Project Implementation Manual

Transnational Cooperation Programme Interreg Balkan-Mediterranean 2014-2020

CCI 2014TC16M4TN003

Adopted by the Monitoring Committee in Corfu, on 26.11.2015.

Balkan-Mediterranean is co-financed by European Union and National Funds

Table of Contents

Abbreviation 5
Glossary 7
Introduction 11
Purpose and content of the Balkan-Mediterranean Project Implementation Manual 12
Regulatory Framework 14
SECTION A: PROJECT APPLICATION GUIDELINES 16
PROJECT DEVELOPMENT 17
Project generation 17
Project intervention logic 18
Objectives, expected results and outputs 19
Indicators 20
Partners and Partnerships 21
The Lead Partner 21
The Project Partner 23
The Observer Partner 25
Identification of “key actors” in the Partnership 25
Eligibility of Partners 26
The partnership 28
The work plan 29
Project management and coordination activities [WP1] 29
Project Communication and Dissemination activities [WP2] 33
The project activities [Thematic WPs] 35
The project budget 37
The project size and duration 39
APPLICATION AND ASSESSMENT OF A PROJECT PROPOSAL 40
Project application 40
Submission process of a project proposal 40
Elaboration of applications 40
Submission of applications 41
Additional information on the submission of applications 41
Selection process of a project proposal 41
Assessment and decision-making process 42
Administrative and Eligibility criteria of projects 42
Selection decisions 43
Summary of selection process 43
Resolution of complaints 44
Complaints related to assessment and selection 44

Complaints related to decisions made during the project implementation 45
SECTION B: PROJECT IMPLEMENTATION GUIDELINES 46
CONTRACTING OF AN APPROVED PROJECT 47
Contracting procedure 47
Normal contracting procedure 47
Contracting projects approved with conditions 48
Subsidy Contract 49
Partnership Agreement 49
Timeline for the implementation of the Subsidy Contract 51
PROJECT START-UP 53
Planning the start-up of activities 53
Establishing the audit trail system 54
The kick-off meeting 55
PROJECT MODIFICATIONS 56
Review of project activities and budget 56
Main categories of project changes 58
Project Adjustments 59
Project Modifications 60
Decommitment of the project 63
Project Modification Summary table 64
Necessary documents and procedure for Project Modifications 65
COMMUNICATION, DISSEMINATION OF INFORMATION AND PUBLICITY 69
Communicating activities and results 69
How to communicate? Which media is best? 69
Who to Target? 70
Programme visibility requirements 70
BalkanMed Programme website 71
PROGRAMME MANAGEMENT AND INFORMATION SYSTEM (M.I.S.) 72
COMPLIANCE WITH EU POLICIES AND OTHER RULES 73
The principle of cost efficiency and transparency 73
Public procurement 73
Equal opportunities and non –discrimination 74
Protection of the environment 75
Other applicable rules 75
Conflict of interest 75
Double funding 75
Treatment of revenues 76
De-commitment of ERDF & IPA co-financing (n+3 rule) 77
Detection of unduly paid out expenditure, including irregularities 78

Recovery of funds from running projects 80
Recovery of funds from closed projects 80
PROJECT EXPENDITURE AND APPLICABLE RULES 81
Hierarchy of rules on eligibility of expenditure 81
General eligibility principles 81
Overview of eligible and ineligible costs 83
Specific provisions for expenditure incurred outside the Programme eligible area 85
Period of eligibility of expenditures 86
Eligibility of expenditure by budget line 89
Eligibility of Staff costs 89
Eligibility of Office and Administrative costs 96
Eligibility of Travel and Accommodation costs 99
Eligibility of External Expertise and Services costs 101
Eligibility of Equipment expenditure 103
Eligibility of Infrastructure expenditure and costs of Works 105
MONITORING, CONTROL AND REIMBURSEMENT 107
Project Reporting 107
Reporting Activity 107
Project Progress Report 110
Validation of expenditure (expenditure verification) 113
The different control levels 113
Procedure for expenditure verification 115
Reimbursement 120
Programme reimbursement system 120
PROJECT CLOSURE 123
Final Project Report 123
Durability and ownership of the project outputs 125
Storage of project documents and accounting records 125
Final considerations for project closure 127

Abbreviation

AA	Audit Authority
AF	Application Form
AR	Application for Reimbursement
BL	Budget Line
CA	Certifying Authority
CC	Candidate Country
CF	Cohesion Fund
CM	Communication Manager
CP	Cooperation Programme
DVE	Declaration on Validation of Expenditure
ERDF	European Regional Development Fund
EC	European Commission
EU	European Union
FAQ	Frequently Asked Questions
FLC	First Level Control
FLCer	First Level Controller
FM	Financial Manager
FPR	Final Project Report
GoA	Group of Auditors
IPA	Instrument for Pre-accession Assistance
JS	Joint Secretariat
LA	Lead Applicant
LP	Lead Partner
MA	Managing Authority
MC	Monitoring Committee
MIS	Management & Information System
MS	Member State
NA	National Authority
NCP	National Coordination Point
NUTS	Nomenclature of Territorial Units for Statistics
OLAF	European Anti-Fraud Office
PA	Partnership Agreement

PIM	Project Implementation Manual
PM	Project Manager
PO	Payment Order
PP	Project Partner
PPR	Project Progress Report
PrPR	Partner Progress Report
PRAG	Practical Guide to Contract procedures for EU external actions
SC	Subsidy Contract
SME	Small and Medium-size Enterprise
WP	Work Package

Glossary

A general glossary of the most common terms used for project management and implementation is presented below.

Activity	An activity can be defined as a process, what is done for a particular purpose. Each Work Package is divided in deliverables deriving from specific activities. Activities have to lead to the development of one or more project deliverables - outputs.
Administrative and eligibility check	The first steps of the proposal assessment process after the closure of a Call for Project Proposals. The purpose is to verify whether an application complies with the administrative and eligibility criteria established by the BalkanMed Programme for the projects of the Call. Failure to comply with any of these criteria leads to rejection of the application.
Application Form	Binding document which describes the project (objectives, results, outputs, partnership) and gives detailed information on the work plan and financial figures. The AF has to be submitted during the selection process and is assessed by the Programme bodies, in order to select the projects to be funded by the Programme. Once the project is approved, the AF becomes the reference document for the whole implementation of the project until its closure. The content of it may change to a certain extent during the implementation, but only according to the Programme's project modifications rules and procedures.
Audit	The term “Audit” is used for the second level audit performed by the Audit Authority (Group of Auditors) or by external auditors on behalf of the Audit Authority in compliance with Art. 127 of CPR. Second level audit covers the verification, on a sample basis, of already validated and approved project expenditure.
Audit trail	The documentation kept by every partner that proves how all funds have been spent.
Audit Authority (AA)	Auditing officers of Hellenic General Accounting Office/ Financial Audit Committee appointed for auditing the expenditures and the control system of the Programme, in accordance with Article 123(4) of the CPR and Article 21(1) of the ETC Regulation and in compliance with Article 128 of the CPR shall carry out the functions laid down in Article 127 of the CPR and Article 25 of ETC Regulation. It collaborates with the national auditing officers within the Group of Auditors.
Budget Line	A set of cost centres that facilitates reporting on expenditure. Each cost item can be allocated to one budget line only, according to the nature of the cost. NOTE: The term budget line is used as an equivalent of the term category of expenditure used in the regulations.
Call for Project Proposals	Period of time in which applications can be submitted to the Managing Authority/ Joint Secretariat

Certifying Authority (CA)	Accounting officer of Hellenic Paying Authority for the CSF, the Community Initiatives and the Cohesion Fund appointed for certifying the expenditures of the Programme, in accordance with Article 123(2) of the CPR shall carry out the functions laid down in Article 126 of the CPR.
Control	Verifications carried out at level of Partner's Country, covering administrative, financial, technical and physical aspects of projects. Verifications shall ensure that the expenditure declared is real, that the products and services have been delivered, and that the projects and expenditures comply with relevant Community and national rules.
Control system	System established to validate the expenditure of the Lead Partner/ Project Partner at national level, according to Article 72 of the CPR.
Declaration on Validation of Expenditure (DVE)	Document issued by the National First Level Controller containing the amount of verified and validated expenditure of a Progress Report submitted by a Project Partner. By signing this document, the First Level Controllers declare the legality and regularity of the expenditure according to Community and national rules.
Direct costs	Direct costs are costs that can be attributed directly to the project. They are directly related to an individual activity of the partner organisation, where the link with this individual activity can be demonstrated (for instance, through direct time registration).
Durability	Durability of project outputs and results refers to the long-lasting effect of a project's achievements beyond project duration.
Eligibility of expenditure	The criteria for eligibility of expenditure determine whether a cost qualifies for funding under the BalkanMed Programme.
Eligibility period	A timeframe during which project expenditure must be incurred and paid (unless simplified cost options are used) in order to qualify for reimbursement from the Programme funds.
Eligibility costs	Costs that are in line with the eligibility rules set out by the BalkanMed Programme and that in consequence can be funded by it.
First Level Control (FLC)	National controllers designated in each Participating Country for carrying out the First Level Control on the expenditures.
Flat rate[1]	One of the simplified cost options. Specific categories of eligible costs which are clearly identified in advance are calculated by applying a percentage fixed ex-ante to one or several other categories of eligible costs. Flat rates involve approximations of costs and are defined based on fair, equitable and verifiable calculation methods.
Fraud	According to the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests, "fraud", in respect of expenditure, is defined as '... any intentional act or omission relating to: "- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of the European Communities;

[1]COCOF document on simplified cost options (COCOF 09/0025/04-EN); Draft Guidance on simplified cost options (EGESIF_14-0017 29/08/2014).

	- non-disclosure of information in violation of a specific obligation, with the same effect; - the misapplication of such funds for purposes other than those for which they were originally granted."
Indirect costs	Indirect costs are costs that cannot be assigned in full to the project, as they link to various activities of the partner organisation. As such costs cannot be connected directly to an individual activity, it is difficult to determine precisely the amount attributable to this activity (for instance, telephone, water, electricity expenses, etc.).
Irregularity	According to preamble 36 of the CPR, an irregularity is defined as *'…any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator*[2] *involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union'*.
Joint Secretariat (JS)	Expert team charged to assist the Programme bodies in the management and Programme implementation.
Lead Partner (LP)	One of the Project Partners responsible for ensuring the implementation of the entire project.
Lead Applicant	One of the potential Project Partners (PP) of a project appointed by the other potential PPs to submit the project proposal. It will be Lead Partner, in case of approval.
Lump sum[3]	One of the simplified cost options. A lump sum is a total allocation of the grant (calculated ex-ante), paid to the project upon completion of pre-defined terms of agreement on activities and/or outputs. Lump sums involve approximations of costs established based on fair, equitable and verifiable calculation methods.
Macro-regional strategy	A macro-regional strategy is an integrated framework endorsed by the European Council, which may be supported by the European Structural and Investment Funds among others, to address common challenges faced by a defined geographical area relating to Member States and third countries located in the same geographical area. In this framework they benefit from strengthened cooperation contributing to achievement of economic, social and territorial cohesion.
Managing Authority (MA)	Authorising officers of Hellenic Managing Authority of European Territorial Cooperation (MA ETCP) appointed for managing the Programme.
National Coordination Point (NCP)	The National Coordination Points are set up by each Member State up in coherence with their administrative system.
Observer Partner (OP)	Any actor invited by the partnership to take part in the project in an observant role or with advisory capacity. OP are not eligible to receive EU funding.
Partnership Agreement (PA)	PA is the contract concluded between the Lead Partner and the Project Partners. It determines the rights and responsibilities of the Lead

[2]To be understood as any Project Partner (including Lead Partner) participating in an approved project.
[3]COCOF document on simplified cost options (COCOF 09/0025/04-EN); Draft Guidance on simplified cost options (EGESIF_14-0017 29/08/2014).

	Partner and the Project Partner. PA is annexed to the Subsidy Contract.
Partnership Declaration	A statement signed by each project partner confirming their awareness of Programme rules and requirements, and that they are familiar with what there are committing to.
Payment Claim (PC)	Document submitted by the Certifying Authority to the European Commission in order to claim EU contribution.
Project Management Information System (MIS)	Web-based system for the management and control activities within the Programme.
Partner Progress Report	Document submitted by each Project Partner to the FLCer referring to the activity and financial reporting, that provides information on the achievement of each Project Partner's results and outputs and expenditure. Attached are the documents of evidence on the incurred expenditures. It is submitted to the FLCer for the expenditures validation.
Project Partner/ Partner (PP)	Body, whether public or private, responsible for initiating or initiating and implementing projects. In the context of the BalkanMed Programme, project partners are public bodies, bodies governed by public law or non-profit making bodies governed by private law carrying out an individual project and receiving public EU funds.
Project Progress Report and Final Progress Report	Documents submitted by the Lead Partner to the MA/JS, according to its contractual obligation, in order to regularly report the entire project progress proving that the implementation is in accordance with the approved Application Form and justifying the reported and validated expenditures relating to the activities carried out and the outputs, results delivered.
Quality assessment	One part of the project selection process. It implies in-depth quality assessment of the project application.
Real costs	Projects can only claim amounts that they have really been charged (amounts 'incurred') and can only claim them to the Programme after these amounts have actually been paid out.
Recovery	Process leading to claim and get back from Project Partner expenditure already reimbursed by the Programme bodies but which has been incorrectly (or 'unduly') paid out. The amount to be recovered can be deducted from following payment claims submitted during project implementation or it can also be requested when the project is already closed.
Validation of expenditure	Result of the verifications carried out by the First Level Controllers in order to verify the legality and regularity of the expenditure reported by the Lead Partner/ Project Partner.
Verification	Process of First Level Control in order to issue the Declaration on Validation of Expenditure.
Work Package	A Work Package is a group of activities described in deliverables defined in the working plan.
Working plan	A working plan describes a project to be accomplished and outlines how it will be done. It identifies main outputs, work packages, activities and deliverables.

Introduction

The "Balkan-Mediterranean 2014-2020" is a new cooperation programme, deriving from both, the split of the "South East 2007 – 2013" and the strong will of the "Balkan-Mediterranean" participating countries to promote cooperation in the area. The Programme brings together five (5) countries, three (3) EU member states (MS), Bulgaria, Cyprus and Greece, and two (2) candidate countries (CC), Albania and the former Yugoslav Republic of Macedonia.

It is the first time ever that the European cooperation addresses the Balkan Peninsula and the Eastern Mediterranean Sea together, in a joint effort across maritime and terrestrial borders, to contribute to the "EU 2020" strategy, for smart, sustainable and inclusive growth.

After a long period of various cooperation forms, the Transnational Cooperation Programme "Balkan-Mediterranean 2014-2020" has been identified as a structured tool to strengthen cooperation in the area, capitalising on experiences and results achieved so far. Accordingly, the Programme supports the know-how and experiences' sharing, improvement of the public policies and networking, between national, regional and local authorities and other territorial actors of the whole Balkan-Mediterranean cooperation area. It is a new cooperation opportunity that enriches the "European territorial cooperation goal" of the new programming period ahead, 2014 – 2020.

The Balkan – Mediterranean Programme is co-financed by the European Regional Development Fund (ERDF) with **28.330.108,00 Euros**. The total support from the Instrument for Pre-Accession Assistance (IPA) fund accounts for **5.126.138,00 Euros**. Therefore, **the total budget of the Programme**, including national contribution, is **39.727.654,00 Euros**.

For the overall cooperation area, **a co-financing rate of 85%** is applied (excl. Technical Assistance).

The **official language** of the Programme is **English**.

Purpose and content of the Balkan-Mediterranean Project Implementation Manual

The **Project Implementation Manual** (hereinafter PIM)is a comprehensive guide for the development, the implementation and closure of the projects within the Transnational Cooperation Programme (TNCP) Balkan – Mediterranean 2014 – 2020 (hereinafter BalkanMed Programme or BMP).

The major challenge in the management and implementation of transnational cooperation programmes is to achieve a common understanding, amongst a large number of Programme partners, of the relevant rules and the requirements for all actors involved in every stage of project management and control, from the development through contracting, implementation, reporting and verification of expenditure, up to closure of the project. In order to reach a common understanding it is important to develop detailed guidelines and clarifications on issues of the cooperation programme which are of interest to stakeholders and potential project applicants.

The PIM specifically aims at the successful management and implementation of transnational projects, providing further and/or complementary information on provisions laid down in:

- the TNCP Balkan – Mediterranean 2014 – 2020;
- the Programme Manual;
- the Communication Strategy;
- each call-specific Application Package;

The Transnational Cooperation Programme “Balkan-Mediterranean 2014 - 2020” is characterised by the integrated use of Structural Funds and the Instrument for Pre-accession Assistance. As a consequence, implementation provisions for the projects are, as far as possible, harmonised.

