

**INTERREG V-A
ITALY-SLOVENIA
2014-2020**

CCI 2014TC16RFCB036

CALL FOR STANDARD PROJECTS

No 1/2016 1b

No 2/2016 4e

No 3/2016 6c, 6d, 6f

No 4/2016 11 ETC

**MANUAL ON ELIGIBILITY
OF EXPENDITURES**

FINAL VERSION

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ACRONYMS AND SHORT TERMS

AF	Application Form
AKA	as known as
AP	Application Package
TA	Technical Assistance
CP	Cooperation Programme INTERREG V-A Italy-Slovenia 2014-2020
ERDF	European Regional Development Fund
ESI	European Structural and Investment Funds
ETC	European Territorial Cooperation
FLC	First Level Control/lers
JS	Joint Secretariat of the Programme INTERREG V-A Italy-Slovenia 2014-2020
LP	Project Lead Partner
MA	Managing Authority of the Programme INTERREG V-A Italy-Slovenia 2014-2020
MC	Monitoring Committee of the Programme INTERREG V-A Italy-Slovenia 2014-2020
Operation/project	Project co-financed by the Programme INTERREG V-A Italy-Slovenia 2014-2020, according to art. 2 (9) of Regulation (EU) No 1303/2013
PP	Project Partner
Programme	Programme INTERREG V-A Italy-Slovenia 2014-2020
OG	Official Gazette
WP	Work Package

LEGAL FRAMEWORK

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 V-A Italy-Slovenia 2014-2020 and is drafted in line with the following legal provisions:

- **Regulation (EU) No 1303/2013** of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006;
- **Regulation (EU) No 1301/2013** of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006;
- **Regulation (EU) No 1299/2013** of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal
- **Commission Delegated (EU) Regulation No 480/2014** of 3 March 2014 supplementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund
- **Commission Delegated Regulation (EU) No 481/2014** of 4 March 2014 supplementing Regulation (EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes;
- **Note of interpretation of Commission Delegated Regulation (EU) No 481/2014** by the European Commission Ref. Ares(2014)3013818 dated 15/09/2014;
- **Commission Implementing Regulation (EU) No 821/2014** of 28 July 2014 laying down rules for the application of Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards detailed arrangements for the transfer and management of programme contributions, the reporting on financial instruments, technical characteristics of information and communication measures for operations and the system to record and store data.
- **Commission Implementing Regulation (EU) No 1011/2014** of 22 September 2014 laying down detailed rules for implementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards the models for submission of certain information to the Commission and the detailed rules concerning the exchanges of information between beneficiaries and managing authorities, certifying authorities, audit authorities and intermediate bodies
- **Commission Implementing Regulation (EU) No 184/2014 of 25 February 2014** laying down pursuant to Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European

Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund, the terms and conditions applicable to the electronic data exchange system between the Member States and the Commission and adopting pursuant to Regulation (EU) No 1299/2013 of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal, the nomenclature of the categories of intervention for support from the European Regional Development Fund under the European territorial cooperation goal

- **Commission Implementing Regulation (EU) No 215/2014** of 7 March 2014 laying down rules for implementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund with regard to methodologies for climate change support, the determination of milestones and targets in the performance framework and the nomenclature of categories of intervention for the European Structural and Investment Funds;
- **Directives 2004/17/EC and 2004/18/EC** of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts, and other relevant directives and regulations in the field of public procurement as well as national regulations on implementation of such Directives,
- **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;
- **Commission Decision C (2013) 9527** of 19 December 2013 on guidelines for determining financial corrections for non-compliance with public procurement rules
- **Council Regulation (EC, Euratom) No 337/2007** of 27 March 2007 adjusting from 1 January 2007 the scale applicable to missions by officials and other servants of the European Communities in Bulgaria and Romania;
- **EU legislation laying down provisions regarding State aid:**
 - **Regulation (UE) N. 651/2014** of the Commission of 17 June 2014 (Exemption Regulation);
 - **Commission Regulation (EU) No 1224/2013** of 29 November 2013 amending Regulation (EC) No 800/2008 as regards its period of application;
 - ***For Italian beneficiaries only - Linee guida GBER parte generale Conferenza delle regioni e delle province autonome 15/10/cr7bis/c3 - Linee guida delle regioni e delle province autonome per l'attuazione del Regolamento (UE) n. 651/2014 della commissione, del 17 giugno 2014, che dichiara alcune categorie di aiuti compatibili con il mercato interno in applicazione degli articoli 107 e 108 del trattato;***
 - **Regulation (UE) No 1407/2013** of the Commission of 18 December 2013 (de minimis);
 - State Aid Discipline in research, development and innovation (**2014/C 198/01**);
 - State Aid Discipline in environment and energy 2014-2020 (**2014/C 200/01**);
 - **Council Regulation No 733/2013** of 22 July 2013 amending Regulation (EC) No 994/98 on the application of Articles 92 and 93 of the Treaty establishing the European Community to certain categories of horizontal State aid;

- **Council Regulation (EU) No 734/2013** of 22 July 2013 amending Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty;

b) Documents elaborated within the Interreg V-A Italy-Slovenia 2014-2020 Programme:

- the Cooperation Programme Interreg V-A Italy-Slovenia 2014-2020, Decision C (2015) 9285 of 15 December 2015;
- the calls for proposals issued for the implementation of the Programme;
- the template of the Subsidy Contract between the Managing Authority of the Programme and the Lead Partner of the financed Projects;
- the template of the Partnership Agreement between the Lead Partner and the Project partners of the financed Projects.

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 V-A Programme Italy Slovenia 2014-2020 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) and the net revenues (see paragraph 9) are treated.

The MA of the Programme, 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, Property, Coordination and Programming of Economic and EU Policies

Area for Coordination and Programming of Economic, Patrimonial and European Policies

Office for European Territorial Cooperation, State Aid and General Affairs

Via Udine 9 - I-34132 Trieste, Italy

Tel.: +39 040 3775974 Fax: +39 040 3775911

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

Certified e-mail: finanze@cert.regione.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 area¹:

- 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 Notranjsko-kraška, Osrednjeslovenska, Goriška, Obalno-kraška, Gorenjska.

c) The categories of beneficiaries that are entitled to submit a project proposal as LP or to join in the partnership as PP will be specified in the calls for proposals issued by the MA.

d) The LP and PP are only those listed in section A of the Application Form.

