project funds.

MA will provide specific provisions detailing the application of this rule.

EU and National provisions on public procurement shall be complied, and the following documents shall be presented to the controllers to prove the eligibility of costs.

For the purchase of land:

- i. documentation relating to the procedures for tendering and contracting;
- ii. sworn certificate by an independent qualified professional or duly authorized official body confirming that the value of land does not exceed the market value (to be sent once, when reporting related expenses);
- iii. invoice or receipt or other documents of equivalent probative value, addressed to the beneficiary in digital, or original, or copy (or certified copy for Italian beneficiaries);
- iv. bank statements as proof of payment;
- v. for Slovenian beneficiaries, land register certificate (to be sent once, when reporting related expenses);
- vi. other documents foreseen by legislation in force.

Construction, restoration or recovery of property and infrastructure:

- i. documentation relating to the procedures for tendering and contracting; intermediate and final progress status of the works and associated test certificate;
- ii. intermediate and final progress of works and associated acceptance certificates
- iii. invoice or receipt or other documents of equivalent probative value, addressed to the beneficiary in digital, or original or copy (or certified copy for Italian beneficiaries);
- iv. bank statements as proof of payment;
- v. other documents foreseen by legislation in force.

4.7 Residual costs

Beneficiaries, shall apply the flat rate of up to 40%, according to the option foreseen art. 56 of the CPR n. 1060/2021.

Calculation of the residual costs are managed as illustrated in the table below, as an example.

Different percentages can be chosen in the IT system in order to give the possibility to manage to report the appropriate amounts of each project partner (considering the relation between BL1 staff and total project cost).

a. Summary table and examples

APPLICATION of 40% FLAT RATE

Relation staff BL1/tot project budget	BL2 flat = 15% of BL1	BL3=4% of BL1	BL4/5/6 real costs =	total costs over BL1	flat rate other costs	total residual costs in flat	budget with flat rate	difference	budget to be approved
65	9,75	2,60	22,65	35,00	40%	26,00	91,00	-9,00	91,00
66	9,90	2,64	21,46	34,00	40%	26,40	92,40	-7,60	92,40
67	10,05	2,68	20,27	33,00	40%	26,80	93,80	-6,20	93,80
68	10,20	2,72	19,08	32,00	40%	27,20	95,20	-4,80	95,20
69	10,35	2,76	17,89	31,00	40%	27,60	96,60	-3,40	96,60
70	10,50	2,80	16,70	30,00	40%	28,00	98,00	-2,00	98,00
71	10,65	2,84	15,51	29,00	40%	28,40	99,40	-0,60	99,40
71,43	10,71	2,86	15,00	28,57	40%	28,57	100,00	0,00	100,00
72	10,80	2,88	14,32	28,00	38,89%	28,00	100,00	0,00	100,00
73	10,95	2,92	13,13	27,00	36,99%	27,00	100,00	0,00	100,00
74	11,10	2,96	11,94	26,00	35,14%	26,00	100,00	0,00	100,00
75	11,25	3,00	10,75	25,00	33,33%	25,00	100,00	0,00	100,00
76	11,40	3,04	9,56	24,00	31,58%	24,00	100,00	0,00	100,00
77	11,55	3,08	8,37	23,00	29,87%	23,00	100,00	0,00	100,00
78	11,70	3,12	7,18	22,00	28,21%	22,00	100,00	0,00	100,00
79	11,85	3,16	5,99	21,00	26,58%	21,00	100,00	0,00	100,00
80	12,00	3,20	4,80	20,00	25,00%	20,00	100,00	0,00	100,00
81	12,15	3,24	3,61	19,00	23,46%	19,00	100,00	0,00	100,00
82	12,30	3,28	2,42	18,00	21,95%	18,00	100,00	0,00	100,00
83	12,45	3,32	1,23	17,00	20,48%	17,00	100,00	0,00	100,00
84	12,60	3,36	0,04	16,00	19,05%	16,00	100,00	0,00	100,00

The aim of the application of this flat rate option is to increase the simplification in reporting process, avoiding for beneficiaries to report the expenditure with all the documentation under real costs principle, and demonstrating only the activities performed during project lifetime.

As shown in the example table, beneficiaries whose budget have a high relation between staff costs and total cost of the project, are invited to use the 40% flat rate option for residual costs.