The first section provides stakeholders and potential project applicantswith guidelines fromthe development of their project ideas into a structured and comprehensive project proposal to the selection process, which begins with the receiving of project applications and finishes with the contracting of selected projects. The second section provides detailed guidance for Project Partners (Lead Partner and Project Partners) of the approved projects during the implementation phase from project start-up to project closure, including reporting, financial, monitoring, controlling, communication & publicity and other programme-related requirements.

Project implementation starting from the approval of the operation by the Monitoring Committee (MC) has to be executed according to the regulations and rules relevant for the financial instruments of the Programme (ERDF and IPA). All information included in this manual is based on the ERDF Regulations which are applicable to all applicants. Where different rules apply to IPA applicants, this is clearly indicated.

Whereas some chapters explain compulsory Programme requirements, others intend to set a harmonised baseline for all participating Partners in order to ease their common working culture.

The content of the PIM ***applies to all projects financed within the BalkanMed Programme whether they are 'traditional' projects, targeted or strategic***.

The information herewith provided will be, whenever required, further developed and updated during Programme implementation. Ad-hoc assistance will also be provided to Partners by the BalkanMed Joint Secretariat on an on-going basis.

In addition, partners are invited to study the policies and national, regional and local programmes existing in fields relevant to their project activities (National Strategic Reference Frameworks, Regional Operational Programmes, local policies, etc.). The main aim is to promote synergies and to avoid the multiplication of isolated initiatives.

For additional information, please visit the BalkanMed website at http://www.interreg.gr.

RegulatoryFramework

The Transnational Cooperation Programme "Balkan – Mediterranean 2014 – 2020" has been designed under the objectives of the transnational cooperation of European Regional Development Fund (ERDF), thus the Programme shall first and foremost be administered according to the regulations of the ERDF Instrument.

The main reference documents for the Project Implementation Manual of the BalkanMed Programme for the programming period 2014-2020 are:

- **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 (hereinafter "Common Provisions Regulation – CPR");
- **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 (hereinafter "ERDF Regulation");
- **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 (hereinafter "ETC Regulation");
- **Commission Delegated Regulation (EU) No 481/2014**of the European Commission of 4March 2014 supplementing to 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;
- **Framework Agreement** between **Republic of Albania** and the European Commission on the arrangements for the implementation of Union financial assistance under IPA II signed on 27th of February 2015;
- **Framework Agreement** between **the former Yugoslav Republic of Macedonia** and the European Commission on the arrangements for the implementation of Union financial assistance under IPA II;
- **Financing Agreement** between the European Commission, the Managing Authority and **Republic of Albania** in accordance with Article 26 of Regulation (EU) No1299/2013 *(to be concluded);*
- **Financing Agreement** between the European Commission, the Managing Authority and **the former Yugoslav Republic of Macedonia** in accordance with Article 26 of Regulation (EU) No1299/2013 *(to be concluded);*
- The **Interreg V-B Balkan – Mediterranean 2014 – 2020 Cooperation Programme**, as adopted by EC with the Commission Decision C(2015)6619 on 25.09.2015;

- Subsidy Contract (the one applicable for the Call for Project Proposals under which the project is financed);

Partners are suggested to consult the applicable Community and National legislation, not expressly recalled in this document.

IPA project partners shall follow the provisions of the relevant Financing Agreements, including those described in the **'Practical Guide to Contract Procedures for EU External Actions (PRAG Rules)'** for the award of service, supply and work contracts among others.

SECTION A: PROJECT APPLICATION GUIDELINES

The first section of the PIM provides stakeholders and project applicants with guidelines on the development of their project ideas into a structured and comprehensive project proposal and on the submission, evaluation and selection procedures for project proposals.

PROJECT DEVELOPMENT

Project generation

Every project is different, but all projects start from one idea developed in order to achieve specific objectives with defined but limited resources and within a scheduled time-frame.

Hence the main stages of project development can be synthesized as follows (not necessarily in the order below):

- defining the objectives, results and outputs;
- building the partnership;
- constructing the work plan/activities;
- setting up realistic budget and timeframe.

Transnational thematic workshops related to the programme's priorities maybe organised, in order to steer and inform potential applicants on specific programme needs. On a national level, information days and trainings will be organised by the BalkanMed NCPs in collaboration with the MA/JS of the Programme.

The aim of the above mentioned support is to encourage the generation of **high quality projects** which have a clear transnational focus, high quality partnerships and with appropriate transferable outputs/outcomes.

Quality projects are generated and developed with the active contribution of partners and relevant stakeholders. This sharing and collaboration helps to prevent unilateral behaviour and mitigates against operations being planned and drafted by the Lead Partner alone or by an entity external to the project altogether.

A bottom-up approach in project generation is therefore important, coupled with adequate support, including the provision of quality information from higher levels (i.e. programme level structures).

Applicants should be aware of the evolution of the transnational cooperation from the Community Initiative (INTERREG) for an increase in the effectiveness of the operations that will be co-financed. Partners with previous experience in the subject matter of the project as well as previous cooperation experience can add value to the development of a sound project.

A conceptually effective project should also contain sound financial planning that will carry the project through to implementation. To this end, the financial capacity of partners is important for successful project generation.

Importantly, the BalkanMed Programme strives towards generating projects with a deep and widespread impact in the transnational area along with a commitment to contribute to the implementation of EU Strategy for the Danube Region (EUSDR) and the EU Strategy for the Adriatic-Ionian Region (EUSAIR), whenever possible. It is essential that projects demonstrate a clear need for transnational support and that the

problem to be tackled has a clear transnational impact. Operations supporting local, national or cross-border actions only are recommended to apply for other instruments.

Therefore, the information given in the next paragraphs will relay only on some general aspects of the steps listed above and intends to provide practical guidance and advice for applicants on some aspects on the development of their project idea.

Project intervention logic

Projects have to strictly apply a **result-oriented approach**, clearly defining the **results** and the **changes** the project is striving for and **linking them with the territorial challenges and needs identified. The coherence of the project intervention logic with the targeted specific objective of the programme is a condition for a project to be approved and funded.**

Project intervention logic has to be coherent and shall provide the necessary information for the programme to assess the contribution of a project to the "achievement of the specific objectives and results of the relevant priority", in line with Article 125(3) (a) (i) of the CPR.

A project should demonstrate through its intervention logic that it:

- Targets one single programme priority specific objective;
- Contributes to the respective programme result and result indicator;
- Links in a logic sequence the project activities and outputs to the specific objective target.

In order to be able to assess and measure project's contribution to the achievement of programme objectives, the project needs to establish project intervention logic mirroring the programme intervention logic[4].

Projects will be assessed by their contribution to both output and result indicators related to the Programme priority specific objective. Projects have to demonstrate how they will contribute to achieving both types of indicators (output –result) by providing the relevant targeted values, based on specific measurement units and, thus, by clearly linking the foreseen outputs and main results to the corresponding indicators under the chosen Programme specific objective. This implies a shift in the approach and focus of projects compared to previous programming periods: *the emphasis is now first and foremost on the delivery of outputs and results rather than on the implementation of project activities*.

[4]INTERACT, Establishing ETC Programme logic and linking Programme and Project intervention logics.

Objectives, expected results and outputs

The most important step in developing the project proposal is to define the objectives and the expected results clearly and precisely since the beginning of the development process.

An **objective** as set out in the Project Application Form (AF)is defined at two distinct levels:

- general objective is the expectation and the effects/benefit of the project in the long-term on Partners' territories and for Programme's area beyond the specific project purpose and the temporary funding received;
- specific objectives are what the project is going to achieve concretely at the end of the project lifetime; what are the changes produced in the field tackled and on the project target groups.

Both of them must be concrete, quantifiable and realistic, thus it can be useful in defining them to answer to the following questions:

- what type of change/s is/are going to be achieved in the short and long run?
- where shall the change/s happen?
- for whom is it going to be done (project target group/s)?

The **expected results** are direct and immediate advantages resulting from the project's activities and from the production of the outputs, they are the effects to which the outputs lead to and tell us about the benefit of funding the outputs. Results imply a qualitative value, even if they should also be measured in concrete units (see § Indicators of PIM). When planning the project results, the partnership can reach a common understanding answering the following questions:

- What kind of positive change does the project aim at?
- Where will the change happen?
- Who will be affected by the change?
- When will the change happen?
- What should be the quality of the planned result?
- What is the transnational value of the result?

In addition, a project should define also outputs, which, practically, tell us what has actually been produced with the money given to the project. The project **outputs** are tangible deliverables and visible products of the project directly resulting from the activities carried out in the project (e.g. manuals, tools, events, etc.). They are typically measured in concrete units (see § Indicators of PIM). When planning the project outputs, the partnership can reach a common understanding answering the following questions:

- What is the content of the outputs (e.g. database, action plan)?
- Who will be using the outputs (e.g. database) after the project?

- Who will be participating (e.g. in the network) after the project?
- How will the outputs (e.g. database, action plan, network) be used after the project?

When submitting the Application Form, both the defined results and outputs should be measured by indicator targets (target value), which define the level of achievement to be reached respectively for results and for outputs. The realisation of the defined indicators will be taken into consideration to monitor the project performance, thus projects should indicate a realistic unit for the defined results and outputs that are likely that the project can achieve.

Indicators

The indicator targets set by a project in the Application Form define its level of ambition, help to monitor progress throughout implementation and demonstrate at the end of the project whether the objectives have been achieved.

Therefore, the definition of output and result indicators requires special attention. **The table below shows some (not exhaustive and only for illustration purposes) examples of Programme indicators set respectively for outputs and results:**

Output Indicator (immediate result of the project)	**Result Indicator (effect/consequence of the immediate result)**
Number of enterprises supported to introduce new to the firm products	SMEs introducing product or process innovations
Increase in expected number of visits to supported sites of cultural and natural heritage and attractions	Expansion of ecological connectivity and transnational ecosystems' integration of designated areas
Number of environmental friendly technologies' implementation related to climate change prevention and adaptation measures	Level of adaptation to resources efficiency and climate change resilience measures in alignment with EU policy

Through the periodical Project Progress Report, information about the achievement of the outputs and results by the projects will be collected in order to measure progress on all important project activities and aims and, finally, verify how all different projects are contributing to achieve the Programme's objectives. The success of the Programme is connected to the success of the financed projects, in other words, if projects will achieve their objectives, and reach their targeted result and output indicators, even the Programme will achieve its objectives.

During the application process, the project will be required to point out result and output indicators according to those defined by the Programme specifically for the projects reflecting the specific activities and aims.

Finally, to sum up, in order to develop a project indicators system consistent with project objectives and activities and outputs and also with the Programme, the partnership can consider the following points as a guide:

Checklist for defining indicators	
Consistent with Programme:	- What are the Programme's indicators specific for the related Priority? - Which of these indicators will the project contribute to? - Will the project make a direct contribution to the Programme/Priority indicators?
Consistent with the project objectives:	- Are envisaged results related to project objectives? - Is there a logical flow between objectives/activities and results? - Are results clearly defined, realistic (achievable) and precisely quantified according to the project objectives?
Nature of the envisaged outputs:	- What should be produced by the end of the project? - What type of outputs is the project going to deliver? - If the indicators are qualitative have you secured a methodology to assess the progress made? - At what level, local, regional, national, international, the outputs will be produced?
Target groups:	- Do the selected results identify specific target groups? - Are there results depicting involvement/degree of influence of the project at Programme level?

Each project is asked to select those indicators that will fit best to the particular planned results and outputs of the project. At the end of the project, in case the set targets will not be reached, an explanation should be given in the Final Project Report (see § Final Project Report of PIM), but this does not automatically mean that the project has failed.

Partners and Partnerships

The Lead Partner

According to Article 13 of the ETC Regulation, the **Lead Partner** or **Lead Beneficiary** (hereinafter LP) of a project, located in one of the Balkan-Mediterranean Partner

States is appointed by the other Partners firstly for submitting the project proposal and, then, for being responsible for the implementation of the entire project. The Lead Partner is the coordinator of the project and the Managing Authority will conclude a Subsidy Contract with the LP. The financial and administrative responsibility remains with the Lead Partner on behalf of all ERDF & IPA involved partners. The Lead Partner is thus solely responsible to the Managing Authority for the implementation of the terms of the Subsidy Contract. All other Partners have equal status on content issues and should play an active role in the development and implementation of the project.

The **Lead Partner** shall assume the following responsibilities:

- it signs and submits the Application Form on behalf of the partnership;
- if the project is approved, the Lead Partner shall sign the Subsidy Contract (see § Subsidy Contract of PIM)with the Managing Authority for the total ERDF & IPA amount of the approved project;
- it shall lay down the arrangements for its relations with the Project Partners participating in the project in an agreement - Partnership Agreement (see § Partnership Agreement of PIM) - comprising, inter alia, provisions guaranteeing the sound financial management of the funds allocated to the project, including the arrangements for recovering amounts unduly paid;
- it shall be responsible for communication and division of tasks between the partners and it shall ensure that these tasks are correctly fulfilled in compliance with the Partnership Agreement and with the Subsidy Contract/ approved Application Form and its revisions;
- it shall be responsible for ensuring the implementation of the entire project and support the other Project Partners in carrying out the overall project implementation in accordance with the Programme documents and the pertinent EU regulations;
- it shall ensure an efficient internal management and coordination (incl. administrative and financial management);
- it shall ensure an efficient control system and that all ERDF & IPA partners respect and observe EU and national legislation concerning financial management and controls (audit), public procurement and information and publicity;
- it shall be responsible of the content of the Project Progress Report; it shall ensure that the partnership transmits the Partner Progress Reports timely and correctly in order to respect deadlines fixed in the Subsidy Contract;
- it shall ensure that the expenditure presented by all Partners participating in the project has been incurred for the purpose of implementing the project and corresponds to the activities agreed between all the Partners participating in the project;
- it shall verify that the expenditure presented by all Partners participating in the project has been validated by the controllers;
- it shall claim the reimbursement of expenses, receive payments of Programme funding and shall have the responsibility to transfer these reimbursements to the ERDF& IPA partners according to the amounts reported in the Applications for Validation of Expenditure. These payments should be made **without delay [no**

more than twenty (20) working days] following the reception of EU contribution[5]. The Lead Partner shall transmit to the JS (and to the appropriate National Coordination Point) the detail of these payments.

In particular, within the BalkanMed Programme, in order to ensure the implementation of the entire project, the Lead Partner has to:

- set up an efficient and reliable system for the project management and co-ordination (incl. administrative and financial management) and appoint a **Project Manager (PM)** (internally) to act as a driving force in the partnership and to mobilize the partners to achieve the project objectives (see § Project team of PIM)and a **Financial Manager (FM)** (internally or contract externally)responsible for an adequate and orderly project accounting (see § Project team of PIM). A **Communication Manager (CM)** in charge of the overall project's communication and dissemination strategy may be also appointed within the partnership, dependent on the need of specific skills and expertise(see § Communication and Dissemination activities of PIM);
- continuously monitor project progress ensuring that the project stays on track;
- produce regular Project Progress Reports twice per year on the entire project(see § Timing for reporting of PIM);
- inform MA/JS in right time if any change occurs and submit all necessary requests for modifications(see § Project Modifications of PIM);
- produce regular Project Progress Reports on the project's implemented activities and expenditure, based on feedback received by all partners;
- produce a Final Project Report at the end of the project(see § Final Project Report of PIM).

An organisation to be able to act as a Lead Partner should:

- be located in one of the Balkan -Mediterranean Partner States;
- be a legal entity;
- hold a dedicated bank account for the project;
- be legally able to transfer funds to foreign countries;
- has a technical and financial capacity and competency to manage the proposed common project.

The ProjectPartner

The **Project Partner** or **Final Beneficiary** (hereinafter PP)is a body that, in addition to the Lead Partner, commits itself to implement a project awarded by the BalkanMed Monitoring Committee and sign a Partnership Agreement.

[5] According to Article 132 of CPR, the Managing Authority shall ensure that a beneficiary receives the total amount of eligible public expenditure due in full and no later than 90 days from the date of submission of the payment claim by the beneficiary, subject to the availability of funding from initial and annual pre-financing and interim payments. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce these amounts for the beneficiaries.

All partners participate in designing and implementing the project by carrying out the activities assigned to them in the approved Application Form. The expenses generated are eligible in the same way as those incurred by the Lead Partner. They must, therefore, satisfy the same eligibility criteria as the ones applicable for the Lead Partner.