¹ For eligibility for partners and location outside the Programme area, please see next paragraph 3.

3. GENERAL RULES ON ELIGIBILITY OF EXPENDITURE

An expenditure is deemed eligible under the Programme if:

- a) paid and incurred for activities within the project as in the application form 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) the beneficiary nor the employee of the beneficiary/beneficiary organization is outsourced by another beneficiary nor acts as an economic operator;
- e) is in line with the provisions and the deadline periods (see paragraph 3.2.) 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) is paid and incurred by the LP and PPs listed in the AF (invoices or other documents of equal probative value, addressed exclusively to them);
- h) has been effectively (cash out-flow) and definitively (with no possibility of cancellation, transfer and/or recovery) paid and incurred. All payments must be proven by appropriate documentation providing evidence of payment;
- i) has a fair value in line with principles of sound financial management², 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;
- j) is part of a project dedicated account or is clearly distinguishable from the ordinary activities of the beneficiary thanks to specific codification;
- k) has been incurred in compliance with the laws (including public procurement, see paragraph 7, for both public and private beneficiaries) 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). Invoices or other documents of equal probative value shall be in digital or in original or copy (or certified copy for Italian beneficiaries);
- l) is reported in accordance with the procedures and tools provided by the Programme (e.g. they shall be included in a Progress/Final Report and validated by FLC);
- m) complies with the principle of real costs except for costs calculated as flat rates;
- n) is relevant to one of the expenditure categories included in the AF of the approved project;
- o) has not been financed and shall not be financed by other EU/national/regional public funds expressly dedicated to the same project activities; (it is forbidden the double financing). 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

² Ref. Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002.

double financing, the corresponding amount shall be repaid by the beneficiary to the Programme. If it is proven that the double funding is intentional, the contribution shall be revoked and shall be applied the existing regulations on fraud;

p) Cash payments are eligible provided they are adequately documented. For Italian beneficiaries only for maximum amounts up to € 2.999,00. For Slovene beneficiaries, please refer to national provisions.

q) Is in line with the Regulation (EU) No 1303/2013 (see paragraph 7) and Programme Communication Strategy for the use of Visual Identity and all information and communication obligations and activities.

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

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

3.1. Eligibility depending on location

a) **Normally all project activities shall be performed in the Programme area.** Also the partners shall have their registered office or branch local operating units in the Programme area.

Programme area includes the following NUTS 3 regions:

- Pordenone, Udine, Gorizia, Trieste for Friuli Venezia Giulia Region;
- Venezia for Veneto Region;
- Notranjsko-kraška; Osrednjeslovenska; Gorenjska; Obalno-kraška; Goriška for the Republic of Slovenia.

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

c) If the partner is not based within the Programme area or/and expenditure paid by a partner located in or outside Programme area incurred outside Programme area, expenditure is eligible provided:

- it is expressly mentioned in the project and inserted in the monitoring system or
- it is authorized by the MA, eventually after submission to the MC and
 - it benefits Programme area (art. 20 (2) (b) of the Regulation (EU) No 1299/2013) and it is clearly demonstrated it is necessary for achieving project's objectives.

In accordance with Art. 20 (2) of the Regulation (EU) No 1299/2013, the ERDF expenditure incurred outside the Programme area, is eligible up to a maximum of 20% of ERDF funds available for each project.

d) Promotional activities or those of Technical Assistance benefitting Programme area may also be performed outside the Programme area.

3.2. Period of eligibility of expenditure

- a) Expenses are eligible at Programme level if incurred between 1 January 2014 and 31 December 2023.
- b) For projects, expenses are eligible if incurred in the eligibility period of project implementation as compulsorily set within the Subsidy Contract (start and end dates) and indicated in the AF, with the exception of preparation costs (see points e) and g)).
- c) Start date is the date of starting of project activities and shall coincide or follow the date of project application.
- d) 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.
- e) The LP may ask the anticipation of the start date of eligibility specifying in the AF (WPO - preparation) the start date for preparation costs and the amount and category of costs to be admitted before project start date.
- f) The issuance of invoices and payment thereof will normally be performed within 3 months from the project end date. Also, the expenses incurred for the last project activities which cannot be paid within end date, shall be paid within next 3 months provided they refer to activities concluded within project end date and they are reported within the Final implementation Report.
- g) "Preparation costs" are relating to "preparation activities" carried out before project application, if actually incurred between 01/07/2015 and the date of project application. They shall have an amount up to a maximum of 5% of the total project expenditure and not exceed € 20.000,00. They shall be regularly paid and reported. 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) - expenditure category: External expertise and services costs, staff costs;
 - ii. drafting and translation of application documents and acquisition of digital signature - expenditure category: External expertise and services costs, staff costs;
 - iii. organisation and participation to preparatory meetings among partners (see limitation on catering services) - expenditure category: External expertise and services costs, travel and accommodation, staff costs.

Preparation costs are eligible provided:

- 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-WPO);
- iii. they incurred after 1 July 2015 and until the application submission date and
- iv. they are paid within three months from the validity end date of the public call and reported within the first progress report to the validation by the first level controllers;

- v. they are documented by invoices and equivalent proving documents according to the requirements needed within each expenditure category.