In this case only staff costs must be reported, and the 40% flat rate on eligible staff costs will be applied to cover all other costs related to other cost categories (Office and administration, travel and accommodation, external expertise and service, equipment, and infrastructure and works).

As example, a project whose budget for staff costs is 71.430,00 € of the total budget 100.000,00 €, applying 40% flat rate shall have all residual costs of its budget 28.570,00€ covered with the flat rate.

While a project whose budget for staff costs is 66.000,00 € of the total budget 100.000,00 €, applying 40% flat rate shall receive 26.400,00 as residual costs of its budget losing 7.600,00 of contribution in favour of the simplification in reporting expenditure process.

The 40% flat rate of residual costs will be automatically calculated on eligible direct staff costs within periodical report and no documents about real expenditure for residual costs shall be reported except documentation proving activities realized and foreseen in the application form. In compliance with article 56 par. 3 of CPR 2021/1060 staff unit standard costs have to be considered as direct staff costs.

As example of documents that beneficiary will report applying the 40% flat rate are (list is not exhausted):

- Studies performed
- Report on activities by external experts
- Link to website or other informatics application realized
- Translations
- Information and publicity material provided
- Documentation about events held (photos, list of presences, material provided ...)
- Photos or other probative documents about equipment purchased
- Photos or other probative documents about infrastructure or works realized

or any other documents showing that all the activities have been implemented under the AF.

5. VISIBILITY, TRANSPARENCY AND COMMUNICATION

As per the Common Provision Regulation (CPR)¹² and the specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund¹³, all project beneficiaries are required to acknowledge the support received under the Programme and contribute to the visibility of the EU on the ground on all project communication and visibility actions.

To support the beneficiaries to comply with the minimum European and Programme communication requirements efficiently, a “Visual Identity Style Guide for projects communication and visibility activities” (hereinafter Visual Identity Style Guide) is created and available on Programme website. The design of the different visibility components is simple, so that they can be used in a variety of contexts. In this way, the Visual Identity Style Guide contributes to the visibility of EU and Programme support to local achievements, transparency, and enable project beneficiaries to focus on further communication actions.

This Visual Identity Style Guide provides guidance on how make the most out of the communication and visibility requirements. In particular, Lead Partner and other Project Partners are required to:

- a) use the project logo provided by the Joint Secretariat. This logo includes all the minimum European and Interreg requirement to be displayed on all project printed and digital products, websites, social media channels and other communication and/or promotional material. Costs for creation of alternative project logo are ineligible.
- a) get approval from Joint Secretariat before printing or produce promotional material in order to avoid cuts in expenditure. Evidence of JS approval (e-mail correspondence) shall be included as an annex in the project progress report.
- b) make all texts related to project promotion (e.g. event agenda, invitations, publications, brochures, leaflets, electronic display, USB, video, website, social media, etc.) available in Italian and Slovene language. These translations shall be consistent and aligned. Other languages are allowed in addition.
- c) in case of projects public events, ensure high-quality simultaneous interpreting in Italian and Slovene language that allows all participants from Programme area to clearly understand the topics presented by the speakers. Other languages are allowed in addition.
- d) in case of production of video related to project implementation, the video shall have legible subtitles and/or captions in Italian and/or Slovene language. Other languages are allowed in addition. English language, while not required, is strongly suggested in order to allow viewers all around Europe (and not only) still enjoy video in the fullest way possible and Programme Managing Authority to properly promote the project.

¹² Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy

¹³ Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments

- e) put up, as soon as possible, at a location readily visible to the public – such as the entrance area of a building – at least one poster (or information board or equivalent electronic display) or plaque or billboard at the site of project implementation as illustrated in the Visual Identity Style Guide. The most tangible requirement on visibility and transparency is to put up billboards, plaques and posters at the project site. These elements, providing information about any given project, have the potential to reach locals, visitors, users without further effort. In this sense, it is also an opportunity for the project beneficiaries to share information about their achievements. Content of billboards, plaques and posters shall be in Italian and/or Slovene language. English language, while not required, is strongly suggested in order to make project accessible to wider public. Evidence of the poster/ plaque / billboard (copy of the pictures, which demonstrate where they are affixed) shall be included as an annex in the project progress report.
- f) constantly update project websites hosted by Programme portal in all three versions (Italian, Slovene and English (at least every two months) in order to avoid fragmentation of information, ensure lasting availability of results, maintain coherent appearance in line with the Programme branding, and strengthen the link between the Programme and its projects. Evidence of such update (screenshot, which demonstrate update) shall be included as an annex in the project progress report. Costs for the development of alternative project independent website are ineligible;
- g) appoint a project communication officer, a contact person who constantly and closely work and co-operate with Joint Secretariat in order to properly carry out all project visibility, transparency and communication activities.