Each **Project Partner** has to assume several responsibilities:

- to collaborate with the LP and all other PPs to guarantee the correct implementation and the success of the project; the PPs should nominate a contact person for communicating with the other partners and with project manager/LP;
- to carry out its own part of the work as defined in the project Application Form, to monitor the progress of the part of the project which it is directly responsible for and to make sure that the project implementation under its responsibility is carried out in accordance with the Programme documents and the pertinent EU regulations;
- to coordinate with the LP and all other PPs to guarantee consensus to any possible project modifications may be required during the lifecycle of the project, if appropriate and duly justifiable;
- to agree on and to apply the requirements and obligations as defined in the Partnership Agreement;
- to maintain either a separate accounting system or an adequate accounting code for all transactions relating to the project;
- it shall contract and use the designated controllers for the verification of expenditure in accordance with national specific and/ or Programme procedures;
- all Partners shall inform the Lead Partner on progress achievements and financial progress, including all supporting documentation for the verification of expenses for each of the reporting period established for the project and ensure full cooperation and assistance for the timely and accurate performance of verification;
- to assume responsibility in the event of any irregularity in the expenditure declared, and repay the Lead Partner the amounts unduly received;
- to keep available upon request all its documents related to the project for at least a period of three (3) years from 31 December following the submission of the accounts in which the expenditure of the operation is included(according to Art. 140 of the CPR Regulation), unless stricter national rules apply.

The specifics pertaining at the cooperation between the Lead Partner and the Project Partners are defined in the Partnership Declaration and in the Partnership Agreement.

The former is drafted at the stage of the submission of the project proposal and the latter at the stage of approval/ contracting of a project, which has been selected for funding. For more details on the Partnership Declaration and Partnership Agreement, please refer to each call-specific *Application Package*.

The Observer Partner

An Observer Partner (hereinafter OP) is any actor invited by the partnership to take part in the project in an observant role or with advisory capacity.

Furthermore,

- Partners located outside the Balkan-Mediterranean area (their participation in the project partnership is deemed necessary as due to their particular competences they will facilitate the implementation of the project); and/ or
- Partners from IPA Partner States (in case BMP is run out of IPA financial resources)

can participate in a project only under the observer partner status as follows:

Even though observer partners are not considered part of the partnership scheme, their participation is declared in the Application Form, where their relevance and involvement are clearly defined. The observer partner has to sign an observer declaration. The general criteria for eligibility of partners apply to the observer partners as well.

Observer partners are not eligible to receive EU funding. The travel and accommodation costs for observer partners are eligible as long as they are paid by the partner(s) organisations listed in the Application Form. They need to be budgeted and reported under external expertise. In case the observer partner covers any expenditure on his own, this expenditure should not be included in the project budget.

Identification of "key actors" in the Partnership

The "key actors" are the institutions which play an important role in the field of action of the project and which are likely to contribute in a significant way to its realisation. They have both political and administrative competences and technical capacities to implement the actions required for the project.

The concept of "key actors" must encourage the Lead Partners to go beyond geographical, institutional or political constraints to associate the most relevant partners (local, regional, and national) able to contribute to the achievement of the objectives of the project.

It means, according to the nature of the project, supporting the constitution of partnerships able to ensure certain sustainability to the project by connecting it to public policies and by giving it the necessary institutional support.

Priority Axis 1	Priority Axis 2
❖ Umbrella organisations of SMEs (such as chambers of commerce, of industry, economic chambers and other legal entities representing SMEs or SMEs professional networks in the programme area)	❖ Local, regional and national authorities ❖ Environmental and development agencies ❖ Protected areas management organisations and bodies ❖ Non-governmental and Civil Society

❖ Development and planning agencies ❖ Local, regional and national authorities involved in business' management ❖ Technology transfer centres and universities ❖ Innovation support networks ❖ Non-governmental and Civil Society organisations	organisations ❖ Stakeholders dealing with environmental legislation

Figure 1: Potential eligible partners (non exhaustive)

Eligibility of Partners

In line with Article 2(10) of the CPR, beneficiaries are responsible for initiating and/or implementing projects. They can be public or private legal entities or international organisations acting under the national law of any BalkanMed Partner State; and shall cooperate in accordance with Article 12(4) of the ETC Regulation.

As a general principle, eligible applicants of the BalkanMed Programme shall be located (registered) in the Programme area (i.e. the whole territory of the Programme). The participation of partners located outside the Programme area (within the EU or in third countries) is also possible only under the *observer partner* status.

Types of eligible partners from BalkanMed Partner States using EU Funding

According to Article 2(10) of the CPR, a wide range of actors such as public authorities, public equivalent bodies and any legal body governed by public or private law can be beneficiaries of EU funding (ERDF& IPA) and therefore are able to participate in the BalkanMed Programme as partners and receive direct financial support (EU funding).

The following types of partners are eligible under the BalkanMed Programme:

a. **Public bodies** (national, regional or local public authorities)
Public bodies are organizations which are founded and governed by public law. Their main purpose is to fulfill the needs of the public.

b. **Bodies governed by public law**
The definition of a body governed by public law is the following according to Article 1 of Directive 2014/24 /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 in compliance with the national legislation of each participating country:
A "body governed by public law" means any body:
(a) established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;

(b) having legal personality; and
(c) financed, for the most part, by the state, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the state, regional or local authorities, or by other bodies governed by public law.
Non-exhaustive lists of bodies and categories of bodies governed by public law are set out in Annex III of the above mentioned Directive.

c. Non-profit Bodies governed by private law

In the context of the BalkanMed Programme, 'bodies governed by private law' are all organizations which are founded by private law such as chambers of commerce, trade unions or non-governmental organisations. They may receive ERDF funding if they fulfill the following criteria:

- *they are established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;*
- *they have legal personality;*
- *they make available the results of the project to the general public;*
- *they apply the principles of public procurement.*

Bodies governed by public law (under category b. above) and non-profit bodies governed by private law (under category c. above) must be operational for at least 24 months to apply as Lead Partners or at least 12 months to apply as Project Partners before the launching of the 1st Call for Proposals.

It should be noted that private entities not falling under the above categories b. and c. are not eligible.

NB: The participation of profit-making private entities and political parties is not eligible.

Please note that it may vary from country to country as to whether a certain type of organisation falls under public or private law.

International organisations acting under international law are not eligible. However, international organisations acting under the national law of any BalkanMed Partner State can be considered as eligible if they fulfill the criteria foreseen for the bodies governed by private law.

Each project partner is responsible for its own budget, based on activity plan and division of tasks. In order to be considered for funding and generate ERDF funding, the partner must provide the needed co-financing for its part. Co-financing cannot be covered by funding from other projects. The Programme accepts both public and private funds as co-financing.

Whether co-financing is reported as public or private co-financing depends on the type of organization and on the respective national laws of a country:

Type of organization	Funding counted as	Co-financing rate
Public bodies	Public	85%
Bodies governed by public law	Public	85%
Non-profit Bodies governed by private law	Public or Private	85%
International organisations	Public or Private	85%

The partnership

Projects selected shall involve partners from **at least three (3) participating countries**, **at least one (1) of which shall be from an EU Member State**. An operation may be implemented in a single country, provided that transnational impacts and benefits are identified.

NB: Actions that require a transnational or integrated territorial approach (e.g. related to environment) may not be concentrated in only one country and at one administrative level, but may demonstrate a larger geographic or sectorial perspective, if possible.

Due to the transnational character of the BalkanMed Programme and the budgetary limits and in need for efficient project management, the partnership scheme **must not exceed a maximum call-specific number of Partners**, including the Lead Partner. All partners must have **clear roles** in the development and implementation of operations. In case of observer partners, please note that their participation shall be declared in the Application Form, although they **are not** considered part of the partnership scheme, their relevance and involvement should be clearly defined. At each project, the participation of partners under the observer partner status is limited to two organizations. Observer partners shall follow the general criteria for eligibility of partners.

NB: The partnership scheme cannot be consisted solely of non-profit bodies governed by private law.

Limitations in the number of project proposals that each partner, either as Lead Partner or Project Partner, can participate are set in each Call for Proposals.

In exceptional cases, the MC has the right to decide different composition of the partnership scheme related to the needs and requirements of the successful programme implementation (e.g. exhaustion of IPA funding).

The composition of the partnership is specified in each call-specific Application Package.

All partners shall co-operate in:

1. Joint development
2. Joint implementation

In addition, they shall cooperate in at least **one** of the following ways:

3. Joint staffing
4. Joint financing

The work plan

Another important step in developing project proposal is the construction of the work plan. A **well-structured work plan** should help a project to **organize its activities**, having a clear and detailed understanding of the actions listed, their **duration**, their **dependencies** and their **sequence applying a transnational approach**.

During the period of project preparation, the partners should meet to agree on the division of the tasks, responsibilities and funding. The time invested during the preparation allows a fast starting of the project and a more efficient implementation phase.

In the Application Form, all projects are asked to describe their activities **specifying also the involvement of the partners**. The work plan defined in the Programme's Application Form is structured in different Work Packages (WPs). Each Work Package enables the project to break down its work in actions, easily grouped according to WP's focus.

Each project proposal can have a maximum of six (6)Work Packages in the Application Form, including the two pre-defined mandatory Work Packages **"Project Management and Coordination"** (WP1) and **"Project Communication & Dissemination"**[6] (WP2). The following sub-paragraphs will give to the project partners useful information in order to elaborate on both of them. If Preparation Activities have taken place for the development of the project proposal, these Activities should be the starting Deliverable (Deliverable1.x.1) of WP1 per project partner (see § Project preparation costs of PIM).

Project management and coordination activities [WP1]

A separate Work Package (WP1) devoted to group all management and coordination activities is foreseen in the Application Form. Each Work Package breaks down its work in deliverables related to the project activities. During the project preparation stage, it is important to plan those activities and the financial resources needed for them.

[6] *Describes the Actions for carrying out the external communication of project efforts and outputs, dissemination of results etc.*

To manage the project efficiently, the **Lead Partner** must elaborate an efficient and reliable management and coordination system. The coordination concerns the implementation of the various components of the project, including its administrative and financial management.

In a broad sense, ***project management*** concerns coordination of project's activities, monitoring and reporting of project progress in terms of activities and resources in a timely manner.

Therefore, the definition of the management structures is necessary to implement the project activities (such as the human resources' team and the project's decision making body), the methods to be used to ensure a proper information flow among partners (internal communication), and the method for internal monitoring and evaluation system.

Decision making structure – Steering Committee

Each project must determine the necessary ***procedures for decision-making and coordination*** between the partners for the successful management of the partnership and completion of the project, as soon as the project starts. **The Lead Partner is responsible to ensure the quality of the project implementation by monitoring and reporting.** However, the Lead Partner **may be supported**, if deemed necessary, in this by a project's coordination group (generally called **Steering Group/Committee)**.

The Steering Group/Committee should be composed of representatives of all project partners (and if necessary of the representatives of the key stakeholders according to the project content). The number of its members should be related to the number of project partners.During its first meeting, the Steering Committee should approve its rules of procedure, validated by the whole partnership.

Generally, this coordination group should be responsible during the entire project lifetime for monitoring the implementation of the project, overlooking strategic planning, coordination, monitoring, guiding the implementation process of the project, evaluation and achievement of outputs/results.

Working groups, task forces and advisory groups may be established to coordinate the day-to-day running of activities, to fulfill specific tasks, etc. Adequate representation of involved partners should be observed in establishing decision-making and coordination mechanisms. It is recommended that the coordination and management procedures remain as transparent and simple as possible.

The Steering Group/Committee bears no legal responsibility towards the BalkanMed Programme structure bodies or the project partners, since the Lead Partner is the only responsible and accountable structure in relation to the Managing Authority. This is due to the fact that the Subsidy Contract is signed only by the Managing Authority and the Lead Partner.

Project team

The management of a transnational project is a challenging and time-consuming task. Therefore it is suggested that the human resources devoted to the project should have experience in the management of previous projects (such as in cross-border cooperation or other transnational projects), be able to handle the challenges of different languages and cultures, and should enable the partnership to work together as a team.

Each partner can appoint (internal or external) specific human resources to carry out the project activities. However, the **Lead Partner**, which will have the responsibility to ensure an efficient and reliable management and co-ordination system for the whole project, should appoint (internally) or contract (externally) a project manager/ coordinator and a financial manager.

The **project manager (PM) (or project coordinator)** is responsible for the overall organization of the project and co-ordination among the involved partners, for ensuring that tasks are fulfilled according to the scheduled timeframe, the foreseen resources and the division of responsibilities among partners; for monitoring the progress of the project; for ensuring proper information flow with the Programme bodies, as well as with and among the project partners. The project manager must be designated internally.

This person should be qualified to handle the thematic co-ordination of the project activities and components. The manager/ coordinator should be able to act as a driving force and to mobilise the partnership in order to achieve the objectives laid down in the application. It is highly recommended that a coordinator with experience in management of transnational projects is appointed.

However, the project manager may be assisted by an external expert if needed in the day-to-day implementation process.

The **financial manager (FM)** is the person responsible for an adequate and orderly project accounting, for properly financial managing of the total budget, for monitoring financial progress of the projectand internal handling of the ERDF & IPA funds and national co-financing. The FM shall be familiar with accounts management, as well as with handling international transactions and shall be aware of the EU and national legislation in the field of financial management and controls, public procurement and, where appropriate, and will make sure that these rules are respected. The financial manager can be designated internally or contracted externally.

The project manager and the financial manager should work in close contact with each other, with the partners' organizations and with the Programme's bodies in order to establish effective project management and enable efficient overall financial management of the project. They shall cooperate mainly in preparing and submitting the Project Progress Report - project activity and financial reports – (see § Progress Report of PIM) to the Managing Authority/Joint Secretariat. Since the Programme official language is English, communication with the Managing Authority/Joint Secretariat must be in English.

Thus, it is strongly recommended that at least these persons speak fluently English, in order to ensure efficient communication with the programme management.

Information flow between the partners

It is important to envisage a good communication flow among partners agreeing on means, modalities and timeframe for the internal communication since the beginning.

Effective communication will allow the partnership:

- to share information that partners need in order to work together,
- to inform constantly about project progress,
- to identify problems and overcome them if necessary,
- to take decisions on project changes (if needed).

When teams are working together over long distances between different countries, good internal communication flows are important. *Good* in this context means that information needed for working together has to be shared among all partners and to be **concrete, clear and timely** during the project lifetime. Insufficient communication can easily lead to conflicts and problems; too much information or irrelevant information can, on the other hand, make confusion.

Therefore to ensure a good communication flow in a complex, multinational and long-distance environment as in the transnational cooperation projects, the following aspects should be kept in mind:

- a clear language, that is also easy to understand for non-native speakers, should be used (being the language of the Programme, English);
- vague messages should be avoided and it is preferable to be as concrete as possible;
- in case technological means are used , all partners need to have the technical access/capacity and the skills to use these tools without creating extra work for others.

The **project meetings** remain the basic pillar to guarantee an effective communication within the project and to build up a certain level of confidence and trust. There are different views on what the "ideal" frequency of project meetings is. Surely only one meeting per year would not be enough; some projects find appropriate to meet every three months, others every six months. This choice depends on the size of the project in terms both of funding and of number of partners. It should be taken into account, however, that although large partnerships can benefit from more frequent meetings to communicate on a "face to face" basis, at the same time, it is difficult to arrange meetings for a large number of people to be available on a certain date. The number and frequency of the project's meetings should be decided early on, also in order to plan correctly the needed resources. The basic meetings to be arranged are the kick-off meeting, interim meetings (to discuss progress, reporting) and the final meeting (to evaluate outputs and initiate project closure). The results of meetings are to be documented and communicated to all partners as *minutes* and specific *decisions* taken to address issues/problems.

A way to reduce the need for physical meetings, which can be more timely and costly, is to use *video-conferences*. It is however stressed that while they are extremely useful,

they cannot replace the basic need for face-to-face meetings for some key occasions (for example, the kick-off meeting).

As mentioned above, projects can envisage the use of **technological means** to facilitate the communication activities among partners, mainly the day-to-day work. In this respect, while phone, fax and e-mail are the most commonly used tools, such transnational cooperation projects often may have a need for additional, more sophisticated technologies that can support collaboration. The implementation and use of such systems should be planned well (including financial resources and time for their set-up) in order to ensure benefit for the project and not creating extra work for partners' organisations. The use of technological tools and devices can improve the working efficiency of the team. For instance it could be useful to envisage an online storage of documents, which is a good way to ensure that all partners have easy access to the latest information and documents, templates, etc. It could be useful to use also shared internet-based work spaces for collaboration among team members. These are often a combination of *storage and management platforms*, which can be highly valuable for teams working together over long distances.