3.3. Ineligible expenditure

Herein follows a list of ineligible expenses, which is not exhaustive:

- a) expenses which do not comply with regional/national/EU rules or with the provisions on the eligibility of expenditure within the Programme;
- b) expenses not related to the project and to the approved activities;
- c) expenses incurred outside the eligibility period as indicated in the Subsidy Contract;
- d) expenses incurred outside the Programme area save the exceptions described in paragraph 3.1 c) and d);
- e) expenses related to an asset for which the beneficiary has already received, for the same expenses, financial support from national and/or EU source;
- f) expenses not exclusively incurred by the beneficiary and invoices addressed to third parties;
- g) representation costs, such as costs of gifts, except those having a value not exceeding € 50,00 where related to promotion, communication, publicity or information;
- h) partial amounts invoiced but not paid;
- i) passive interests expenses; except those relating to a bank guarantee;
- j) recoverable value added tax³;
- k) attendance fees, sponsorship;
- l) fines, financial penalties and expenditure on legal disputes and litigation;
- m) 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;
- n) second-hand items;
- o) tips;
- p) share cost among PPs;

³ VAT is eligible only if it is a not recoverable cost for the beneficiary and any reimbursement cannot be claimed by the beneficiary.

a) If VAT is not recoverable, the Italian beneficiaries shall attach a declaration on the VAT, signed by the legal representative. This Declaration on the VAT shall be forwarded to the designated national first level control within the first progress report and then, just in case of changes.

b) The Slovenian beneficiaries shall submit a statement on the VAT or on its non-recoverable portion under the project, issued by the competent Tax Unit. The statement on the VAT status or on its non-recoverable percentage under the project shall be forwarded to the designated national first level control within the first progress report and then, just in case of changes. It is not necessary to attach the declaration concerning the VAT or the proportion of non-recoverable under the project in the event that the beneficiary of the project is a ministry.

IRAP is eligible for Italian beneficiaries if it is a not recoverable cost.

- q) discounts not considered when claiming the costs (only the discounted amount is eligible)⁴;
- r) fees between beneficiaries of a same project for services and work carried out within the project (services cannot be outsourced to PP);
- s) financial retentions regardless if they were paid and regardless if the bank guarantee was issued⁵;
- t) any specific item as specified in each expenditure category;
- u) in kind contribution.

⁴ For Slovene beneficiaries.

⁵ For Slovene beneficiaries.

4. EXPENDITURE CATEGORIES

The expenditure categories are:

- Staff costs
- Office and administrative expenditure
- Travel and accommodation costs
- External expertise and services costs
- Equipment expenditure
- Infrastructural Investments and works

4.1 Staff costs

This category covers the expenses for permanent or temporary employees - full or part-time - of the beneficiary organization, either public or private, employed for implementing project activities.

For Italian beneficiaries, please consider the national provisions given by the so called Jobs Act (National Law 10 December 2014, n. 183 *“Deleghe al Governo in materia di riforma degli ammortizzatori sociali, dei servizi per il lavoro e delle politiche attive, nonché in materia di riordino della disciplina dei rapporti di lavoro e dell’attività ispettiva e di tutela e conciliazione delle esigenze di cura, di vita e di lavoro”* (OG 15 December 2014, n. 290) and implementation Legislative Decrees D.Lgs. 4 marzo 2015, n. 22 *“Disposizioni per il riordino della normativa in materia di ammortizzatori sociali in caso di disoccupazione involontaria e di ricollocazione dei lavoratori disoccupati, in attuazione della legge 10 dicembre 2014, n. 183”* and D.Lgs. 4 marzo 2015, n. 23 *“Disposizioni in materia di contratto di lavoro a tempo indeterminato a tutele crescenti, in attuazione della legge 10 dicembre 2014, n. 183”* (OG 6 March 2015, n. 54).

Staff costs shall have a legal basis (contracts or other legal documents). The contract is subscribed according to current legal provision on the matter. Payments shall be ineligible without legal basis.

Activities shall be supplementary to those implemented in the institutional scope of the organization. This criteria is automatically met if the staff is employed for the sole scope of implementing the project within application. Costs for institutional/ordinary activities not strictly related to the project are not eligible. Therefore, only the days / hours actually worked on the project (clear evidence to be provided) and to achieve the project results shall be eligible.

Beneficiaries shall communicate 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.

Staff costs are inclusive of all costs borne by both the employee and the employer and include:

a) salary payments fixed in an employment/work contract, an appointment decision (hereinafter referred to as employment document) or by law relating to the responsibilities/tasks and role of the employee.

b) any other cost⁶ directly linked to salary payments incurred and paid by the employer such as employment taxes and social security contributions, including pensions, as covered by Regulation (EU) n. 883/2004 of the European Parliament and of the Council, provided that such costs:

- i. are fixed in an employment document or by law;
- ii. comply with the legislation referred to in the employment document and with standard practices in the country and / or organization in which the individual employee is actually working;
- iii. are not recoverable to the employer.

Only the stable and predetermined parts of the remuneration shall be eligible, whereas shall not be eligible additional items such as awards for achievement of results.

For staff travel and accommodation costs please refer to “Travel and Accommodation” expenditure category.

Staff costs are eligible if calculated according to one of the following methods, properly identified by the beneficiary during the application phase:

- a) as a flat rate in accordance with article 19 of Regulation (EU) No 1299/2013 or
- b) on a real cost basis.

A mixed system, including sub a) and sub b), is not allowed.

⁶ For Italian beneficiaries:

- i. Direct costs: all stable and recurring elements of the employment relationship are eligible (e.g. the basic salary and any most favorable supplements any distinctive element of salary, daily allowances - to be reported under “Travel and accommodation”). The surcharges for overtime are eligible provided overtime is authorized by the responsible for the scope of execution of project activities, and only for full-time employees. All other occasional elements (e.g. additional extra month fee (Annual Christmas bonus, in Italian tredicesima mensilità) and if foreseen, also another extra month fee called Annual Vacation Pay, in Italian, quattordicesima mensilità) are eligible only for staff employed full-time on the project ;
- ii. indirect costs: sick leave, holidays, extra suppressed holidays, bank holidays, time off for additional reduction of working hours, annual Christmas bonus and annual vacation pay , production bonuses (only if set by contract or as substitute element of the annual vacation pay) are eligible provided they are set in the contract and clearly calculable. The Italian IRAP is eligible only for the share of salary attributable to the project and provided it is unrecoverable for the beneficiary.
- iii. The daily meals and travel to the work place are eligible only for full-time jobs and provided they are established by contract or by national or regional legislation. For full-time definition internal rules of the beneficiary organisation are applied. As general rule full time means 8 work hours per day for 5 days a week, for approximately 172 hours/month.