According to art. 36, paragraph 5) and 6) of the Reg. (EU) 2021/1059, for small project funds and financial instruments, the beneficiary shall ensure by means of the contractual terms that final recipients comply with the requirements to communicate publicly on the Interreg operation.

Where remedial actions have not been put into place, the Managing authority shall apply measures, taking into account the principle of proportionality, by cancelling up to 2 % of the support from the funds to:

- a) the beneficiary concerned who does not comply with its obligations falling under Article 47 of Regulation (EU) 2021/1060 or paragraphs 4 and 5 of Article 36; or
- b) the final recipient concerned who does not comply with the requirements set out in paragraph 5.

The obligations of information and communication shall be performed during the entire life of the project and not only on its final phase; information activities must contribute to the quality of the project through the dissemination of its results to the general public and target groups.

All measures financed by the Programme shall comply with the Visual Identity Style Guide and aim to contribute to the Programme Communication Strategy.

More information on this requirement which makes an expense eligible shall be contained in the Visual Identity Style Guide.

For eligible costs under communication and visibility activities, please refer to section 4.4 “External expertise and services costs”.

6. PUBLIC PROCUREMENT

Any purchase of goods, services or public works for the implementation of the programme or a project has to be carried out in line with the relevant public procurement rules.

The European Community has set up minimum requirements for public procurement. They vary depending on the nature of purchases and the relevant sector in which purchases are made.

The EU rules set the general framework for the awarding of public contracts and as well the thresholds. They have to be transposed into national law. Depending on the national legal system procurement law is made on national, regional or local level. As a result, applicable public procurement rules and thresholds vary between Member States or regions in which project partners are located.

It should be noted that even below these thresholds, the fundamental principles of public procurement established in the EU Treaty (transparency, effective competition, non-discrimination and equal treatment) still apply. In addition, procurement law is further developed through the jurisprudence of the European Court of Justice.

Moreover, institutions may set specific internal rules for procurements. Where not in conflict, the strictest of the applicable procurement rules applies. National authorities shall provide further specific indications during Programme implementation to PP on respect of national rules on public procurement.

The adherence to public procurement procedures has to be well documented. Documents such as public procurement notes, terms of reference, offers, order forms and contracts have to be available for financial control and audit purposes. Thus, even where national public procurement rules allow for direct contracting for small contract values, the selection procedure has to be documented transparently (e.g. proof of market researches, documents tracing the selection of an operator and the awarding of a contract) and the observance of the principles of economic and efficient use of funds have to be proved.

It is recommended that, even where direct awarding is allowed, project participants still request offers from different providers or provide evidence of adequate market search before selecting one provider, in order to ensure an adequate level of transparency and of economical use of public funds.

The EC and the Programme promote the use of green public procurement. The green public procurement is a process whereby beneficiaries seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured.

6.1. Programme rules regarding procurements

According to European and national public procurement law the State, regional or local authorities and bodies governed by public law are obliged to follow the public procurement rules when purchasing goods, services and public works. In addition, the ESI-funds regulations foresee that co-financed projects shall comply with the applicable Union law and national law (see Art. 15 of Regulation (EU) No 2021/1060).

Other actors such as private companies or private associations are normally not subject to public procurement law. However, public funds provided under the

Programme shall be used in compliance with the principles of efficiency, economy and expediency, and private bodies are invited to perform market procedure choosing companies providing external services, equipment or infrastructure and works, in the framework of above mentioned principles.

In order to guarantee a harmonized standard in contracting procedures across the programme area and to accomplish sound financial management principles, the Interreg Programme requires all beneficiaries (public and private) to give evidence of adequate market researches for contracting amounts between EUR 10.000,00 (excl. VAT) and the threshold set by the applicable EU and national rules.

This means that in such cases, unless stricter national rules apply, all beneficiaries (public and private) must provide evidence of an adequate market research (e.g. through collecting bids, using centralized e-procurement services, etc.). This allows to collect sufficient information on the relevant market and for sound comparison of offers in terms of price or quality and a profound assessment of the adequacy of the price.