Monitoring and evaluation

The Lead Partner is responsible to ensure the quality of the project implementation by monitoring and reporting on the project's progress. In order to ensure effective and efficient management of the project, the LP shall set up a proper procedure for monitoring the achievements of milestones and outputs as well as the project spending. It is the responsibility of the LP to follow up and to assess the quality of Project Partners' achievements and to have an overview of the overall progress of the project.

Each project must set up a simple **work plan** that will enable the effective **monitoring and evaluation of the project**.

This being said, all projects are anyway subject to monitoring, regarding both the *progress of the projec*t activities and the *financial implementation*.

After the approval of the project, for each project a contact person will be assigned in the Joint Secretariat, who is in charge to follow the project progress and also to support the Lead Partner in the project implementation. The Joint Secretariat also has the right to ask for any additional information or material at any time.

Project Communication and Dissemination activities [WP2]

A separate Work Package (WP2) devoted to group all communication, dissemination and publicity activities is foreseen in the Application Form. Each Work Package breaks down its work in deliverables related to the project activities. During the project preparation stage, it is important to plan those activities and the financial resources needed for them.

External communication and information of project results to key stakeholders and target groups are essential to make the project visible as widely as possible. In some projects this can be a quite complex process as different target groups need to be approached in different ways. External communication involves many aspects, but in general it is about everything relating to the project's appearance to the 'outside world'.

Therefore the following aspects should be clear in advance:

1. **What** needs to be communicated and to what level of detail?
2. **Who** needs to be informed?
3. **When** and how often they need to be informed?
4. **How** they should be informed? What are the most appropriate means of information?

In general, concerning the "who should be informed", projects need to reach a wide range of media and stakeholders, including representatives from all levels of government, as well as the wide public. Depending on the objectives, the project partners shall identify relevant addressees, such as (list not exhaustive):

1. relevant stakeholders;
2. policy makers at regional, local and national level;
3. general public;
4. specific media;
5. European Commission;
6. Programme bodies.

Concerning 'how" the above mentioned target groups may be reached, the possible communication outputs that the projects can plan may include the following:

1. Public events advertising the projects organized by the project
2. Newsletters
3. Printed publications
4. Brochures/flyers
5. TV/radio/web streaming broadcasts
6. Articles in international/national/regional/local press (newsletters, magazines etc.)
7. Links to the project website.

Moreover, it is strongly recommended to envisage the definition of a more detailed project's communication and dissemination strategy in a **communication plan**, to be drawn up as soon as the project starts in respect also to the Programme publicity rules(see § Communication, dissemination of information and publicity of PIM)[7].

In case specific skills and expertise are necessary to make sure that communication activities are carried out as professionally as all the other WPs, a skilled information/communication manager, who should preferably speak English, may be appointed, planning appropriately the needed financial resources.

The **communication manager** is the person in charge for the implementation of the communication plan, for the coordination of all the communication and publicity activities in accordance with the EU and Programme's requirements on information

[7] For further details, please refer to the 'Communication Strategy Guide'.

and communication and visibility of actions. In case no specific person will be appointed/contracted, the communication tasks can be carried out by other persons involved in the project, for example, the project manager/ coordinator.

In order to make the project more visible and to ensure the transparency of the activities and results, projects are recommended to set up a **website** or dedicate **a section at their own website (clearly visible)** and to regularly update it during the project lifetime.

Specific communication guidelines for project partners are issued by the MA/JS.

The project activities [Thematic WPs]

The work plan structure, apart from the two obligatory WPs discussed above, consists of different Work Packages that break down its work in deliverables related to the project activities.

The overall aim of the Programme is to realise high quality, result oriented transnational projects, relevant to the Programme area. Foreseen actions will strengthen entrepreneurship and clusters' culture and promote new business model expansion; produce & pilot knowledge on business model innovation by increasing SMEs competitiveness; enable SMEs to acquire the necessary skills/tools to boost their competitiveness, grow towards other markets and introduce innovation in all phases of their business cycle; strengthen the capacities of relevant actors for an ecosystem basis development approach promoting efficient use and valorization of the natural resources and cultural heritage; promote technology transfer and applications' tests to enhance resources' management efficiency and strengthen the capacities of the public authorities and stakeholders to improve delivery related to environmental legislation.

Clearly, transnational cooperation opportunities are set up and offered to the potential eligible partners. Indicative **types of project activities** for the implementation of the BalkanMed Programme:

- Setting up and development of transnational strategies for institutional networks;
- Setting up and development of common systems and common operational tools;
- Setting up transnational networks ensuring coherence and coordination of strategies and policies at Programme area;
- Disseminating technologies, processes, know-how, innovative management systems at transnational level;
- Processing and promoting pilot projects and experimental tools with a transnational dimension (contributing to promote innovative actions in economic development or sustainable development fields);
- Implementing small-scale investment as facilities, or infrastructures of limited size or scope essential to the successful implementation of a pilot activity.

The **transnational dimension** of the operations is **a decisive aspect** of the BalkanMed Programme. It will be evaluated during the selection process of the applications and

during the selected projects' implementation. Special attention will be given to **the scope of the applications**, to their **objectives** and to **the partnerships' synthesis** in order to make sure that they are not merely an aggregate of independent actions but represent genuine transnational cooperation partnerships of a real transnational added-value. The operations must allow carrying out complementary activities associating partners from different countries. They must bring solutions to identified common challenges which could be more effectively solved with a transnational approach.

Overall, the projects **cannot be limited to studies or exchange of experience** which only aim to produce or to exchange information and knowledge without concrete applications. The projects **must have visible results or a measurable effect** on the socio economic sector, on public policies, on certain fields, institutions and management or cooperating methods. The **achievements and effects of the projects must be sustainable** in order not to be limited to the period of provision of the European funding. The main aim is to **promote synergies** and to **avoid the multiplication or proliferation of isolated initiatives**.

The management of **economic, environmental and social sustainability issues** (directly or indirectly), the promotion of **equal opportunities and non-discrimination** and the promotion of **gender equality** will be regarded, among other horizontal policies, as **a positive factor in the project selection for funding**. Projects proposals giving practical indications on measures that will be implemented will be positively noted within the evaluation (if applicable).

The purpose of **small-scale investment** (facilities or infrastructure of a limited size or scope) must be the demonstration of the feasibility and effectiveness of a proposed solution (eg. services, tools, methods or approaches). This investment may refer either to an object (eg. a light structure) that will be set up or to the adaptation of an already existing infrastructure. This last option will be possible only in the framework of pilot activities. **Costs for small-scale investment outside the BalkanMed Programme area are not eligible.**

Co-funded activities

Activities and related expenditures are co-funded according to the eligibility rules set out in the Cooperation Programme. However, in conjunction with these there are wider considerations for project providers as the BalkanMed Programme is fully integrated within the European Territorial Cooperation Objective of the EU's Cohesion Policy which in turn is strongly linked to the achievement of the EU 2020. This being the case projects should carefully consider the following aims:

- contribution to sustainable territorial development;
- leverage effect on investment, development perspectives and policy development;
- facilitation of innovation, entrepreneurship, knowledge economy and information society by concrete cooperation action and visible results (creation of new products, services, development of new markets, improvement of human resources based on the principles of sustainability);

- contribution to integration by supporting balanced capacities for transnational territorial cooperation at all levels (systems building and governance).

The orientation on research, technology and innovation encompasses a significant entrepreneurial development aspect. As a consequence, pure academic research activities cannot be supported under this Programme.

Projects could include activities such as studies and operational plans, capacity building activities, promotion actions, set-up of services, preparation and development of investments proposed by transnational strategic concepts, excluding 'hard' infrastructure investment due to limited Programme budget.

Additional activities could include networking and exchange of information, though not as standalone activity, as purely networking activities will NOT be supported.

It is the task of each project applicant and each proposed intervention to present an adequate activity mix, which will produce visible outputs, assure the fulfillment of the proposed project objectives and contribute to the Programme objectives.

The three dimensions of transferability and sustainability of the project's results are an essential element of the BalkanMed Programme and should be considered at a project level:

- *Financial sustainability*: securing one's own resources or other sources of revenue for covering future operating and maintenance costs after the completion of the project;

- *Institutional sustainability*: identification of the structures that will take over after the end of the project;

- *Political sustainability*: the impact of the project on the political choices, leading to improved legislation, codes of conduct, methods, etc.

The Programme emphasises the importance of already existing experiences. Up-to-date knowledge, tools and partnerships which are appropriate for the development, implementation and dissemination of planned outputs and results are needed to build a solid ground for innovation and to avoid the duplication of efforts. Furthermore, this will allow for existing disparities between regions and uneven development of regions in the cooperation area to be effectively addressed. In this respect, the Programme also invites partnerships to reach out to relevant stakeholders and professionals in order to ensure effective networking beyond the partnerships.

The deliverables related to the project activitiesare specified in each call-specific Application Package.

The project budget

It is vital that projects start to consider financial issues from the very beginning. Every planned activity needed to meet the project objectives should be budgeted. All partners should be involved in this process and it is important to include also a realistic budget for the Lead Partner's project administration role. Obviously this requires

preparatory work (including meetings when possible) during the development of the project application. Time invested in the developing phase, brings to construct a strong partnership with clear responsibilities and well-justified budget allocations. Moreover consistently good preparation is the main factor for a smooth and successful project implementation.

An estimation of the funds potentially available can be an important factor in defining the scope of the project and all partners need to take responsibility for their own budgeting.

There is a three-step process that should provide the right level of accuracy: Resource planning, Cost estimating and Cost budgeting. These steps form the basis for cost control once the project is operational.

Resource Planning

First of all, project partners have to get a clear idea of what they want to achieve and how they plan to do it. Then they have to break this down into work packages and decide what is needed for completing each work package. It is particularly important to think about how different work packages fit together: the work of one partner often depends on the delivery of another partner's work, thus possible delays should be estimated and considered into the time plan.

Cost Estimating

Project partners should have a reasonable accurate picture of what will happen over the course of the project and then try to work out how much it will cost, developing an approximation of the costs of the resources needed to complete project activities. Some costs are reasonably easy to calculate. For example, you will know the number and type of staff required and the standard salary for this type of staff. Other costs are more difficult to be identified. For example, if you plan a pilot activity based on the results of initial research carried out by the project it will be impossible to know exact costs at the beginning. The best approach is to define a realistic maximum price for the activity. Estimation of prices shall be related to "real costs" of the country each project partner represent.

Cost Budgeting

Project partners should know the main activities, which partners will carry them out, the estimated start and end dates and the approximate resources (and therefore budget) required. The final step involves re-organising these figures to show the main categories of spending into the Project "budget lines", the partners that will spend the funds and on which year this will happen, which is the most important part of the agreement between the partnership on how the project is going to be implemented.

When developing the project budget, Lead Partner and its Project Partners are encouraged to develop a realistic project budget and spending plan from the start. Evaluation of project spending patterns in the previous INTERREG Programmes showed that most projects were too optimistic about their spending profiles during the first reporting periods and that they needed to prolong their projects in order to complete their activities and spend their budget. Therefore, applicants are recommended to dedicate extra effort in preparing the budget allocation per work package, per budget

line and above all per period allocation, as any request for project changes during the duration of the project should be duly justified.

In this context it will be useful to take into consideration the following observations:

- the spending rate of an average three years project is lowest at the beginning of the project, because at the early stage the project focuses on planning and preparation activities. The spending increases towards the end of the implementation phase, where it reaches its highest level;
- higher spending rates, especially at the beginning, are appreciated, but they can only be fulfilled if the project implementation is speeded up right from the start. For this purpose, the key staff for project coordination should be available shortly after the project starting. Also a kick-off meeting and detailed project planning meetings should preferably be arranged soon after the project approval;
- the Lead Partner must control that each project partner strictly follows its spending provision according to the approved Application Form and to the Subsidy Contract, in order to keep the project financial performance at least constant.

The project size and duration

For a project to be effective and efficient, result-oriented and of benefit for all participating countries, call-specific eligibility criteria shall be respected, as regards limitations set to (1) the EU contribution, (2) the financial balance between partners,(3) the financial balance between participating countries etc.

The project size and duration shall be specified in each call-specific Application Package.

APPLICATION AND ASSESSMENT OF APROJECT PROPOSAL

Project application

Different types of Calls for Project Proposals are envisaged for project application and project implementation under the framework of the BalkanMed Programme.

- **Open** Call for Project Proposals (bottom-up one step procedure): transnational partnerships from all eligible potential partners can submit proposals in line with one of the two Priority Axes of the Programme.
- **Targeted** Call for Project Proposals (top-down one step procedure):
- focusing on specific Programme priorities;
- for elaborating specific thematic projects (based on detailed project descriptions developed by the JS);
- setting specific eligibility criteria regarding the number and type of partners (or countries), activities etc.
- **Strategic** Call for Project Proposals (both bottom-up and top-down one step procedure).

Preparation of targeted/ strategic calls can be supported by thematic workshops/ seminars at the level of programme stakeholders (target groups, experts, programme management bodies etc.) to define potential fields of strategic co-operation, which can serve as the basis for targeted calls.

Application procedures and templates will be developed for each Call for Proposals and included in **call-specific Application Packages** which will be widely circulated and available on the website of the BalkanMed Programme, as well as on other websites to provide necessary guidance for the preparation of project applications.

The type of Call for Project Proposals is specified in each call-specific Application Package.

Submission process of a project proposal

Elaboration of applications

To prepare an application, the BalkanMed Cooperation Programme should be studied carefully, together with its legal framework and regulatory documents.

If the project is approved, expenses related to the preparation of the application will allow an EU refunding if they are eligible expenses (see § Project preparation costs of PIM).

At this stage, the importance of the composition of the partnership should be pointed out once again. According to the nature of the project, the Lead Partner must take care

to form partnerships comprising of the competent partners that are likely to bring a true added-value to the project.

Submission of applications

All Applicants must refer to the Application Package and to all relevant documents for each specific Call for Project Proposals. Project Proposals should be submitted according to the guidelines provided in each call-specific Application Package.

The original Application Package is provided only in electronic format on the website of the BalkanMed Managing Authority and Responsible Authorities in the Partner States may provide relevant links.

Additional information on the submission of applications

The Managing Authority/ Joint Secretariat and the national bodies in charge of the programme in the participating countries are important interlocutors to bring support and advice and are available for Lead and Project Partners to help them to elaborate their application.

However, it should be noted that the support of the Programme's managing and coordinating bodies in the project generation process is limited.

Information sessions will take place in all participating countries of the BalkanMed Programme and frequently asked questions will be publicized. Potential applicants are invited to regularly consult the official websites of the BalkanMed Programme.

In any case, the submission of applications together with the submission modalities shall be specified in each call-specific Application Package.

Selection process of a project proposal

The aim of the selection process is to select projects which contribute most to the achievements of programme objectives. It begins with the received project applications and finishes with the selection of the projects. The selection process of a project proposal consists of the following steps:

(1) received project proposals under a call for proposals;
(2) assessment process divided in three phases:
    a) administrative check,
    b) eligibility check,
    c) quality assessment;
(3) selection procedure followed by a decision of the Monitoring Committee;
(4) contracting of selected projects.