For Slovene beneficiaries:

- i. gross pay (gross 1 - BTO1), which may include regular pay, sick pay (if not refunded by the Institute ZZS), vacation, holidays, seniority contribution, additional supplements, overtime. Prizes and Annual Christmas bonus are not eligible and should not be included in gross pay (BTO1) (see calculation system in the paragraph dedicated);
- ii. contributions of the employer;
- iii. meals at work;
- iv. transport to the workplace;
- v. the holiday pay (considered for the corresponding part)
- vi. additional collective pension insurance established by law for civil servants (Law ZKDPZJU).

4.1.1. Flat rate reimbursement (sub a)

Each beneficiary shall choose whether to apply real basis costs or flat rate for staff already in the AF.

It is necessary that the application form justifies the eligibility of staff costs, therefore project activities carried out by the staff must be specified. In the case the beneficiary makes use of staff already in force at the date of project proposal application, it shall be necessary to prove (with a statement declaration) that the activities carried out are additional and not included in the ordinary institutional scope of the organization.

The amount of flat rate (percentage) is determined for each beneficiary and per project at the financing approval decision.

Flat rate basis is calculated out of the beneficiary's direct costs incurred in the reporting period. All costs incurred by the beneficiary and validated by the national controller under the following budget lines are to be regarded as direct costs for the purposes of the calculation of mentioned flat rate options:

- External expertise and services costs
- Equipment expenditure
- Travel and accommodation cost only for next points ii) and iii)
- Infrastructure and work (see next footnote 8)

For projects including only infrastructure and works it is not possible to choose the flat rate option for staff costs⁷.

Direct costs, which have to be documented to form the basis for the staff costs calculation must be incurred and paid by the partner institution as real costs and must not include any indirect costs that cannot be directly and fully allocated to the project. In the occurrence that direct costs used as calculation basis for determining staff costs are found to be ineligible, the determined costs for staff must be re-calculated and reduced accordingly.

For the reimbursement of staff costs, it is possible to apply one of the following flat rate percentages:

- a flat rate of 20%** of eligible direct costs other than the staff costs with travel and accommodation included inside flat rate and shall not be reported separately;
- a flat rate of 10%** of eligible direct costs other than the staff costs with travel and accommodation not included inside flat rate and therefore reportable separately under travel and accommodation expenditure. Travel and accommodation costs shall be included in the direct costs as basis for the calculation of the flat rate;
- a flat rate of 15%** of eligible direct costs other than the staff costs in case of NGOs, non-profit organizations and private companies⁸, with travel and accommodation not included inside flat rate and therefore reportable separately under the travel and accommodation expenditure. Travel and accommodation costs shall be included in the direct costs as basis for the calculation of the flat rate.

⁷ Provided that the eligibility of staff costs shall be duly justified in the application form, according to article 67.4 of Regulation 1303/2013, the flat rate shall not be applied to whole project costs if the cost item of infrastructure and works implemented through a public procurement contract is the essential core of the project.

⁸ For Slovene beneficiaries: it is intended to be „organizations that according to The Public Payments Administration of the Republic of Slovenia are not direct or indirect budget users“..

For travels outside Programme area in case of flat rate choice (20%, 15% or 10%), please refer to paragraph 4.3.

The chosen option (real costs basis, flat rate at 20%, 10% and 15%) shall apply to all staff members of the beneficiary institution working on the project and it will be set for the entire project duration and cannot be changed during project implementation.

Staff flat rate is not applicable for expenses under Programme Technical Assistance budget - Priority Axis 5 (in this case, therefore, only real costs basis is possible).

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

- the description of the activities carried out for the project by involved staff;
- 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;
- 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;
- no other documentation on staff costs is required to be provided to the controller.

4.1.2. Reimbursement on a real cost basis (sub b)

One of the following real cost basis options shall apply:

1. employees whose activity is 100% dedicated to the project (full time);
2. employees working part-time within the project;
 - a) with fixed percentage of the gross employment costs or
 - b) with flexible percentage of the gross employment costs.

Sub 1. For employees whose activity is 100% dedicated to the project (full time), 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;
- ii. an official assignment clearly stating that the employee works full time on the project and his time-frame (if this statement is not clearly provided already in the employment document itself);
- iii. job description providing the necessary information on responsibilities related to the project (if not clearly provided already in the employment document itself);
- iv. pay slips or other documents of equivalent probative value as proof of payment of gross employment salary (e.g. extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement);
- v. 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;
- vi. No time-sheet is needed.

Sub 2.a) - 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 for each employee setting out the percentage of time to be worked on project for the whole project duration.

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

- i. employment document;
- ii. annual statement of remuneration that justify the labour cost (just for Italian beneficiaries);
- iii. 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 by each employee. The fixed percentage is to be kept constant throughout the whole project duration. 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) 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;
- iv. 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;
- v. Payslips or other documents of equivalent probative value which allow proof of payment of gross employment costs (e.g. extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement); or otherwise
 - a document proving payment of net salary plus;
 - a document proving payment of fiscal income tax plus;
 - a document proving payment of social security contributions;
- vi. other documents foreseen by law in force;
- vii. bank statements or letters of credit or other bank statements to prove payment and reimbursement.
- viii. No time sheet is needed.

Sub 2.b) - For employees working **part-time within the project, and whose expenditure is calculated as a flexible percentage** of the gross employment costs, the following calculation shall apply.

For Italian beneficiaries a flexible share of the gross employment cost, in line with a number of hours varying from one month to the other worked on the project, based on a separate working time registration system covering 100% of the working time of the employee. Reimbursement of staff costs is calculated based on an hourly rate determined dividing the latest documented annual gross employment cost by 1720 hours, in accordance with article 68, paragraph 2 of the Regulation (EU) No 1303/2013. The latest documented annual gross employment cost is not necessarily related to the physical person. For example it can be taken as reference the most recent documented gross annual labour costs of the predecessor with the same job title. Most

recent documented gross annual labour costs should refer to a 12 consecutive months period; the hourly rate shall be multiplied by the number of hours actually worked on the project.