For contracts having a value below EUR 10.000,00 (excl. VAT) or below the national threshold (if stricter than the programme rule), the adequacy of costs must always be ensured. However, in such cases beneficiaries do not have to give evidence of a specific selection procedure.

6.2. In-house contracting

Public procurement rules foresee very limited and well defined exceptions.

One of these concerns the so called in-house contracting, according to the definition provided by the Directive 2014/24/EU, art. 12, comma 1.

For Italian beneficiaries, please refer to the Public Procurement Code ex Decreto legislativo n. 50 dated April 18th, 2016, and for Slovene beneficiaries art. 28 of the public procurement law.

These are contractual relationships established between an authority willing to purchase services/goods/works and a provider (legal person governed by private or public law) which is under the control of this authority (administrative control, control in terms of the activities performed and financial control).

In house assignment must be laid down in written form.

In-house contracting procedures must be in line with national legislation.

Before recurring to any exemption to public procurement rules, project participants should assess carefully whether the contractual relationships they intend to enter actually fulfil the stringent conditions set by public procurement rules. In case of doubts on applying the exception of in-house, the programme strongly recommends that public procurement procedures are followed and procurement experts are consulted.

Costs incurred by “in house” bodies shall be reported under the expenditure category “External expertise and services costs” and documentations do not need to be submitted and reported as real cost principle.

6.3. Agreements among public administrations

The case of agreements among public administrations does not fall within the scope of the public procurement rules. The identification of such cases is defined by EU rules (Directive 2014/24/EU, art. 12, comma 4) as follows:

- i. the contract establishes a cooperation among participating public authorities aimed at ensuring that the public services they must provide will be provided in order to achieve common objectives;
- ii. the implementation of such cooperation is governed only by considerations relating to public interest;
- iii. the participating contracting authorities perform on the open market less than 20% of the activity covered by the cooperation agreement.

In the application form beneficiaries shall indicate the public body with whom the agreement will be signed, and the activities object of the contract.

The stipulated contract shall clearly indicate that it is an agreement among public administrations, binding also all parties involved with the rules of the Programme (reporting method, control system, documents storage, stability of operations, etc.). As this kind of agreements should be governed only by public interest, all reporting and eligibility rules of this manual, in the framework of simplification principle and SCOs application, shall be applied and respected by the public contracting body.

The costs incurred within these agreements shall be reported as a whole in the expenditure category "External expertise and services costs", according to the reporting real costs method of the category of expenditure in which the costs - according to their nature fall within.

For Italian beneficiaries, please refer also to article 15 of L. 241/90.

6.4. Agreements among business aggregations and its partner enterprises (ONLY FOR ITALIAN BENEFICIARIES)

If an enterprise directly involved in project activities is part of a business aggregation (ATI, RTI, Consorzio di imprese, GEIE-EGIZ in Italy), the business aggregation acts in the role of project partner.

The activities in which the enterprise is directly involved and the related incurred costs are specified in the Annex A to the application form.

Enterprise and its business aggregation shall stipulate a contract/agreement with the enterprise clearly indicating which activities and related costs are delegated to the enterprise, binding all parties involved with the rules of the Programme (reporting method, first and second level controls, documents storage, stability of operations, etc.).

The costs incurred within these agreements shall be reported by the consortium/business aggregation, including its own expenses and those of the enterprise, both according to the reporting real costs method of the category of expenditure in which the costs - according to their nature fall within.

Only reimbursement of enterprise's incurred costs is foreseen by the consortium/business aggregation.

6.5. Enforcement of procurement rules and consequences in case of violation

For each project beneficiary, the controller checks if the applicable procurement rules have been respected. Therefore, project beneficiaries have to ensure that every procurement procedure is orderly carried out and documented. Additional controls may also be carried out by auditing bodies of the programme, the EU or of the EU-Member State where the project participant is located.

Project participants risk losing Programme co-financing if they cannot provide documentary proof of compliance with European, national, local and their own internal public procurement rules or with the programme rules on procurement mentioned above. If a procurement error is detected, the Commission Decision C (2019) 3452, of 14 May 2019 on the guidelines for determining financial corrections to be made for non-compliance with public procurement rules, will apply also for private partners.