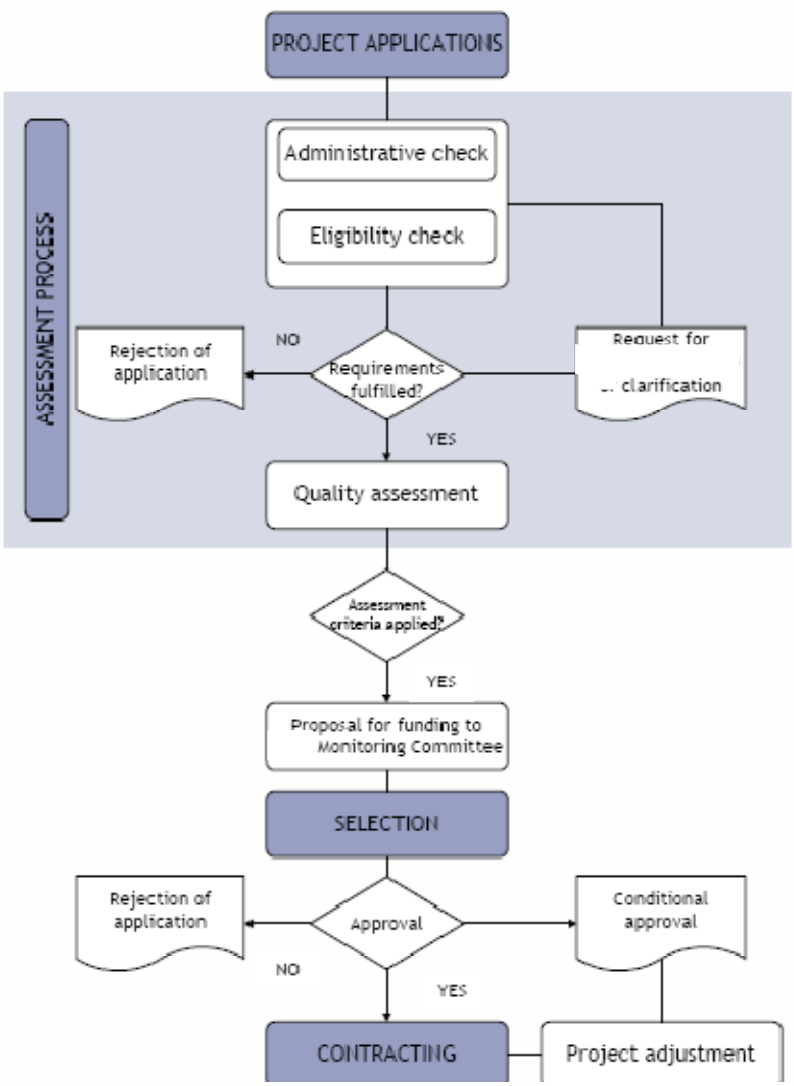

Figure 1: Selection process of a project proposal (Interact, 2014)

Assessment and decision-making process

All Applicants must refer to the 'Project Selection Criteria' for each specific Call for Project Proposals, in which the project selection system is illustrated clearly and transparently. This system is made public in order to make all stakeholders and project partners aware of the selection procedure and criteria before preparing their applications.

In any case, the assessment and decision-making process shall be specified in each call-specific Application Package.

Administrative and Eligibility criteria of projects

To be eligible, the projects of the BalkanMed Programme must necessarily fit the administrative and eligibility criteria provided by the *official eligibility chart* in the

Project Selection Criteria of the BalkanMed Programme in the framework of each Call for Project Proposals.

Selection decisions

Following the assessment process, projects are either approved or rejected or approved with conditions by the MC.

In case of project approval with conditions, these conditions are clear, have a deadline and cannot fundamentally change the project.

The following conditions are usually used:

- excluding certain elements (equipment, activities) which are not relevant to the achievement of project objectives;
- reducing the budget (overall or for certain budget lines), because it is unrealistic (impact on overall project delivery must be verified though);
- cutting ineligible expenditure;
- modifying the budget by rearranging the costs in the budget lines;
- modifying the time plan (activities can be implemented in a shorter time or may require a longer period);
- involving additional stakeholders (e.g. national institutions).

All the Lead Partners of the submitted project proposals will be informed in writing on the results obtained on the performance of the administrative, eligibility and quality assessment after the completion of the decision procedure of the Monitoring Committees.

The Lead Partners of the rejected projects will be informed about the reasons for the rejection upon request.

Approved projects are expected to be ready-to-start after the approval. In case of approval of a project under conditions, the revised Application Form is a prerequisite for the signing of the Subsidy Contract. The Managing Authority (MA), with the support of the Joint Secretariat (JS), verifies that the conditions have been met (not necessary a new approval by the Monitoring Committee).

Summary of selection process

Phase	Assessment process	Assessors	Decision-making body
1	**Administrative Check**	- checked by JS's staff without requiring specific content related knowledge - assisted by the NCPs, if necessary	

Phase	Assessment process	Assessors	Decision-making body
2	**Eligibility Check**	- checked by JS's staff without requiring specific content related knowledge, - assisted by the NCPs	**MC**
3	**Quality Check**	- checked by the JS, - involvement of Partner States, if necessary, - involvement of external experts, if required	

Resolution of complaints

The procedures set in place for the resolution of complaints are different according to the reason of the complaint. In any case, the BalkanMed Programme shall establish a Complaints' Committee, different and independent from the Monitoring Committee. The Complaints' Committee shall consist of two (2) representatives of the Managing Authority and one (1) representative of the national delegation of the participating country from which the Lead Applicant comes from.

Complaints related to assessment and selection

Lead Partners of rejected project proposals will be informed in writing about the decision of the Monitoring Committee. Details on the reasons why an application was not eligible or approved shall be provided upon request (according to the information included in § Selection decisions of PIM).

Any complaint related to the assessment and the selection of the proposals shall be submitted by the Lead Partner as the one representing the project partnership affected by the funding decision. It is therefore the task of the Lead Partner to collect and bring forward the complaint reasons from all project partners. It should be noted that the exhaustion of the public expenditure of the respective Call, Priority Axis and/ or the Cooperation Programme is a valid reason for rejecting any complaint. The complaint can be submitted indicatively when:

a) the Lead Partner claims that the assessment and the selection of the proposal, based on the criteria approved by the Monitoring Committee, did not take into account the information provided in the Application Form; and/or
b) the Lead Partner claims that the project assessment and selection process failed to comply with specific procedures laid down in the Terms of Reference of the

concerned Call that materially affected or could have materially affected the decision.

The complaints must be submitted in writing to Managing Authority within a deadline of seven (7) working days from the day after the notification of the evaluation results. If a complaint is submitted after that deadline it will be rejected without further examination. The complaint should include:

a) name and address of the Lead Partner;
b) title and acronym of the project concerned;
c) clearly indicated reasons for the complaint, based on the above mentioned provisions;
d) date, signature and stamp of the legal representative of the Lead Partner;
e) any supporting documents.

The Complaints' Committee shall examine any objections and complaints concerning the legality of the Monitoring Committee's decision and shall evaluate the validity of the submitted claims of the Lead Partners. The Committee, after considering all the legal and factual objections, shall reach a conclusion within fifteen (15) working days from the date of the official receipt of the complaints. This conclusion will be consequently submitted to the Monitoring Committee. The Monitoring Committee shall take the final decision on the complaints, according to the findings of the Complaints' Committee and shall either reject or accept them within five (5) working days from the receipt of the Complaints' Committee conclusions on the complaints. Should the Monitoring Committee fails to reach a decision within the above indicated deadline, it is concluded that it accepts the conclusion reached by the Complaints' Committee on the submitted complaints. In case the complaint is accepted, the Monitoring Committee shall review its decision accordingly.

The Managing Authority/ Joint Secretariat shall immediately notify the Lead Partners of the decision of the Monitoring Committee on the submitted complaints and inform them on their legal rights before the Greek Administrative Courts, which have the legal jurisdiction as the Managing Authority is located in Greece.

Complaints must be submitted, at two different stages; upon notification of the results following (1) the administrative and eligibility check and (2) the qualitative check.

Complaints related to decisions made during the project implementation

Arguments related to the actual project implementation shall be submitted to the MA/ JS.

Complaints related to First Level Control, Second Level Control and Audit have to be submitted to the responsible National Authority according to the applicable national rules[8].

[8]For further information about these specific complaint procedures please contact the concerned National Coordination Point.

SECTION B: PROJECT IMPLEMENTATION GUIDELINES

This section provides detailed guidance for Partners (Lead Partner and Project Partners) of the approved projects in the implementation phase from project start-up to project closure, including reporting, financial, monitoring, controlling, communication & publicity and other programme-related requirements.

CONTRACTING OF AN APPROVED PROJECT

Contracting procedure

Contracting is the procedure carried out in order to conclude a Subsidy Contract between the Lead Applicant and the Managing Authority (MA) for the implementation of a project approved by the decision of the Monitoring Committee (MC). Hereafter, the Lead Applicant will be considered Lead Partner and will take on the responsibilities for the entire project towards the Managing Authority.

The procedure is different in terms of documents to be submitted and in timing as well, depending on, if a **normal contracting** can be followed (project approved without conditions), or **conditional contracting** should be fulfilled beforehand (project approved with conditions).

Once the Lead Partner submitted all necessary documents, the JS prepares the Subsidy Contract. The Subsidy Contract is going to be signed first by the Lead Partner in three originals and send back to the MA for signing **within twenty (20) days** from the reception. Two signed original remain at the MA and the remaining one signed original is returned to the LP.

The estimated timeframe of the contracting procedure is in general between one and three months, depending on the complexity of a conditionally approved project and the time needed for the Lead Partner to fulfill the conditions and send all necessary documents for contracting. In case the conditions are not fulfilled by the Lead Partner or the necessary documents are not provided within requested deadline from the MC decision date in order to proceed to contracting, the JS notifies the MA and MC, and on the basis of a consequent MC decision, the MA has the right not to conclude the contracting procedure.

For signing the Subsidy Contract (SC), it is prerequisite that the Lead Partner will conclude a Partnership Agreement with all other Project Partners. The Partnership Agreement is annexed to the Subsidy Contract.

The Managing Authority with the support of Joint Secretariat will provide clarification to all legal questions related to the contracting phase. In the Application Package of each Call for Project Proposal the specific requirements to be fulfilled before the signature of these documents are provided.

Normal contracting procedure

The normal contracting procedure applies in case the MC approves an application without conditions.

Following the JS notification about the MC approval of the application, the LP has to submit the following documents in electronic and original format to the JS **within fifteen (15) days** from the date of receiving the JS notification letter:

1. “Statement on Project bank account”:

(a) document officially issued and signed by the Bank of the LP proving that a separate interest-free EUR bank account has been opened for the project by the LP

or

(b) document officially issued and signed by the Bank of the LP proving that the single EUR bank account of the organisation is available for the project.

This option shall be used only in case of public bodies or bodies governed by public law, where according to specific national/internal rules of the organisation, it is not possible to open a separate EUR bank account or sub-account. In this case a separate accounting code/ technical code/ budget line or other technical arrangement allowing to identify, track and report all financial transfers and expenditure related to the project shall be used;

2. In case of changes in legal status of partners, the documents proving the legal status.

3. Note on data changes (e.g. contact persons, contact details of partners)

In case after checking the submitted documents the JS asks for correction, or further completion of the documents, the LP has to submit the completed, original documents preferably **within ten (10) days** from the JS communication.

Contracting projects approved with conditions

It might be the case that the MC approves an application only with certain conditions and in order to be able to conclude a Subsidy Contract the LP has to fulfill these conditions.

The process will be the following in such case:

1. The LP will be informed by the JS about the conditions to be fulfilled in order to conclude a Subsidy Contract and a technical meeting will be arranged with the JS;
2. The LP has to revise its Application Form according to the set conditions;
3. The LP has to submit all the requested documents to the JS preferably **within thirty (30) days** from the JS communication and/or technical meeting.
4. In case after checking the submitted documents the JS asks for further completion of the documents, the LP has to submit the completions preferably **within ten (10) days** from the JS communication.
5. The JS checks if the project fulfills all the conditions set by the MC and, based on that result, the MA/JS with the authorization of the MC will decide if a Subsidy Contract can be concluded.
6. Based on the final decision of the MA/JS either the normal contracting procedure will be followed, as described above, or the JS informs the LP that the proposal could not comply with the set conditions and therefore the Subsidy Contract cannot be concluded.

Subsidy Contract

According to Article 12.5 of ETC Regulation, once the project is selected[9], a **Subsidy Contract** is offered by the Managing Authority of the programme to the Lead Partner in the form of a bilateral contract preferably **within thirty (30) days**. The Subsidy Contract constitutes the formal project contract between the project and the programme authorities.

The main aim of the Subsidy Contract is to guarantee the project's compliance with the Operational Programme. The Subsidy Contract stipulates the rights and duties of the LP as well as of the authorities involved in the implementation of the programme (e.g. MA, JS, MC, Certifying Authority, auditing bodies).

Before the signature of the Subsidy Contract, the Managing Authority requests the Lead Partner to conclude and sign definitely, if necessary (withdrawal of a partner for example), the Partnership Agreement with its partners and to provide all the necessary documents required by the national regulations regarding the engagement of the national public co-financing (deliberations or others).

The Managing Authority in cooperation with other National Authorities of the participating countries in the Programme shall set up an efficient system through the Lead Partner for the recovery of unduly spending amounts for the Community contribution before signing the Subsidy Contract.

Annexed to the Subsidy Contract are (1) the letter of project approval by the MC, (2) the approved 'Application Form' and (3) the signed 'Partnership Agreement'.

The Subsidy Contract is prepared by the MA according to the EC Regulations and guidelines.

A model template of the Subsidy Contract (and its annexes) is available on the website of the BalkanMed Programme.

Partnership Agreement

According to Article 13.2(a) of ETC Regulation, the Lead Partner shall conclude a **PartnershipAgreement** with the project partners. In case the partnerships of the selected projects include IPA partner(s) the Agreement will include the concerned IPA partner(s) as well. The Partnership Agreement constitutes the formal project contract between the partners.

The LP is responsible for ensuring the implementation of the entire project towards the MA, while each PP is responsible for ensuring the implementation of its part of the

[9]Project selected without modification or project selected under conditions after these conditions have been taken into account.

project towards the LP. Project partners should give full support to the LP to ensure the successful implementation of the project, its high quality and fulfillment of its objectives. Nevertheless, it is always good to remember that any partnership should be based on a mutual trust.

The Partnership Agreement provides a framework for this efficient project implementation and governance and aims at guaranteeing the project's compliance with the Cooperation Programme.

The use of a Partnership Agreement to carry out projects should help reduce risks, as follows:

- by clearly defining and raising awareness on project responsibilities and procedures for each project partner (PP) and within the project as a whole, a Partnership Agreement should make easier the project implementation. The Partnership Agreement comprises provisions that, inter alia, guarantee the sound financial management of the funds allocated to the project, including the arrangements for recovering the amounts unduly paid (Article 27.2 and 3 of ETC Regulation) and for ensuring that all Project Partners receive the total amount of the contribution from the funds a quickly as possible and in full;
- due to the legally-binding nature of a Partnership Agreement, if problems arise that cannot be resolved by the partners themselves, procedures can be enforced to arrive at a solution (although in practice it is extremely unusual for partnerships to end in legal disputes and most conflicts can be solved in more informal ways such as regular communication and meetings);
- the use of a Partnership Agreement is a prudential measure which provides a way of minimising the various types of risks involved in carrying out territorial cooperation projects.

The signature of the Partnership Agreement by all Project Partners is a prerequisite for signing the Subsidy Contract.The Lead Partner has to ensure that the Partnership Agreement is signed by the entitled person on behalf of each Project Partner.As soon as the Partnership Agreement is signed, shall be sent to the Managing Authority. The Partnership Agreement is annexed to the Subsidy Contract.

If a partner withdraws during the validation process of the application, a new proposal will have to be submitted to the Monitoring Committee to be re-evaluated.

The Partnership Agreement is prepared by the MA according to the EC Regulations and guidelines.

A model template of the Partnership Agreement is available on the website of the BalkanMed Programme. The Partnership Agreementshall be filled in with the project specific information and, if necessary, with additional provisions which will be checked in advance by the Managing Authority (with the support of the Joint Secretariat) in order to verify that they are not in contrast with the EU regulations, Programme provisions and the contracting rules.

The MA or LP verifies that the Partnership Agreement has been signed by all PPs.

Timeline for the implementation of the Subsidy Contract

By coupling timing and contractual obligations, it is important the Lead Partner and the Project Partners to understand the duration of contractual obligations and distinguish between:

- **The Subsidy Contract takes effect** on the date of the last signature on the Subsidy Contract.
- **The activities can be implemented and the costs are eligible** during 'the implementation period' as described in the Subsidy Contract. Costs are eligible during the implementation period except for those costs related to final reports, expenditure verification and project administrative closure activities which can be incurred after the implementation period.However, the rules concerning the ***starting date of the eligibility expenditure*** of projects is established by the respective Call for Project Proposals.
- **The execution period of the Subsidy Contract ends** for project activities on the last date indicated in the approved Application Form and for eligible costs when final payment is made preferably **within three (3) months** after the official ending date of the project. The Final Project Report shall be submitted eight (8) months after the after the official ending date of the project. **In exceptional and duly justified cases,** this period might be extended.
- **All contractual obligations end:**
  - in three (3) years from 31 December following the submission of the accounts in which the expenditure of the operation is included (according to Art. 140 of the CPR Regulation), unless stricter national rules apply. During this period all Project Partners may be subject to verifications, including on-the-spot checks and a full audit, by EC relevant bodies or auditors authorized by the MA. Therefore all project documents have to be archived in a way that they are easily accessible. Originals of supporting documents have to be kept by each Project Partner organisation, but copies (either scanned or physical) should be easily available from the Lead Partner in order to facilitate financial controls by authorized bodies (see § Retention of project documents of PIM).
  - within five years of the final payment to the beneficiary (Art.71, CPR) in which the produced outputs of the project cannot be transferred or be substantially modified.