For Slovene beneficiaries the basis for the identification of eligible expenditure is the monthly number of hours devoted to the project and its hourly cost. A daily timesheet shall be kept (see dedicated paragraph for Slovene beneficiaries below for calculation and details).

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

- i. Employment document;
 - ii. annual statement of remuneration that justify the labour cost (just for Italian beneficiaries);
 - iii. official assignment by employer recording the hours devoted to the project and activity descriptions, which are to be dated and confirmed by both the employee and his supervisor or the head of the project (timesheet with a clear indication of the time worked on the project). 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) as well as statement on the expected employee's working time on each co-funded project;
 - iv. Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project. The time registration system must cover 100 % of the actual working time of the individual.
 - v. Payslips or other documents of equivalent probative value which allow proof of payment of gross employment costs (e.g. extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement) with evidence of number of hours / days worked on the project and with the evidence of payment of salary, including social security and taxes;
- otherwise:
- a document proofing payment of net salary; plus
 - a document proofing payment of fiscal income tax; plus
 - a document proofing payment of social security contributions;
- vi. description of the specific activities carried out for the project and the time spent to carry it out;
 - vii. a table showing the monthly / annual income foreseen in the contract with the indication of the method of calculation of hourly / daily cost of internal staff (timesheet for Slovene beneficiaries);
 - viii. periodic report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The staff report (one per each reporting period) must be signed by both the employee and her/his supervisor (timesheet for Slovene beneficiaries);
 - ix. other documents foreseen by law in force;
 - x. bank statements or letters of credit or other bank statements to proof payment and reimbursement.

If the beneficiary is a public administration the documentary evidence of actual payment of fiscal and social security contribution/taxes on staff is presented to the controllers only once; afterwards the submission of a self-declaration which confirms the actual payment of the fiscal and social security contribution/taxes will be accepted.

Controllers will verify self-declaration on a sample check basis.

For Slovene Beneficiaries:

In order to calculate the hourly cost it shall be considered the monthly gross salary (net pay, contributions of the employer and the employee, income tax), meals, transport and other costs of employment in accordance with national law and the contract. Beneficiaries may include in the basis of calculation also the share for annual leave and other revenues, provided payments are paid by the end of the reporting period (pay slips and copies of bank transfers shall be submitted).

On the basis for calculation of the hourly cost, it can be included also the cost for sick leave or for other absences in the case they are paid by the employer. Overtime hours can be included too.

Total number of working hours shall not exceed the limits set by national legislation.

EXAMPLE of calculation of hourly rate for permanent staff not employed 100% in the project (hours dedicated to the project: 50; monthly ordinary hours: 144; 32 hours of sick leave, monthly hours 176):

▪ GROSS (BTO1):	€ 1.300,00
▪ Contribution by the employer: (16,10%) ⁹ :	€ 209,30
▪ Work meals:	€ 70,00
▪ Transport to workplace:	€ 95,70
▪ Other (holidays 1/12):	€ 50,00
▪ Other (e.g. ZKDPZJU):	€ 25,00
▪ TOTAL:	€ 1.750,00
▪ Monthly hours ¹⁰	□ 176
▪ Hourly rate	€ 9,94

Eligible cost is calculated by multiplying hourly rate by number of hours dedicated to the project and adding the pro rata share of annual leave/holidays and other benefits arising from the employment relationship ((9,94 x 50) + 110,48 = € 607,64).

⁹ It varies depending on the type of employment contract.

¹⁰ Monthly hours worked represent the data of hours worked on monthly basis and are publicly available.

4.2 Office and administrative expenditure

This expenditure category shall be limited to the following elements:

- office rent;
- insurance and taxes related to buildings where the staff is located and to the equipment of the office (e.g., fire and theft insurance);
- utilities (e.g. electricity, heating, water);
- office supplies (except costs reported under equipment);
- general accounting provided inside the beneficiary organization;
- archives;
- maintenance, cleaning and repairs;
- security;
- IT systems (except costs reported under equipment);
- communication (e.g. telephone, fax, Internet, postal services, business cards);
- bank charges for opening and administering account/s whether project implementation requires a separate account to be opened;
- charges for transnational financial transactions.

Office and administrative expenses in line with the delegated Regulation (EU) No 481/2014, with the exception of the technical assistance, can be eligible only at a flat rate of 15% of eligible staff direct costs (article 68 (1) (b) of Regulation (EU) No 1303/2013).

In the event that staff costs are calculated on a flat rate basis in line with Article 19 of the (EU) Regulation No 1299/2013, for administrative and office expenditures is eligible 15% of the staff costs calculated. The above list is exhaustive and all listed items are to be paid applying the flat rate under this cost category and accordingly cannot be claimed and reimbursed under any other cost category.

No documentation is needed to report this item costs.

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

4.3. Travel and accommodation expenditures

Travel and accommodation expenditures shall be reported under and according to this paragraph unless the beneficiary has chosen the 20% flat rate according to paragraph 4.1.1., sub i. Only in this case travel and accommodation costs shall not be reported separately (please see paragraph 4.1.1.).

In all cases (real costs basis for staff costs - see paragraph 4.1.2, or flat rate in whatever percentage - ref. 4.1.1, sub. i, ii, iii), travel and accommodation expenses incurred outside Programme area shall be reported separately under and according to this paragraph “travel and accommodation expenditures”. The request for authorization of mission to be made outside Programme area has to be compulsorily submitted to the JS/MA by the LP at least 7 working days before the mission. For the authorization, the rule of the silent approval after 3 working days from the request shall be applied. If no request for authorization is applied by the LP in the given terms, the expenses shall be ineligible under the Programme.

Travel expenses (food, accommodation, transportation) incurred by project partners are eligible, provided they are clearly referred to partners and necessary for project implementation and incurred in accordance with the principle of economy.

Travel and accommodation costs for experts and external service providers are eligible within the expenditure category of external expertise and services in line with art. 6 of the Delegated (EU) Regulation No 481/2014.

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

- travel costs;
- the costs of meals;
- accommodation costs;
- visa costs;
- daily allowances.

