

2nd Call

Eligibility of expenditure

Mihajlo Cicmilovic
Financial Officer





Financial management of the project-budget planning

- The major goal of any budget proposal is to estimate the costs of a project and if those costs are in line with program rules.
- The proposed budget must accurately assess all items and amounts necessary to successfully implement planned cost categories of the project activities.
- A good budget makes the execution of the budget easier and avoids errors as well as spending during the cost reporting.



Criteria of eligibility for the expenditure

- All expenditures must comply with the principle of efficiency, effectiveness and economy
- All expenditures must comply with the principle of real costs, with the exception of the costs calculated as flat rates and lump sums
- For all expenditures related to activities that have not been financed from other financial instruments, the DRP shall not finance the same costs which have been previously covered by any other EU funds.
- All expenditures shall be indicated in the Application Form if the project has received other EU financial support for the project preparation.



Financial management-link between activities and expenditure

All expenditures reported to the programme must correspond to activities implemented in the framework of the project.

Only expenditures planned in the application form are eligible.

Expenditure linked to the project should be indicated in AF/JEMS under the relevant cost category and following the calculation rules proposed in the latest version of the Manual on the eligibility of expenditure (version 1.1. from 24.04.2023).



Eligibility

- **General eligibility rules**
- **Ineligible expenditures**
- **Eligibility in time (exception: costs incurred in the last reporting period)**
- **Eligibility by cost categories**



Hierarchy of rules

1. EU regulations (CPR, ERDF regulation and Interreg regulation)
2. Programme rules – laid out in the Manual of Eligibility of Expenditure
3. National rules (including specific institutional)

The eligibility rules laid down in the Manual on eligibility of expenditure cannot be overruled by national or institutional legislation



Non-eligible costs

- Interest on debt
- Value added tax ('VAT'), **except:**
 - - for operations the total cost of which is below EUR 5 000 000 (including VAT);
 - - for operations the total cost of which is at least EUR 5 000 000 (including VAT)
- where it is non-recoverable under national VAT legislation
- Fines, financial penalties and expenditure on legal disputes and litigation
- Costs of **gifts**
- Cost)
- s related to fluctuation of foreign exchange rate
- Purchase of land and existing buildings
- In-kind contribution (including unpaid voluntary work)
- Project expenditure split among project partners (i.e. sharing of „common costs”



Eligibility in time

Eligible project expenditure has to be actually **incurred and paid between the starting date and the end date of the project** as defined in the approved Application form

Exceptions:

Preparation costs in amount of 18,500 EUR per project

Expenditures (including control costs) from last reporting period to be paid within 60 calendar days from the end date of the project



Cost categories

1. Staff costs
2. Office and administrative expenditure
3. Travel and accommodation costs
4. External expertise and service costs
5. Equipment expenditure
6. Infrastructure and works



Staff cost

- **Salary payments**
- **Any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security**
- **Overtime is eligible if directly related to the project**
- **Ad-hoc additional benefits, ad-hoc salary increase/ bonus applicable only to the project- NOT ELIGIBLE**



Staff cost

Staff costs may be reimbursed in the Danube Region Programme using two methods.

- A. on a real cost basis (proven by the employment document and payslips)**
- or**
- B. as a flat rate up to 20% of direct costs other than staff costs**

Each project must choose one the above reimbursement options in the final AF and this should remain unchanged through the entrie project period.