Projects should be concluded as specified in each call-specific Application Package.

Summary table on project timeline, eligible expenditure and contractual obligations

Project duration &Eligible expenditures									
Preparation costs				**Implementation costs**				**Closure costs**	
Eligible start date	**Eligible end date**	**Eligible costs**		**AF Project start date**	**Start-up activities**	**AF Project end date**	**Project duration**	**Eligible date ***	**Eligible costs**
01.01.2014 * For IPA countries, the signature of the Financing Agreement for projects or part of the operations implemented and incurred is an additional prerequisite *for reimbursement*	The date when the full application is submitted for the specific CfPP by the LP.	In order to be eligible, **all preparation costs** must be related exclusively to preparation activities (such as the finalization of the application documents, the organization of joint meetings, the development of preparatory studies, analysis and researches for activities preliminary to the project). For preparation costs, the budget lines office and administrative, equipment and investments/works costs are not eligible.	**Signing of Subsidy Contract** * The SC takes effect on the date of the last signature on the SC * The execution period of the Subsidy Contract ends for project activities on the last date indicated in the approved Application Form and for eligible costs when final payment is made preferable within three (3) months. The Final Project Report shall be submitted eight (8) months after the implementation period. In exceptional and duly justified cases, this period might be extended.	The official starting date of the project is the date of signing the Subsidy Contract by the Managing Authority	**Within two (2) months** from the project start date	= after 24 months	24 months	within three (3) months from the project official end date ** The additional period does not apply to projects with end date 31.12.2023.*	In order to be eligible, **all implementation-related costs incurred and invoiced in the last reporting period** must be paid by Project Partners within three (3) months after the end date of project implementation. **Costs for project closure**, related to the elaboration and submission of the last Project Progress Report, the Final Progress Report and to the project administrative closure activities (first level control and staff costs), are eligible and must be incurred, invoiced and paid out within three (3) months after the official ending date of the project.

PROJECT START-UP

Planning the start-up of activities

Projects should be ready to start implementation according to the starting date indicated in the Subsidy Contract.

Before starting the implementation of your project, be sure of the following:

- Re-read all contractual obligations and ensure that they are well understood;
- Ensure that each partner understands the specific national rules applicable in their country to their organization;
- Review the work plan and make it more detailed if necessary;
- Ensure that all partners have a shared understanding of the project goals, activities and expected results and of the working plan;
- Review the Partnership Agreement;
- Set up the **decision-making body** of the project (Steering Committee);
- Set up the **project team** (project coordinator, financial manager and communication manager, if needed) having a good understanding of the rules and contractual obligations;
- Establish the **audit trail system**;
- Draft a **communication plan** (recommended), establishing communication procedures, both internal and external;
- Plan a **kick-off meeting** with all partners in order to launch the project while ensuring a shared understanding among all involved;
- Make a detailed **work plan of the launching phase** including:
  - Recruiting staff, if needed;
  - Training staff, paying special attention to ensure they understand the rules applicable to the project (in particular the financial, procurement and visibility rules and reporting obligations);
  - Launching the most urgent procurement procedures;
  - Setting-up accounting and monitoring systems, adequate internal controls and a good document archiving system;
  - Good financial planning to prevent cash flow problems.
- Appoint **First level Controllers** to each Partner, if applicable.

These steps (not necessarily in the order above) should be taken by the Lead Partner and Project Partners according to their tasks and responsibilities.

Draft

Establishing the audit trail system

The audit trail is an instrument the Lead Partner and all the Project Partners shall put in place since the early beginning of the project in order to ensure the "self-control" during the implementation of the project.

It is extremely important since it allows a clear and objective traceability of project's declared expenditures and revenues (if applicable) and relevant related documents. It can be in fact described as the records that show how the funding of the project has been spent. Although accounts can be kept in Euros or in the Project Partner's national currency, all project reports have to be filled in and accounted in Euros only.

The audit trail should include the information/documents related to:

- original invoices (or documents of equivalent probative value) of all declared expenditures and related payment proofs;
- administrative supporting documents adopted for public procurement procedures: tenders, contracts, administrative procedures;
- clear description of the accounting evidence, related to the specific budget lines;
- certifications related to validated expenditure (FLC certification);
- procedures: Subsidy Contract and, Partnership Agreement (and the possible changes to them authorized by the competent bodies), Progress Reports, relevant project correspondence, etc;
- main correspondence on approval, implementation, modifications of the project;
- correspondence/verification of the receipt (and transfer for the LP) of EU funds.

In order to clearly and easily identify, verify as well as properly monitor and manage the project related expenditure and revenues, for all transactions related to the project without prejudice to national accounting rules, the Lead Partner and all Project Partners should:

- open a specific ***interest-free EUR bank account*** in euro for project payments, if possible, or foresee a separate project code to identify project related transactions;
- maintain a separate ***accounting system*** ***or*** an adequate ***accounting code***, in order to clearly trace project costs/revenues by budget line, activity and payment date/reporting period in the accounting system;
- indicate the project title/acronym and project reference number directly on the invoices/equivalent documents and on all supporting documents.

The ***bank account details*** shall be communicated to the Managing Authority/ Joint Secretariat when required. Any change of this information should be communicated as soon as possible, since the reimbursement of EU grant will be executed only on the bank account of the LP communicated to the MA/JS. Complete and correct bank information in fact can ensure fast transfer of the funds.

Experience shows that the international BIC (S.W.I.F.T. code) as well as the international IBAN code were major sources of errors. Therefore LP are very much

encouraged to ensure that the BIC (S.W.I.F.T.) and/or the IBAN codes are correct and do not contain any space characters. Moreover, the name, address, town and Country of the bank and the account holder should be given.

Concerning the ***separate accounting system or accounting code,*** it may either be an integrated part of the Project Partner's regular accounting system or additional to that system. In any case, the chosen system shall be run in accordance with the accounting and bookkeeping policies and rules that apply in the Country where the Project Partner is established. Hence, the Partner scan set up a 'project accounting system' by using separate accounting system for the Project concerned or by ensuring that expenditure and revenues for the activity concerned can be easily identified and traced to and within the Project Partner's accounting and bookkeeping systems thanks to a specific and adequate accounting code.

Finally, a correct audit trail foresees:

- a separate archive filled in by each project partner with all original documents related to project's (financial and administrative) implementation;
- all partners shall keep the documents linked to the project until three (3) years from 31 December following the submission of the accounts in which the expenditure of the operation is included (according to Art. 140 of the CPR Regulation)or longer if foreseen at national level;
- project specific cost-accounting analytical code/s in order to clearly trace project costs, activity and payment date/reporting period in the Partner's accounting system;
- copy of relevant documents sent to the Lead Partner(see § Retention of project documents of PIM).

The kick-off meeting

The first partnership meeting is the so called kick-off meeting, which should be arranged **within the first two (2) months** to ensure that all the partners share the same project vision and are ready to start the implementation of the project without delay.

The kick-off meeting is an important moment for project. All partners should take part in and some partners may meet and know for the first time. It aims to establish confidence and trust. It is also a stage to launch the management and coordination process, to confirm objectives and the implementation plan, to define communication strategy (for instance to agree on the communication plan) and agree on the composition of the team. Depending of the agenda, this meeting can usually take one/two day/s and usually it is arranged by the Lead Partner.

PROJECT MODIFICATIONS

Review of project activities and budget

During the lifetime of a project, partners need to follow a structured form with a precise timetable and well-defined actions and results, in order to secure success during the implementation phase. The Application Form describes each project in detail providing specific information such as timetables, financial information, budget forecasts etc. The Application Form together with the Subsidy Contract and the Partnership Agreement provide the basis for project implementation. The Monitoring Committee of the BalkanMed Programme approves projects based on the information provided in the Project Proposal comprising the Application Form and annexed documents. Therefore, Lead Partners and Project Partners have a maximum degree of freedom to develop the projects but are expected to follow the basic agreement of the Subsidy Contract. Changes occurring during the lifetime of a project in general should not affect this basis.

Nonetheless, during the project lifecycle, due to unforeseen reasons some changes might be necessary in relation to the specific details of the project implementation defined in the Subsidy Contract, as well as in the approved Application Form and the Partnership Agreement that are integral parts of the Subsidy Contract. Internal or external causes may bring minor or major project changes.

Therefore, during implementation, in some cases the possibility to have project changes is allowed in order to adapt the project to real context/situation that the Project Partner has to deal with. The main object of this chapter is to describe the different categories of related project changes. It is important to note that approval of project changes should not be considered an automatic procedure.

Any substantial change affecting the approved Application Form, as well as the Subsidy Contract (i.e. the partnership structure, the project objectives, activities, outputs and results, budget reallocation among work packages and/or budget lines exceeding the reallocation limit, budget reallocation among partners, or the project duration) makes necessary that the LP requests modification of the Subsidy Contract, which **has to be approved by the MA, or in specific cases by the MC**. A modification requested by a project can be implemented only after it is approved by the responsible programme body (MA or MC). Although the expenditures related to the modified activities and outputs are eligible already from the date of the MA/ MC decision, those costs can be validated only after the amendment of the Subsidy Contract is signed by each contracting party, if so required.

Less significant changes (administrative changes) are possible without previous approval of the MA, or MC, do not need the modification of the Subsidy Contract and need only the confirmation of the JS. The LP has to communicate these modifications also in the regular progress report.

Certain type of changes (Budget reallocation among project partners that are not connected to partnership changes; budget reallocation among work packages and/ or

budget lines; content changes; and prolongation of the project duration) can be requested during the whole project implementation period per each type of modification, if duly justified.

The possibility of other type of modification requests are not limited in number, nonetheless the LP and project partnership shall keep in mind that by signing the Subsidy Contract they are obliged to implement their project according to their approved original Application Form. None of the change requests will automatically be approved by the MA, or MC, as project changes will always be accepted only in well justified cases.

The modifications should not increase the global budget of the project.

In general, the changes can be distinguished in:

- **changes**, which DO NOTHAVE a significant impact on the main results, outputs and objectives of the project; they require a detailed written request to MA/JS justifying the changes and need only the confirmation of the JS;

- **substantial changes**, which HAVE a significant impact on the main results, outputs and objectives of the project; they require a detailed written request to MA/JS justifying the changes as well, but the approval by the Managing Authority (MA)/ Joint Monitoring Committee (MC) is needed.

Specific obligations about project changes are established in the Subsidy Contract, its annexes (and their amendments) and shall be respected as well.

As a general rule, requests for project change which do not require the MC approval, according to the Subsidy Contract, can be submitted ***until the ending date of the implementing period of the project*** (see § Period of eligibility of expenditures of PIM). The Lead Partner is anyway recommended to submit the request for project changes before the last date, since the time necessary to process the modification request will not extend the final date of eligibility of expenditure, or the deadline for submission of closure documents.

Instead, requests for project changes which have to be authorized by the Monitoring Committee can be submitted ***no later than two(2) months before the ending date of the implementing period of the project***. Derogations to this general rule will be assessed case by case.

For the submission of any project change, Lead Partners must follow the instructions available on the Programme website.

Main categories of project changes

Two categories of project changes can be identified, as follows:

1. **Project Adjustments**
    a) Notification of modification directly to the Managing Authority/ Joint Secretariat (through *Request for Project Modification* and/ or the latest in the due periodic *Project Progress Report*), requiring confirmation of the JS
        i. Administrative adjustments (changes on contact details, bank accounts, LPs legal entity);
        ii. *Minor adjustments in the content of the project;*
        iii. *Minor timetable adjustments (rescheduling of activities and/ or WPs);*
2. **Project Modifications** (substantial changes to the project plan requiring approval)
    a) Modifications approved directly by the Managing Authority:
        i. *Budget reallocation between project partners (from the same participating country at the same EU rate of contribution) equal to or less than the reallocation limit of 10% of the project budget (EU + National Funding);*
        ii. *Budget reallocation between work packages and/ or budget lines up to the reallocation limit of 20% of the project budget (EU + National Funding);*
        iii. *Prolongation of the project duration.*
    b) Modifications approved by the Monitoring Committee:
        i. *Changes in the composition of the partnership;*
        ii. *Changes in the content of the project;*
        iii. *Budget reallocation between project partners (from the same participating country at the same EU rate of contribution) exceeding the reallocation limit of 10% of the project budget (EU + National Funding);*
        iv. *Budget reallocation between work packages and/ or budget lines exceeding the reallocation limit of 20% of the project budget (EU + National Funding).*

In all such cases the Lead Partner immediately has to contact the JS to inform about the situation and the planned modification. The JS, based on the type of modification, in accordance with the procedures described below, will inform the Lead Partner about the procedure to be followed and the necessary documents to be submitted. Depending on the significance of the changes, there are different types of project changes and procedures.

Project Adjustments

The Lead Partner must address the JS (in accordance with the requirements set out in the Subsidy Contract) any changes of minor significance, by using the *Request for Project Modification* form. These changes must be communicated also to the JS on occasion of the submission of the Project Progress Reports by the Lead and Project Partner.

- **Administrative Adjustments**

  Any administrative adjustment of the Project Partners (contact information, change of address, LPs legal entity) requires a written notification to the MA/JS through LP. Change of the bank account of the Lead Partner must be stated in Project Progress Reports.However, the MA reserves the right to object to the choice of the type of account opened by the partner.

  Changing the legal entity of the LP needs the notification of MA via the JS, in case, based on the legal act resulting the changes, it is proved that the new legal entity is the legal successor taking full on the duties and obligations of the previous one, as well as it still fulfils the partner eligibility criteria of the BakanMed Programme. The JS in cooperation with the NCP examines the terms of legal succession and the eligibility of the new legal entity and the JS notifies the MA about the change.

  Once the related legal act enters into force the LP shall submit the following documents preferably **within ten (10) days**:

  1. *The specific Act in original language – to the respective NCP;*
  2. *Statement on Project Bank Account, if bank account is different from the original one;*
  3. *Proof of signature of the new legal representative of the LP*
  4. *Note on other data changes (contact persons, contact details etc)*

- **Minor adjustments in the content of the project**

Minor changes that do not affect the defined objectives, outputs and results (change of location of a certain event, change of equipment defined in the AF with another one serving the same purpose, etc.) and do not risk the full completion of the project by the end date, need only previous confirmation of the JS.

- **Minor Timetable adjustments**

Minor changes that do not affect the full completion of the project by the end date (rescheduling of WPs, etc.) and do not risk the achievement of the target set by the n+3 rule, need only **previous confirmation of the JS**.

Project Modifications

The Lead Partner must address the JS (in accordance with the requirements set out in the Subsidy Contract) any requests for modification of the project, by using the *Request for Project Modification* form. The request for modification must be duly justified.

Modifications approved directly by the Managing Authority

- ***Budget reallocation between work packages and/ or budget lines up to the reallocation limit of 20% of the project budget (EU + National Funding)***
  The percentage of the requested for reallocation amounts will be calculated compared to the Application Form annexed to the Subsidy Contract.
- ***Budget reallocation between project partners (from the same participating country) equal to or less than the reallocation limit of 10% of the project budget (EU + National Funding)***
  Reallocation of funds between partners may be accepted only if it does not involve an increase in the EU contribution of the project.
  The percentage of the requested for reallocation amounts will be calculated compared to the Application Form annexed to the Subsidy Contract.
- ***Prolongation of the project duration***

  The extension of project duration can be requested only in exceptional and justified cases. The project should demonstrate that unpredictable delays have occurred due to external conditions.

  The extension is possible only for the total duration not for single WP and it may also concern the cost-extension within the approved project budget. In case a WP is in delay, it will be seen as a normal setback of the project, which will be explained by the LP/PP within the related Project Progress Report (see § Project Progress Report of PIM) and the MA/JS will evaluate case by case the reasons of delay during the monitoring on the project progress and, if necessary, will take the appropriate measures.

  The modification of project extension can be requested under the following conditions (as ruled by the Subsidy Contract):

  a) the LP provides a prior written request to the MA/ JS containing proper justification;
  b) the prolongation of the project duration will not affect the **achievement of the target set by the n+3 rule;**
  c) the **total duration of the Project implementation does not exceed the 50% of the project initial lifecycle**;
  d) the **total duration of the Project does not exceed**, in any case, the **31st December 2023**.

  In any case, if the project implementation period ends on 31st December 2023, all payments must be concluded within the same deadline.