Any element listed above covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

In the Public Administration travel expenses are calculated in line with national/regional legislation and with internal regulations of the institution concerned in accordance with the principles of economy. In case there is no internal regulation and in case internal regulation allows daily allowances, the Regulation (EU) No 337/2007 with further changes and modifications, art. 1 will apply. This EU Regulation governs the maximum allowable living expenses and daily allowances per diem as follows: "The mission per diem covers a flat-rate daily allowance of all expenses incurred by the person on mission: breakfast, two main meals and other expenses, including local transportation. Accommodation costs, including local taxes, shall be reimbursed on production of supporting documents within a maximum fixed for each Country (Italy € 135,00 Slovenia € 110,00).

The costs for car mileage reimbursement is calculated according to the national rules for Slovene beneficiaries and according to the official national / regional km rate or to internal regulation of the organization (if it defines a calculation method and provided it is made clear reference to it) for Italian beneficiaries.

The MA may accept as eligible meals and accommodation expenses taken in establishments located outside the Programme area, if incurred in line with Article 20 (2) of the Regulation (EU) No 1299/2013, they are specifically mentioned in the project or if expressly authorized by the Managing Authority. This shall also apply to local travel costs at the location of an event located

outside the Programme area and to meals and accommodation costs incurred by staff of beneficiaries located outside Programme area, provided they are necessary to achieve project objectives.

Travel and accommodation costs must be definitely borne by the beneficiary. Direct payment of costs by staff member of the beneficiary must be supported by a proof of reimbursement from the employer. Travel and accommodation costs shall be proved by presenting proof of payment (except in the case of recognition of the daily allowance as in EU Regulation No 337/2007) by the beneficiary institution to the employee/professional.

As a general rule, the principles of economy and efficiency should be applied for the costs of travel and accommodation and the choice of the most economical and effective means of transport; if not, a due justification shall be given.

Local transfers with taxi shall be regarded as eligible only in case they represent the most efficient travel solution (it has to be justified).

The duration of the mission must be clearly in line with its purpose. It shall maximum last from the day before to the day after the concerned meeting. Costs for any longer duration shall be eligible if it is demonstrated that the additional costs (e.g. extra hotel nights, extra per diems, additional staff costs) do not exceed the savings eventually made in the costs for transportation.

In case of cancellation of mission, not used travel tickets are not eligible, irrespective to the reason for the cancellation of the travel.

The days of the mission shall be included in the monthly timesheet.

Specific rules for Italian beneficiaries

The following documents shall be presented to the first-level control to prove the eligibility of costs, unless flat rate is applied:

- i. the authorization to the mission/s;
- ii. expense reports filled-in by the person who carried out the mission reimbursed by the beneficiary;
- iii. documentary evidence of expenditure (e.g.: bus, aircraft, ships tickets, parking and taxi receipts, highway tolls; invoices/receipts for hotels or restaurants);
- iv. report containing the motivation/content of the mission, the location and the time duration, the list of participants, if applicable, as well as the details of expenses, divided in travel, meals and accommodation;
- v. other documents as required by laws in force;
- vi. account abstracts or other bank statements as proof of payment.

Eligibility is subject to the following limitations:

- air travel: the class "economy" ticket is eligible;
- travel with own vehicle: car mileage reimbursement is calculated according to the official national / regional km rate or to internal regulation of the organization if it defines a calculation method and provided it is made clear reference to it¹¹ with the limit set out in the relevant FVG regional decree for the regional staff which is available

¹¹ Within the first progress report a copy of the internal Regulation or framework contract shall be submitted, if reference is made to them.

on the programme website;

- meals: the provisions of the internal regulations of the beneficiaries shall apply. In any case the maximum fare is € 55,00 per meal;
- accommodation: the hotel maximum category shall be "4 stars", with ceiling as in Regulation (EC, Euratom) No 337/2007.

The use of the plane or private car is eligible if it is the most economical and effective mean of transport and economy and efficiency must be demonstrated.

The daily per diem allowances, paid to employees by the beneficiary organization are eligible if foreseen by the internal regulation and in accordance with legislation in force (included Regulation (EC, Euratom) No 337/2007) and should correspond to travel documentation (e.g. Timing of flights).

Specific rules for Slovene beneficiaries.

Beneficiary organization (public and private) can request reimbursement of travel expenses and daily allowances related to the project only for its employees (with exceptions allowed by national law) and in accordance with national regulations in force.

The following documents shall be presented to the first-level control to prove the eligibility of costs, unless flat rate is applied:

- vii. authorisation of mission of the employee(s) travelling, bearing information on the purpose and connection with the project, destination and the start and end date of the mission;
- viii. proof of expenditure and supporting documentation (e.g. invitation, agenda, signed attendance list, invoice of travel agent, flight boarding pass or train ticket);
- ix. reimbursement request from the employee, based on real costs. When claiming reimbursement all necessary documents proving the costs occurred must be provided (e.g. bus or metro tickets);
- x. in case of use of employee's car mileage calculation sheet with statement of the distance covered, the cost per unit according to national rules;
- xi. proof of payment of costs directly paid by the beneficiary and/or proof of reimbursement to the employee (e.g. extract from a reliable accounting system of the beneficiary, bank statement);
- xii. each employee attending the travel has to prepare a travel report in which his role and connection to the project (with official supporting documentation) is described;
- xiii. invoice and proof of payment for fuel if company car was used.

4.4. External expertise and services costs

The category "external expertise and services" refers to the costs that incurred in favour of external service providers and experts (public or private law body or a natural person) performing tasks necessary to achieve project objectives, that have to be outsourced. Costs shall be limited to the following:

- studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks, manuals);
- training;
- translations;
- IT systems, website development, modification and update;
- promotion, communication, publicity, information linked to a project or to the Programme;
- financial management;
- services related to the organization and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (e.g., registration fees);
- legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- intellectual property rights (except those costs reported under equipment);
- when applicable, verifications under Article 125 (4) (a) of Regulation (EU) No 1303/2013 and in Article 23, paragraph 4 of Regulation (EU) No 1299/2013;
- certification and audit costs on Programme level, under Articles 126 and 127 of Regulation (EU) No 1303/2013;
- provisions of guarantees by a bank or other financial institution, where required by EU or national law or in a Programme document adopted by the MC;
- travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- other specific expertise and services needed for projects (e.g. consultants and temporary contracts, not considered as employed staff, according to national provisions).