Staff cost-reimbursement methods

A. Real cost reimbursement method

- *Full-time* working on the project
- *Part-time* with a *fixed percentage* of time worked per month for the project

B. Flat rate reimbursement method



Office & administrative cost

- Flat rate method
- 15% of eligible staff cost
- No justification/ supporting document needed
- Office and administrative cost shall not be claimed as direct cost under any other cost category
- Office and administrative costs cannot be claimed as direct cost under other cost categories



Travel and accommodation costs

- **Project related travel costs** of the project staff employed and Associated Strategic Partner(s) financed by the beneficiary
- **The travel and accommodation costs may be reimbursed based on:**
 - the flat rate of the 15% of the staff costs and
 - real costs can be chosen in dully justified cases
- *Possible justified cases (non-exhaustive list):*
 - *PPs from not easily accessible areas, non-reimbursement of staff, very low staff costs etc.*
- **The method will be set during condition clearing in the final application form and has to remain unchanged through the entire project period.**

In the interest of the simplification, project partners are strongly advised to choose option A (flat rate)



Travel and accommodation costs - real cost basis

a. Travel costs:

- Tickets: flight tickets (including the costs for carbon offsetting), bus, train, local transportation tickets, etc.
- Travel and car insurance
- Fuel, car mileage according to the rules relevant for the beneficiary's institution
- Toll
- Parking fees (e.g. parking at the event, at the airport)
- Taxi costs and car rental according to the criteria of "further eligibility rules" of this cost category

b. Costs of meals

c. Accommodation costs

d. Visa costs

e. Daily allowances



Travel and accommodation costs - real cost basis

- **Attention:**
- Travel and accommodation costs of the ASPs **shall be planned** in the sponsoring PP budget under Travel and accommodation cost category (and not CC External expertise)
- **Travels outside the programme area** are subject of approval from JS: if possible to be included already in the AF!



External expertise and services costs

Clearly and strictly linked to the project and essential for its effective implementation

- a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks)
- b. Training
- c. Translations
- d. IT systems and website, development, modifications and updates
- e. Promotion, communication, publicity or information linked to the project
- f. Financial management
- g. Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation)
- h. Participation in events (e.g. registration fees)
- i. Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services
- j. Intellectual property rights
- k. Verifications: Externalised control activities for the verification of the project expenditure by authorised national controllers where it is relevant for the control system of the concerned Partner State
- l. 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
- m. Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers
- n. Other specific expertise and services needed for the given project



External expertise and services costs

- **Attention!**
- **Registration fees for participation in events** to be planned under CC External expertise and services costs (and not under BL Travel and accommodation)
- **Stakeholders' travel and accommodation costs** to be planned under CC External expertise (and not under CC Travel and accommodation)
- **Costs of website and project logo** created by PP as a simple communication tool are **not eligible**



Equipment costs

Purchase, rent or lease of equipment costs is eligible in case it is necessary for the project implementation and is foreseen in the approved AF.

- Equipment must be purchased in **compliance with public procurement rules.**
- **The full costs of the equipment can be allocated to the project** (provided that national or institutional regulations allow that project equipment is reimbursed in full). However, also depreciation is eligible if in line with national rules on the matter.
- In case only **depreciation costs are declared to the projects**, the eligibility rules relevant for depreciation costs shall be applied.



Equipment costs

- In justified cases, costs for the purchase of **specific thematic second-hand equipment** may be eligible subject to the following conditions:
- (a) no other assistance has been received for it from the Interreg funds or from the funds listed in point (a) of Article 1(1) of Regulation (EU) 2021/1060;
- (b) its price does not exceed the generally accepted price on the market in question; and
- (c) it has the technical characteristics necessary for the operation and complies with applicable norms and standards.



Infrastructure and works

Only small scale infrastructure is eligible where:

- **the transnational impact of the investment is demonstrated**
- **the activity is essential for the project's implementation**
- **it is approved in the Application Form**



Infrastructure and works

Only small scale infrastructure is eligible where:

- **the transnational impact of the investment is demonstrated**
- **the activity is essential for the project's implementation**
- **it is approved in the Application Form**



Sources of funding:

- **80% INTERREG Funds**
- **20% own contribution – national level information, NCP support**

Control costs (FLC):

- **to be planned under external experts and services cost category**
- **applicable for AT, DE and MD project partners**

Use of the EURO

- **Project budget (and partner budget) to be planned in Euro**
- **All expenditure to be reported in Euro**
- **EU contribution will be transferred to the LP in Euro**



Timeframe of reimbursement