The prolongation of the project duration means the extension of the eligibility time and, if relevant, the revision of the spending forecast of the project.

Modifications approved by the Monitoring Committee

- ***Changes in the composition of the partnership***

  Change in the partnership is a sensitive modification of the approved project since the partnership represents an important aspect for the implementation of the project and for the achievement of project objectives. However, in duly justified cases, in case a partner intends to withdraw from the project, or the partnership decides to debar one of the partners, the Lead Partner is obliged to inform immediately the JS in written form and such change always needs the approval of the MC, as well as the modification of the Subsidy Contract and Partnership Agreement accordingly.

  The Lead Partner has to assure that, following the changes in the partnership, the project still fulfills the minimum requirements for the transnational partnership of the BalkanMed Programme and the restrictions of the specific Call for Proposals and it does not alter the general character (objectives, outputs and results) of the original project.

  The partner leaving a project will remain fully responsible and liable for all activities that were carried out and outputs that were delivered by them until the date of withdrawal. Expenditures of the withdrawing partner are eligible if they are incurred and paid until the date of withdrawal, indicated also in the related part of the Subsidy Contract, and can be validated and must be reported by the Lead Partner until the reporting deadline of the reporting period, following the period in which the MA/MC approved the partner withdrawal. The withdrawing partner should return any remaining funds from those received already to the Lead Partner or to the appointed by the Joint Secretariat bank account.

  In case of a change to the composition of the partnership, the following situations may occur:

  - Partner withdrawal without being replaced by a new one;
  - Partner withdrawal with replacement by a new Partner.

  In case a withdrawing ERDF or IPA-II partner will be replaced, the new ERDF or IPA-II partner shall comply with all partner eligibility criteria of the BalkanMed Programme. The new partner shall have equal relevance for the partnership as the one leaving, and bearing sufficient economic and organizational capacity to be able to complete its duties and responsibilities within the project.

  As a general rule, the withdrawn ERDF partner shall be replaced by a new ERDF partner and the withdrawn IPA-II partner can be replaced only by another IPA-II partner, similar in terms of competences/ responsibilities and located within the same country as the withdrawing one. In specific and justified cases, the activities of the given partner (including the remaining budget) can be taken over by a new partner located in another, respectively ERDF or IPA Country of

the Programme area, or distributed among the partners. In this last case, ERDF funds can be distributed only among the remaining ERDF partners, while IPA funds among the remaining IPA-II partners.

In case an ERDF or IPA-II partner is withdrawn and, due to the circumstances, the activities and deliverables of the withdrawn ERDF/ IPA-II partner cannot at all, or just partly be taken over by either a new ERDF/ IPA-II partner, or other ERDF/ IPA-II partners of the original partnership, new activities and deliverables can be introduced, if the new activities and deliverables guarantee equivalent value for the whole project. As a consequence, the total budget of the project is reduced by the budget part that is not used by the withdrawn ERDF/ IPA-II partner, or by the budget part related to those original activities and deliverables that the new partnership is not able to implement, or replace with equally valuable ones.

Changing the Lead Partner, being a contracting party and main responsible for the whole project and partnership towards the BalkanMed Programme, is such a serious and substantial change that always needs the approval of the MC. In case of changing the Lead Partner the new Lead Partner must be nominated from the remaining partnership. The new LP shall be a Partner, bearing appropriate competences and capacities for this role. Instead of an addendum to the original Subsidy Contract, a new, tripartite (withdrawing LP, new LP and BalkanMed MA) Subsidy Contract is settling the Lead Partner change. The withdrawing Lead Partner is fully responsible and liable for the whole project activities and deliverables until the date of the last signature out of the three signatories, from which date the new Lead Partner takes over the full responsibility and liability for the project.

- ***Changes in the content of the project***

  Content-related changes that are resulting in modification of the project objectives, activities, outputs and results as laid down in the Application Form (AF) are considered as substantial changes, independently of the fact that they imply or not a budget modification.

  In principle, it is not allowed to change the content of the project, especially the objectives and the expected results. However, in some cases modification of the approved project structure might be necessary. These changes must be well justified and described as soon as they become evident.

  The implementation of activities, outputs, or results to be modified (in comparison to the approved Application Form) can be started, and the related expenditures are eligible, only after the date the MC approves the modification. These costs can be validated only after the amendment of the Subsidy Contract is signed by each contracting parties.

  If following the change, the originally approved activities or outputs cannot be delivered anymore, or replaced by justified new activities or deliverables that guarantee equivalent value for the whole project, the budget part related to the non-delivered activities, outputs will be proportionally reduced for the affected partners.

The LP and the project partnership should also consider the relevant article of the Subsidy Contract regarding the right of the MA to withdraw from the contract and reclaim the ERDF contribution.

- ***Budget reallocation between project partners (from the same participating country) exceeding the reallocation limit of 10% of the project budget (EU + National Funding)***

  The percentage of the requested for reallocation amounts will be calculated compared to the Application Form annexed to the Subsidy Contract.

  Reallocation of funds between partners may be accepted only if it does not involve an increase in the ERDF & IPA contribution of the project.

  If strictly necessary, Project Partners may also decide a different distribution of their Project budget envisaged in the total financing plan of the Project approved by the MC, provided that the total amount of Programme contribution allocated to the Project will not be increased. In such a case, the Lead Partner must promptly inform the MA/JS on the changes proposed by indicating the new distribution of the Project costs and by justifying the new reallocation of the resources.

- ***Budget reallocation between work packages and/ or budget lines exceeding the reallocation limit of 20% of the project budget (EU + National Funding)***

  The percentage of the requested for reallocation amounts will be calculated compared to the Application Form annexed to the Subsidy Contract.

  Budget reallocation between Budget Lines over 20% of the total budget may occur only if the requested change does not alter the minimum requirements, the planned action, outputs and results and does not endanger the general project principle of co-operation. In addition to the above it is crucial for a project to keep constant those categories that are of crucial importance for the project implementation and the partners' cooperation.

Decommitment of the project

In case the BalkanMed Programme is affected by decommitment of Community funds the MA, upon a decision of the Monitoring Committee, is entitled to decommit the project by reducing the original project budget and the corresponding EU contribution.

Project Modification Summary table

A summary on the type of project changes and the related procedures to be followed is indicated below.

Type of project change	Project Modification Procedure	
	No previous approval; No change of Subsidy Contract	**Previous approval; Addendum to Subsidy Contract**
Partnership change	-	- Always need MA or MC decision
Project content change	- In case of minor content change, JS to be informed the latest in the due periodic Project Progress Report	- Significant content change always needs MC decision
Budget reallocation among PPs	-	- Amounts of reallocation **below** reallocation limit of 10% needs MA decision - Amounts of reallocation **exceeding** reallocation limit of 10% needs MC decision
Budget reallocation among WP/BL	- Until amount of reallocations remain below the defined limit (20%)	- Amounts of reallocation **below** reallocation limit of 20% needs MA decision - Amounts of reallocation **exceeding** reallocation limit of 20% needs MC decision
Project prolongation	- In case of minor timetable change, JS to be informed the latest in the due periodic in Project Progress Report	- Need MA decision
Administrative changes	- JS to be informed the latest in the due periodic Project Progress Report	-

Necessary documents and procedure for Project Modifications

In all above-mentioned cases, the Lead Partner must submit a *Request for Project Modification*[10] (standard form provided)to the Joint Secretariat. Any request for changes has to be well justified and submitted by the LP in a written form. In case the changes are related to the part of activity and/or budget of one or more Project Partners, the Lead Partner must attach to the request sent to the MA/JS also the request made by the Project Partner to the LP. In the case that the changes initiated only by the LP affect other Project Partners, again their request/consent is needed prior to sending the request to the MA/JS, and they have to be informed on the decision as soon as the request is processed.

Any relevant claim must be sent to the JS **not later than forty (40) days (for MAs approval)** or **sixty** (**60) days (for MCs approval)**prior to the date on which the proposed modification is requested to become effective.Derogations to this general rule will be assessed case by case.

The *Request for Project Modification* has to be submitted signed and stamped by the LP legal representative/authorized person in scanned version by e.mail – paper version must be available upon request - at any time during the year.

In cases of project prolongation, the Lead Partner shall immediately contact the JS in case the project implementation is in such delay that the extension of the project duration might be necessary. If the JS considers that the request is justified, it will request the LP to submit the electronic version of the following documents:

1. *Request for Project Modification,* defining each modified part of the original AF affected by the change*;*
2. *Revised Application Form* - modifying the budget and the activities accordingly;
3. *Budget change table (in case spending forecast is affected)*;

In cases of changes in the content of the project, the Lead Partner shall immediately contact the JS in case the project faces problems that would affect the original objectives, outputs or the results. If the JS considers that the request is justified, it will request the LP to submit the electronic version of the following documents:

1. *Request for Project Modification,* defining each modified part of the original AF affected by the change*;*
2. *Revised Application Form* - modifying the budget and the activities accordingly;

In cases of budget reallocations, prior to relevant request, the Partner must have an overview of the costs already reported/validated/reimbursed and to see from which budget lines it is possible to move funds. The Partner must use the *Budget Change*

[10] The "*Request for Project Modification*" (word) template is available in the Project Modification Package published in the website of the Programme.

Table[11] (standard excel form provided) in order to verify the project modification procedure to follow and if the planned changes are possible and in line with its needs.

In fact, the JS will request in written form the LP to submit the electronic version of the following documents:

1. *Request for Project Modification,* defining each modified part of the original AF affected by the change*;*
2. *Budget change table;*
3. *Revised Application Form* - modifying the budget and the activities accordingly;
4. New *Co-financing Statement*of the affected partner, if relevant.

In cases of partnership modifications, the Lead Partner shall immediately contact the JS in case the project faces partnership problem and such change is planned. The JS involves the national CP of the country of the withdrawing PP/LP in order to support the LP solving the partnership problem, if necessary.

In case the replacement of a PP/LP is foreseen, the LP and the partnership shall find an appropriate new PP/LP **within thirty (30) days** from the JS communication on the conditions of the modification, which can be extended **with another fifteen (15) days** in case the search is not successful.

Once it is decided how the partnership change is planned to be solved, the JS will request in written form the LP to submit the electronic version of the following documents **within thirty (30) days** from the JS communication.

1. *Request for Project Modification,* defining each modified part of the original AF affected by the change
2. *Budget change table*
3. *Declaration of withdrawal from the partnership*, dated and signed by the legal representative of the withdrawing Partner in which an explanation on the reasons for withdrawal is given and countersigned by the LP, **and** *Written decision of the project Steering Committee* debarring the partner, including the date of withdrawal and signed/ approved by all Project Partners;
4. *Declaration of commitment to join the partnership*, including the exact date of entry in partnership and signed by the legal representative of the organization wishing to join the project and countersigned by the LP **and** *Written decision of the project Steering Committee* accepting the partner into the partnership, including the date of acceptance and signed/ approved by all Project Partners;
5. All the *supporting documents* (such as Statute, final budgets, etc.) necessary to verify the eligibility of the new Partner according to its legal status and what required by the reference Call for Proposals;
6. The *Legal Entity Form* and the *Financial Identification Form* of the new partner;
7. Data of the new Partner and description of its institution, experience and role into the project, according to the information provided into *Section C - Partnership* of the Application Form;

[11]The *Budget Change Table* (excel) form is provided by the JS to the Lead Partner upon request, being customized for each project and for each request of modification.

8. *Revised Application Form* (defining the new division of work and the budget accordingly).
9. new *Co-financing Statement*of the affected partner(s), if necessary;

In case the documentation is not complete, or further information is requested by the JS, the LP shall provide the completion **within five (5) days** from the JS communication.

The submitted *Request for Project Modification* will be evaluated by the JS and will be put forward for decision to the Managing Authority or the Monitoring Committee. In case a new partner is introduced in the partnership, based on the written confirmation of the affected Partner State (from which the new partner, and from which the withdrawing partner comes) accepting the new partner, **the MA will decide about the partner change**.

The decision of the MC is necessary in the following cases:

- budget reallocation among ERDF partners, or among IPA-II partners from different countries due to the partnership change;
- change of the Lead Partner;
- the partner change affects the general character (objectives, outputs and results) of the original project.

The expenditures related to the activities and outputs of the new partner can be eligible already from the "date of entry" for the new partner, based on the "Declaration of commitment to join the partnership", issued by the new partner and the Lead Partner, which is indicated also in the related Addendum of the Subsidy Contract - provided that the MA/MC approves the partner change. The related costs can be validated only after the amendment of the Subsidy Contract is signed by each contracting parties.

In case of MC decision on the decommitment of the project, the MA/ JS with the authorization of the MC initiates the modification of the Subsidy Contract, organizing also relevant technical meetings. For the modification of the Subsidy Contract, the LP has to submit the electronic version of the following documents **within fifteen (15) days** from the JS notification:

1. *Request for project modification* indicating that the modification is initiated by the Programme due to decommitment, as well as the details of the change, defining each modified part of the original AF affected by the change;
2. *Revised Application Form* - modifying the budget and the activities accordingly;
3. *Budget change table*;

In case the provided documentation, or information is incomplete the LP shall submit the completed documents **within five (5) days** from the JS communication.

Overall, according to the **JS Internal Guidelines**, the JS evaluates the submitted *Request for Project Modification* and puts forward for decision to the Managing Authority of the BalkanMed Programme. The Managing Authority examines the *Request for Project Modification* as forwarded by the Joint Secretariat and, with the support of the JS, evaluates if the modification needs also the MC's approval. If the

MC's approval is needed, the MA, in turn, requests the approval by the Monitoring Committee.

In case of approval, the JS notifies in written form the LP about the MA or MC decision and requests the submission of the following documents (in case affected by the modification):

- **Addendum to the Subsidy Contract**
  The Addendum to the Subsidy Contract will be prepared by the JS.
  The finalised Addendum will be signed by the Lead Partner and sent to the MA. The addendum should be signed also by the LP and sent back to the JS **within twenty (20) days** from the day of receipt.

  In case the LP is replaced, a new tripartite Subsidy Contract is prepared defining the rights and responsibilities of the withdrawing LP and the new LP, which will be signed by the MA and sent to the withdrawing LP. The new Subsidy Contract should be signed by the withdrawing LP **within twenty (20) days** from its reception and forwarded to the new LP, who after signing also the Subsidy Contracts ends it back to the JS **within twenty (20) days** from its reception.

  The LP should provide the affected project partners the copy of the amendment of the Subsidy Contract.
- **Addendum to the Partnership Agreement**
  The Addendum to the Partnership Agreement will be prepared by the JS.
  The finalised Addendum will be signed by each PP and sent to the JS **within fifteen (15) days**.

COMMUNICATION, DISSEMINATION OF INFORMATION AND PUBLICITY

Communicating activities and results

Communicating the project's achievements and results should be a priority for each project. The project partners and their direct target groups need to know about the project, its objectives and its achievements, the wider public also needs to be informed. Therefore **communicating the project's activities and results is important**. It is important to show everybody the **benefits** of the project in regard to **regional, social and economic development**.

Communication is also important to ensure **transparency** in how EU money is being spent. It furthermore gives **visibility to the EU support** in the transnational regions. Please note that the EU has strict rules and requirements on visibility and communication.

When communicating, project partners need to keep in mind the following:

- to reach all different stakeholders;
- to develop tailor-made messages (i.e. at the political level, for the media, and for different stakeholders);
- to inform and to communicate (two way communication);
- to be involved in all communication activities.

A **detailed communication plan** needs to be developed and a **communication manager** responsible for the implementation of the communication plan and for the compatibility of all communication activities with the EU communication and visibility requirements to be appointed, if special skills and expertise is required. Beforehand, Programme specific visibility requirements and guidelines for communication need to be adopted.

How to communicate? Which media is best?

Innovative media and social media tools such as Facebook and Twitter are becoming more and more important. A good mix of **traditional and innovative media** can be used. Include media such as local and regional media (newspapers, radio and television), internet, open days and public events, leaflets and brochures and also social media. Be creative but keep budget limitations in mind. Therefore select the most effective channels. Create **free publicity** through traditional and the social media. Keep journalists regularly informed, provide them with tailored information and media releases and invite them to activities.

Consider the cultures and values of target groups in order to select the proper means of communication. Youth for example are very familiar with web based channels whereas local and regional officials may be best reached via specific internal publications.

Who to Target?

Decide at the beginning of your project **which are the most important target groups**.

Remember that each target group is more receptive to some media and messages than others. Target groups should be addressed specifically and using information and promotional tools specific for them. Consider what information each group needs most and how it can be delivered in order to be effective.

Suggested information and promotional tools are given in the table below.