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.

Expenses related to this expenditure category require a legal basis (e.g. a contract, legal documents or letters of appointment) and shall comply to provisions laid down in the EU Regulation No 821/2014 and in the Programme Guidelines for Visual Identity. Payments incurred without legal basis and above mentioned provisions are not eligible.

Services shall be awarded in compliance with EU and national provisions on public procurement in force according to transparent public selection procedures.

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

If the supplier is a natural person, including casual workers¹², scholarships (for Italian beneficiaries), research projects (expressly granted solely for the purpose of creating services and products directly related to project objectives - only to beneficiaries Italian) and all the staff not foreseen in staff costs fall under this budget category.

The payment shall be proportionate to the type of service provided and to the professional qualification of the consultant (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 organization¹³). Expenses related to social security, taxes, e.g. irrecoverable VAT¹⁴, are also eligible¹⁵ as well as contributions for health care, for trade associations, etc. Italian IRAP is eligible only if not recoverable by the PP and provided it is calculated with “metodo retributivo”.

Travel and accommodation costs for external experts are also eligible under this category provided their indicative maximum amount is indicated in the contract.

Copyrights, membership fees, meetings attendance fees¹⁶ are not eligible.

Catering services at events are eligible, provided the cost is reasonably justified by its necessity for the project (with detailed information on the event, including a list of participants) and it is confirmed the appropriateness of the expenditure in terms of cost/quality ratio (with detailed invoice).

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

The following documents shall be presented to the first-level control to prove the eligibility of costs:

- i. all documentation relating to the procedures for tendering and contracting;
- ii. contract or agreement¹⁷ 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.;
- 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. for Italians, invoices or pay slips for the months of reference, with the evidence of payment of salary, including social security and taxes;
- vi. other documents foreseen by legislation in force;
- vii. account abstracts or letters of credit or other bank statements as proof of payment (included payment of taxes and social security);

¹² 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).

¹³ In any case the lower fare shall be applied.

¹⁴ Ref. Previous foot-note 3.

¹⁵ Only for the portion relating the fee paid for the staff involved in the project.

¹⁶ Fees for participation in a specific evaluation commission are eligible.

¹⁷ In Slovene words contract and agreement coincide with *pogodba*.

viii. 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) and gadgets.

External expertise - for Italian beneficiaries

This item include all staff recruited by the PP that is not foreseen in staff costs item:

- i. staff recruited for a project;
- ii. staff recruited with temporary contracts, not considered as employed staff, according to national provisions;
- iii. consultants;
- iv. occasional workers and Italian *work vouchers* according to the limits ruled in the s.c. Jobs Act.

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 project activities, it is eligible a fee not exceeding € 350,00/diem (VAT excluded), 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 the first-level control to prove the eligibility of costs:

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

- i. any documentation or information on implementation of public tender (at the time of reporting expenses);
- ii. collaboration contract (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 (in the moment of reporting related expenses);
- iv. list of provided services (signed by the responsible);
- v. produced reports or other evidence on the services actually provided (timesheet);
- vi. incurred payment.

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

- i. any documentation or information on implementation of public tender (at the time of reporting expenses);
- 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 (in the moment of reporting related expenses);
- 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 first-level control to prove the eligibility of costs:

- i. order and account drawn up 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

Expenses related to the purchase, rental or lease of equipment by the beneficiary, other than those referred to in paragraph “office and administrative expenditure”, shall be limited to the following:

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

Also a partial use of equipment for the project, e.g. for a certain duration or a certain quota, is eligible (exclusive use for the project is not needed). The necessity of the equipment for achieving project objectives shall be clearly mentioned in the project proposal. 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 the basis of actual incurred cost or on the basis of depreciation, as follows:

- a) equipment used for project management (such as computers, printers, projectors, etc.): In this case the full purchase price of the property 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;
- b) technical equipment for the implementation of the content of the project 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.

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

The equipment shall be properly labelled/plaqued complying with the reference to the Programme. Labelling or plaques and their content shall comply to provisions laid down in the EU Regulation No 821/2014, and in the Programme Guidelines for Visual Identity. In the case of inventoried assets, it shall be reported (with separate labelling) the inventory registration number.

Depreciation is included proportionally in the accounts once a year, in periodic reports presented at the end of each calendar year and in the final report. Slovene PP can include depreciation in all reports. Only pro-quota of the depreciation is eligible. Depreciation is eligible only if the item was bought in the eligible period of project implementation.

For the calculation, it shall be submitted the approved depreciation plan containing the following information:

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

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 shall conform to public procurement norms.

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 (see below in this paragraph). If a different choice is made without due justification, the excess cost shall be deducted from eligible costs.

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 first-level control 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 in digital, or original, or copy (or certified copy for Italian beneficiaries);
- vii. other documents foreseen by legislation in force;
- viii. account abstracts or other bank statements as proof of payment.

4.6. Infrastructural investments and works

The following are considered infrastructure investment:

- A. purchase of land;
- B. restoration and recovery of buildings;
- C. building interventions;

The infrastructure investment is 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 71 of the of Regulation (EU) No 1303/2013, the infrastructure investment shall remain of property of beneficiaries for minimum 5 years after the end date of the project, 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 property has not received, in the last ten years, a national or EU grant creating the risk of duplication of funding;
- f) the beneficiary acquires 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.

Investments are eligible on public real estate or public lands.

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 project end date. In this case for the same property/land is not eligible rents or concession.

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 10 years.

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

National provisions on public procurement shall be complied.

Beneficiaries shall comply with the requirements of Regulation (EC) No 821/2014, as for the application of the Visual Identity and obligations on information and communication.

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

Sub A. - 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. account abstracts or other 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.

Sub. B. and C. - Construction, restoration or recovery of property and infrastructure:

- i. documentation relating to the procedures for tendering and contracting;
- ii. intermediate and final progress status of the works and associated test certificate;
- 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. account abstracts or other bank statements as proof of payment;
- v. other documents foreseen by legislation in force.