An overview on the applicable EU public procurement rules, including aspects such as green public procurement, is available at the dedicated website of the European Commission:

- http://ec.europa.eu/internal_market/publicprocurement/index_en.htm
- http://ec.europa.eu/internal_market/publicprocurement/other_aspects/index_en.htm
- http://ec.europa.eu/regional_policy/en/information/publications/guidelines/2015/public-procurement-guidance-for-practitioners (available also in the languages of the Programme).

7. STATE AID PROVISIONS

Public grants within the Programme shall comply with the rules governing State aid in force at the moment when the public contribution is granted.

Article 107 (1) of the Treaty provides for the incompatibility of State Aid with the internal market.

The Community rules on state aid (roofs of contribution, eligible expenses, cumulating rules, etc.) shall limit the public contribution (ERDF, national / regional / local) given to those public or private organizations engaged in economic activities or whose activities within the project can be considered as State aid pursuant to Art. 107 (1) of the Treaty.

EU rules on State Aid apply in all cases where the criteria listed in Art. 107 (1) of the Treaty are applied, and in particular when to an enterprise:

1. it is awarded a selective economic advantage;
2. through public resources (including European, national, regional or local resources);
3. with potential effects on competition and trade between Member States.

According to European law cases, it is broadly defined as "enterprise", any entity, regardless of its legal status, engaged in economic activity. Economic activities are all activities supplying goods or services on the open market. This definition is attaining to legislation on competition and in particular on State aid.

Nature, no/profit nature and legal status of the beneficiary are not relevant to the qualification of an entity as "enterprise" (also a non-profit, public authorities or equivalent public bodies, associations or foundations, etc. may in fact engage in economic activities).

On 2021, the Commission adopted the Regulation (EU) 2021/1237 amending the GBER extension (Commission 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).

The General Regulation provides for new exemptions from notification for expenditure also on- Interreg projects, that can therefore benefit of a wider category of exemptions.

If State aid will be detected in the context of an operation co-financed by the Programme, the Programme will generally apply only Articles 20 or 20a of the GBER (Regulation EU) No 651/2014), provided beneficiary does not directly apply for "de minimis" rule as per Regulation (EU) No 1407/2013.

In any case, beneficiaries requesting art. 20 or 20a of the GBER where applicable cannot receive also additional national public co-financing.

For more information on EU legislation in the field of State aid, please refer to the website of the Directorate General for Competition of the European Commission:

http://ec.europa.eu/comm/competition/state_aid/legislation/legislation.html.

8.ACCOUNTING REGISTERS, AUDIT TRAIL, DOCUMENT STORAGE AND STABILITY OF OPERATIONS

All beneficiaries shall establish a transparent system of project accounting, by preparing and updating the audit trail; by using a separate accounting system or by ensuring a clear identification of project expenditure among ordinary expenditure of the beneficiary, as well as ensuring an effective filing and storage system of project documentation.

A document filing and storage system ensuring an adequate audit trail is effective if it allows, even after the end of the project:

- a clear reconstruction of project expenditure data and documents;
- the matching of expenditure documents with each claim for reimbursement.

Beneficiaries must keep documents for a 5-year period from 31 December of the year in which the last payment by the managing authority to the beneficiary is made for inspection and audit by the competent authorities, in line with Art. 82 of Regulation (EC) No 1060/2021.

The costs incurred for the implementation of an operation which involves investment in infrastructure or productive investment are eligible if the operation is stable. In accordance with the provisions of article 65, paragraph 1 of Regulation (EU) No 1060/2021, an operation is stable when there have been no significant changes in relation to its objectives and its nature, within five years from the final payment to the beneficiary or within the period specified by the regulations on state aid. The period of five years may be reduced to three by the MA in cases concerning the maintenance of investments or jobs created by SMEs, without prejudice to more restrictive state aid rules and specifications of Article 65, paragraph 1 of Regulation (EU) No 1060/2021. In the event that the stability of operations is not complied with, the undue payment shall be repaid back, in proportion to the period for which the requirements are not met. The provisions on the stability of operations and recovery are not applied to operations financed under financial instruments or operations subject to the cessation of a productive activity due to liquidation or dissolution to the extent that it is not fraudulent.

With reference to delocalization of investments and safeguard of levels of employment as well as stability of operations in case of State aid, Italian beneficiaries shall comply to the rules in force