4.7. Derogation for ITI projects

As for the period of eligibility of preparation costs (see paragraph 3.2. point g), they shall be eligible starting from 17 September 2014.

As for point c. of paragraph 4.6, in exceptional and duly justified cases, to be assessed before approval, the limit of 10% may be raised in line and in cases as set out by art. 69.3.b of Regulation (EU) No 1303/2013.

In derogation of paragraph 4.6., investments on real estates and lands shall be eligible also on private real estate and land provided all needed documents are available as requested at national level.

5. INFORMATION AND COMMUNICATION

Beneficiaries are obliged to inform the public about the co-financing received by the ESI Funds.

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 public and target groups.

For details related to the responsibilities of beneficiaries on information and communication refer to Annex XII of the Regulation (EU) No 1303/2013 and to Regulation (EC) No 821/2014, and in particular Articles 3, 4 and 5.

All actions financed by the Programme shall comply with the Guidelines for the application of the visual identity for the implementation of the information and communication activities provided by the Programme Communication Strategy (see official website of the Programme).

More information on this requirement which makes an expense eligible shall be contained in the Programme Guidelines for the application of the visual identity for the implementation of the information and communication activities.

Promotion and information material shall comply to provisions laid down in the Regulation (EC) No 821/2014 and in the Programme Guidelines for Visual Identity. Publications, CD-Rom, DVD, website, etc. shall be drafted in Italian and Slovene and, if needed, in other EU languages.

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 EC 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 or 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. 6 of Regulation (EU) No 1303/2013).

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. Therefore, the Programme sets simplified rules of procurements for these actors:

Type of contractor	Estimated value of the contract, excluding value-added tax (VAT)	Procedure
Private and public actors that are not subject to the EU Directive on public procurement (i.e. not the State, regional or local authorities or bodies governed by public law)	Under € 250,00	Direct awards
	€ 250,00 or higher until national and EU thresholds	Perform and document adequate market search (e.g. collecting offers from at least 3 different market operators, internet price comparison)

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. 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.

6.3. Agreements among Italian 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 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.

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, first and second level controls, documents storage, stability of operations, etc.). As

this kind of agreements should be governed only by public interest, only incurred costs reimbursement is foreseen.

The costs incurred within these agreements shall fall within the categories of expenditure laid down in this Manual.

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

For each project beneficiary, the FLC 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 ERDF 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 (2013) 9527, of 19 December 2013 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 87 (1) of the Treaty provides for the incompatibility of State Aid with the internal market.

EU rules on State Aid apply in all cases where the criteria listed in Art. 87 (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).

The so-called de minimis rule and its relevant EC Regulation (in particular Regulation (UE) No 1407/2013) concerns grants of small amount assumed not to have effects on trade and competition among Member States, and therefore do not constitute State aid under Article 87 (1) of the Treaty.

Articles 87 (2) and 87 (3) of the Treaty describe a series of cases in which State aid may be considered compatible with the Treaty (the so-called "derogations"), that is, cases in which State aid is granted to address the cd. "failures" of the market which prevent the achievement of the Community objectives of recognized public interest.

In order to benefit from the above mentioned derogations, aid schemes or ad hoc aid shall be authorized by the European Commission after notification, or be granted in accordance with the provisions of the exemption regulations, which contain detailed compatibility conditions established by the Commission that the aid must comply in order to enjoy the implicit approval of the Commission and become operational.

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. 87 (1) of the Treaty.

These limits can derive both from the EC decisions after State notification either from the General Block Exemption Regulation n. 651/2014/ EC for aid schemes already communicated or to be communicated in exemption by the competent national authorities.

More detailed information on state aid rules within the Programme shall be contained within "Guidelines for the on line Application Form".

The Slovene beneficiaries should respect also the specific national rules on state aid.

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 up to 31 December 2027 for inspection and audit by the competent authorities, in line with Art. 140 of Regulation (EC) No 1303/2013.

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 71, paragraph 1 of Regulation (EU) No 1303/2013, 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 71, paragraph 1 of Regulation (EU) No 1303/2013. 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.

9. NET REVENUES

Net revenues are the cash inflows directly paid by users for the goods or services provided by the project, such as charges borne directly by users for the use of infrastructures, sale or rent of land or buildings, or payments for services after deducting any operational costs and replacement costs of short-life equipment incurred during the corresponding period.

Net revenues reduce of the same amount the Programme co-financing. The reduction of co-financing is done according to article 61 of the Regulation (EU) No 1303/2013.

The amount of net revenue shall be demonstrated by appropriate documentation and statements from beneficiaries who attest the exact amount of revenues generated by the project and their registration on the accounting system of the beneficiaries.

Revenues shall be estimated ex ante or calculated ex post.

Depending on the time when the project generates net revenue different provisions shall be applied.

For projects generating revenue after their completion, provisions of art. 61 of Regulation (EU) No 1303/2013 and of art. 15-19 of the Delegated (EU) Regulation No 480/2014 shall apply.

In this case, potential net revenues are determined in advance taking into account the potential of the project to generate net revenue over a specific reference period that covers both implementation of the project and the period after its completion and in advance reduce the total eligible expenditure of the operation - or allocated pro rata to the eligible expenditure. The amount of net revenues shall be monitored throughout the whole life of investment.

It does not apply to:

- Operations whose total eligible cost does not exceed € 1.000.000,00;
- Technical assistance;
- State aid.

Where it is objectively not possible to estimate the revenue in advance, net revenues generated within three years of the completion of a project or by the deadline for submission of documents for Programme closure, whichever is the earlier, shall be deducted from the expenditure declared to the Commission. The net revenue shall be monitored only over this period.

Projects generating net revenues during implementation and not covered by Article 61 of Regulation (EU) No 1303/2013 shall be deducted - possibly pro rata - from the eligible costs not later than the claim for final payment, unless they have been considered at the time of operation's approval.

It does not apply to:

- Operations whose total eligible cost does not exceed € 50.000,00;
- Technical assistance;
- State aid.