Information tools for external communication	**Promotional tools**
Project website: The information source for all stakeholders	Posters, leaflets, stickers, pens, USB sticks, etc.
Project publications, manuals, booklets	Project sheets
Seminars, workshops, conferences, open days and public events	Press releases/ press conferences
Social media	Newsletters

When targeting groups, the following actors should always be included:

- EC related actors
- Project Partners
- Decision makers
- National, regional and local authorities
- The general public
- The media

Programme visibility requirements

Raising the awareness of general audiences on actions financed by the EU in transnational countries is important to the EU. In order to ensure that all projects incorporate information and communication activities to **raise awareness on the reason for the projects** as well as on the **results and the impact of the support in the region**, a special guide specific oriented to the BalkanMed Programme has been designed.

NB: An 'Information and Publicity Project Partners Guidebook', including guidelines for the proper communication of the project activities, the EU regulatory requirements and a project 'Communication Plan' template shall be provided to all project partners after the signature of the Subsidy Contract.

The **Information and Publicity Project Partners Guidebook** serves to ensure that projects know the legal requirements they should respect. The **Information and Publicity Project Partners Guidebook** covers the written and **visual identity of the EU**. It sets out **requirements** and **guidelines** for briefings, written material, press conferences, presentations, invitations, signs, commemorative plaques and all other tools used to **highlight the EU contribution**.

This guide also offers advice and tools designed to enable the development of a dynamic communication strategy that will highlight the achievements of the EU support.

The guide can be downloaded from BalkanMed website at www.interreg.gr. On the same website you can also download the EU flag, the Programme logo which should always be used in coordination with your project logo and acknowledgement of other funders as required.

BalkanMed Programme website

In the specific section of the Programme website, the JS provides all the templates that support standardisation of communication and data to be reported.

In this section Partners will find all the *mandatory templates* required in specific case and also the *suggested templates* that can be used.

In addition, should there be any amendments made to the PIM due to legislative changes or other requirements which influence implementation of already approved projects, they will be made available on the official website of the BalkanMed Programme: www.interreg.gr.

PROGRAMME MANAGEMENT AND INFORMATION SYSTEM (M.I.S.)

The Management and Information System of the TNCP 'Balkan – Mediterranean 2014 – 2020' (hereinafter referred to as MIS) is a multi-user system, developed specially for the needs of the Programme. It is based on a web technology that allows the users to have access to it from wherever they are, with an Internet connection and a browser.
The M.I.S. is then the common Programme integrated system for the whole Programme area which permits to manage the information related to:

- the Programme and its configuration;
- the project's submission;
- the Project Partners as members of a project's partnership scheme;
- the expenses made by Project Partners of financed projects;
- the certification of expenditures (Declaration on Validation of Expenditures) and related Application for Reimbursement;
- the multi-level controls of expenses;

thus allowing the recording and keeping of the accounting data as well as the financial management, control, checks, audit and evaluation of each Project approved within the framework of the Programme (Ordinary, Targeted and Strategic).

COMPLIANCE WITH EU POLICIES AND OTHER RULES

The principle of cost efficiency and transparency

When partners purchase goods and services, the selection process must always respect the principles of transparency and sound financial management of the public funds (besides equal treatment and non-discrimination), even though no specific requirements have been set for purchases below Community and/or national tendering thresholds.

AllPartners must be in a position to demonstrate that it has, for all contracts, chosen the provider respecting the principles of cost efficiency and transparency and ensuring there is no conflict of interests, following the applicable legislation.

Basic standards to comply with the obligation of transparency are:

- advertising (e.g. means of advertising, content of advertising);
- contract award procedure (e.g. principles, contract award decisions);
- judicial protection (i.e. possibility to review the impartiality of the procedure).

Public procurement

The purchase of goods and services, as well as the ordering of works is subject to public procurement rules aimed at securing transparent and fair conditions for competing on the common market and which should be followed by the Project Partners when commissioning services, works or supplies to third parties. Rules for selecting the provider differ depending on the object of the awarding contract as well as on its value.

In the framework of the BalkanMed Programme, each Project Partner must follow their respective rules on public procurement.

In this respect, Project Partners have to be aware that they should keep evidence concerning the proper application of selection and tendering processes. This evidence should be based on the positive outcome of checks concerning, among others:

- the appropriateness of the procurement procedure being used in accordance with the forecast amount;
- the appropriateness of the selection and award criteria, the lack of confusion between both and the application of the published criteria during the evaluation process;
- the compliance of these criteria with the fundamental principles of the EU Treaties (transparency, non-discrimination, equal treatment);
- the adequateness of the level of advertisement of the tender;
- the lack of discriminatory technical specifications;

- the adequateness of the assessment of the submitted offers reflected in the evaluation reports (a complaint procedure should be established based on national rules);

Splitting the contracts in order to avoid stricter public procurement procedures for the selection of a provider is not allowed (e.g. a contractor might be assigned with the elaboration of one part of a study and a different contractor is assigned with another part of the same study).

When spending ESI funds by means of public contract, the national/regional authorities from the Member States involved (Bulgaria, Cyprus, Greece) will have to respect their national procurement legislation corresponding to EU public procurement rules and in particular (i) Directives 2004/18/EC and 2004/17/EC, (ii) Directives 2014/23/EU, 2014/24/EU and 2014/25/EU, (iii) Directives 89/665/EEC and 92/13/EEC and (iv) the general public procurement principles derived from the Treaty on the Functioning of the EU (TFEU). In case there is a difference on public procurement rules on national and EU level, the stricter rule shall be applicable.

With regard to the Albanian and the former Yugoslav Republic of Macedonia authorities, they shall respect the public procurement obligations. Project Partners from IPA Partner States are obliged to follow procurement rules as described in the Practical Guide to Contract Procedures for EU External Actions (PRAG Rules) [12]. Therefore, in case public procurement by the IPA partner is necessary for the implementation of a project, relevant provisions of the PRAG should be respected. If national rules are stricter than PRAG guidelines, the stricter rule should apply.

Expenditure incurred without respecting the public procurement rules are not eligible and thus cannot be reimbursed by the Programme.

Equal opportunities and non –discrimination

The implementation of projects approved under the BalkanMed Programme should be in line with the provisions concerning equal opportunities for men and women as well as combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

Whereas the promotion of equal opportunities will be regarded, among other horizontal policies, as a positive factor in the selection of projects for funding, **the control of the respect of the provisions concerning equal opportunities is a task of the First Level Controllers**.

A declaration that the project respects all community and national laws in terms of equal opportunities and non-discrimination is available at the approved Application Form.

[12] Found at http://ec.europa.eu/europeaid/prag/document.do

Protection of the environment

Projects should also be coherent with the objectives of protection and improvement of the environment.

Whereas in the Application Form applicants are asked to describe the coherence of the planned project activities with the environmental objectives at EU, in the implementation stage, for activities that may have negative impacts on the environment (as investment), Project Partners should ensure that:

- evidence is kept that specific compulsory requirements by Community or national legislation are fulfilled (e.g. feasibility study, environmental impact assessment, building permission, etc. are available),
- declaration that the project respects all community and national laws in terms of environmental impact (Application Form).

Other applicable rules

Conflict of interest

Project Partners must undertake all necessary precautions to avoid conflict of interest and must inform the Managing Authority/ Joint Secretariat without delay about any situation constituting or likely to lead to any such conflict.

A conflict of interest exists where the impartial and objective exercise of the functions of any person involved in the project is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person.

Double funding

One important element to be taken into account when participating in EU funded projects is the need for implementing measures to avoid double funding from different co-financing sources for the same expenditure item. In practice, this means that the expenditure that has already been supported by other EU funds is not eligible. In case of co-financing from other EU funds, the cost can be deemed eligible only for the part of the cost not covered by subsidy. Whereas analytical accounting systems help in this respect, more straightforward measures must also be foreseen.

Irrespective of the control procedures in place in the different Participating Countries, the practice of annulling original invoices and other probative documents by **stamping them is compulsory** in the framework of the BalkanMedProgramme. The used stamp must make explicit reference to the fact that the expenditure has been co-funded by

the Programme. In addition, the amount claimed as (or declared as) eligible for every expenditure item must be clearly indicated (see § Voiding expenditure documents of PIM).

Treatment of revenues

As a general rule, the grant does not have the purpose or effect of producing a profit for Project Partners and consequently it must be restricted to the amount required to balance income and expenditure for the project. Any revenue generated by the project must be deducted from the amount of total eligible expenditure for the project concerned. This deduction will be made in full or pro-rata depending on whether it was generated entirely or partly by the co-financed project.

Revenues can be defined as earnings generated during the project implementation through the sales of products and merchandise, participation fees, rentals, services, or any other provisions of services against payment or other equivalent receipts with the exception of:

- receipts generated throughout the economic lifetime of the co-financed investments in the case of investment in firms;
- receipts generated within the framework of a financial engineering measure, including venture capital and loan funds, guarantee funds, leasing;
- where applicable, contributions from the private sector to the co-financing of projects.

Each time a project has, or would have, the possibility to generate revenue, the Project Partner shall inform the national FLC and the Lead Partner, who in turn shall declare it in the Project Progress Report in order to let the MA/JS know the generated revenues.

Should the project be identified as revenue-generating, the MA is entitled to deduct from the last reimbursement the estimated net revenue that may be generated by the project.

The key decision is to consider if revenues can be (or not) calculated in advance:

- if revenues can be calculated in advance, the net revenue (the revenue minus the operating costs generated all throughout project lifetime[13]) has to be calculated and deducted from total costs;
- if it is not possible to calculate the revenue in advance, all revenue generated within five years from project completion has to be deducted.

The Programme contribution will be calculated on the basis of the total eligible expenditures having deducted any revenue to be generated during the project implementation period, therefore contracts with Lead Partners will be concluded without taking revenues into account.

[13]The operating costs to take into consideration in order to calculate the funding gap shall include management fees (for example staff, raw materials, energy costs), the maintenance expenditures and the material replacement costs. The financing costs (for example payment of interests) and the depreciation are to be excluded (this last one is not to be considered as cash flow).

No later than the closure of the Programme, all revenues not taken into account will have to be refunded to Programme budget, in their entirety or pro-rata, depending on whether they were generated entirely or only in part by the project.

The national FLC will then verify at least:

a) in case the Project Partner ***reports revenues*** (foreseen in the approved Application Form and/or possible to estimate the amount of revenues) that:
   - the expenditure reported as revenues are only cash flows directly paid by users for the goods and/or services provided by the project;
   - evidence exists in the accounting documents of the project partner on the revenues generated by the project;
   - calculation method is provided by the Project Partner to report the net revenues (the amount to be deducted from the total eligible expenditure reported);

b) in case the Project Partner ***does not report revenues*** (***not foreseen*** in the approved application Form and ***not generated*** by the project) that:
   - statement of the Project Partner is available and includes that the project does not generate revenues;
   - the accounting documents of the Project Partner do not contain any revenues generated by the project;

c) in case the Project Partner ***does not report revenues*** (***revenues generated are not declared***) but evidence exists in the accountings documents of the Project Partner on the revenues generated by the project. In addition the suspected irregularity has to be reported by the First Level Controller to the responsible body at national level and revenues not reported will be reclaimed by the MA according to the recovery procedure of the BalkanMed Programme.

De-commitment of ERDF & IPA co-financing (n+3 rule)

The European Commission demands from the Programme that each annual ERDF & IPA co-financing is spent within the three years following the budgetary commitment. This means that ERDF & IPA co-financing not claimed in time by the Certifying Authority to the European Commission is automatically de-committed from the Programme budget and therefore lost.

The above described principle is the so-called ***"n+3 rule***", where "n" represents the year in which the co-financing was committed and "+3" refers to the time (in years) during which the co-financing has to be spent.

For projects co-financed by the BalkanMed Programme, the automatic de-commitment has fundamental implications. The payment claims to the European Commission are based on the *reported and certified expenditures submitted by the projects*, thus very much depends on projects' financial performance. In case the European Commission de-commits ERDF &IPA co-financing and if the de-commitment

cannot be covered otherwise, the ERDF &IPA co-financing of ongoing projects may be reduced, upon MC decision.

With the aim to avoid any risk of an automatic de-commitment of the Programme's financial contributions and without prejudging the termination of the Subsidy Contract, if the Project Partners are unable to proceed with the expenditures envisaged or the expenditure flow goes below as forecasted in the Project Application Form, the MC may reduce the Community contribution granted to the Project in the amount that has been validated and certified at a given date or to the different amount that really appears to be reported within the expiration of the Project's implementation period.

The Subsidy Contract obliges financed projects to follow a pre-defined spending schedule which has been set out in the Project Application Form. It further stipulates that the Programme bodies of the BalkanMed Programme have the right to deduct project funds that are not spent in time.

After official information is provided from the Commission about the amount to be de-committed from Programme funds of year *n* or after official request from the Monitoring Committee to reduce the ERDF &IPA co-financing for significantly delayed projects, the MA/JS calculates the amount to be de-committed from project funds and assesses the cases for which this de-commitment procedure may be suspended.

Detection of unduly paid out expenditure, including irregularities

Because of the peculiar nature of the suspected fraud in respect of any intentional act or omission related to expenditure, the (management and on the spot) verification processes of the competent management authorities shall be particularly meticulous. According to preamble 36 of the CPR, an irregularity is defined as '…any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator[14] involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union'.

FLC checklists cover part of the known cases of suspected fraud in the fields of contracting and public procurement, as well as services, such as contaminated specifications, unjustified assignments to only one source, market division (segmentation), personnel expenses/ monitoring service provision contracts.

The suspected fraud cases may be identified through processes consisting of monitoring the execution of the contract and, especially, through on-site verifications using case-studies and based on the experience of verification instruments. The First Level Controllers may cross-check the data resulting from their verifications with the data resulting from the controls carried out by other auditing bodies. The First Level

[14]To be understood as any Project Partner (including Lead Partner) participating in an approved project.

Controllers assessment is done through management verifications aiming at dealing with any fraud that may arise during the project implementation.

Additionally, the MA/ JS undertakes action to avoid errors by the partners when managing and implementing the co-funded projects. More specifically, these actions are as follows:

- Issuance of relevant instructions to the partners on how to manage and implement the co-financed projects in conformity with the national and EU rules.
- Establishment of a process allowing Lead Partners to submit a Procurement Plan for each partner to the MA/ JS, in order to identify any suspected segmentation or distortion of competition within the framework of the public procurement.
- Setting-up a help-desk that will provide a coordinated – among the Programme's management authorities, that is the MA/ JS and the First Level Controllers – answer to any questions of the partners on issues pertaining to the expenditure eligibility and regularity;
- Setting-up an internal risk assessment tool that will be used as a basis for risk-based controls and sampling. It can also be used as a means to emphasis typical issues in a programme and to raise controllers' awareness.

Both during project implementation as well as after project closure it cannot be excluded that, as a result of an on-the-spot check (both for first level and other control purposes) or due to the availability of information not previously existing, First Level Controllers or auditors consider that some of the expenditure previously certified, included in closed Project Progress Reports (DVE) and subsequently paid out by the Certifying Authority might be declared finally as non-eligible according to national or Community rules or according to the BalkanMed Programme requirements.

In case irregularities have been detected by First Level Controllers or other control bodies, the project will be subject to corrective measures. Should the First Level Controllers find costs in the project partner's expenditures that cannot be considered eligible, they will ***not be validated***. As a consequence that expenditure considered as not eligible could not be reimbursed at all to the concerned Project Partner.

The concept of irregularity covers a wider range of issues rather than just strictly financial matters. Irregularity can mean e.g. non-compliance with the respective procurement rules, archiving rules, publicity rules, inadequate documentation or failure to provide adequate and correct information in the Project Progress Reports. Detected irregularities will imply follow-up actions by Programme and national authorities, e.g. withdrawal or reduction of the subsidy or recovery of the granted funds.

This correction can be also the result of the on-going checks of the Managing Authority. Likewise, audits of the European Commission or the Court of Auditors may trigger this process.

In cases of expenditure unduly paid out to Project Partners, these funds must be recovered by the Programme bodies according to one of the following two options:

1. for projects still running, the amounts must be deducted from the next reimbursement due;
2. for already closed projects, a recovery procedure towards the Lead Partner must be launched.

Both options are presented in the following paragraphs.

Recovery of funds from running projects

As stated above, where recoveries shall be performed in running projects, all unduly paid out funds must be deducted from the next reimbursement due or, where applicable, from reimbursement which is still under examination by the Programme bodies. In order to ensure a proper audit trail of such deductions, these financial corrections will be managed and stored through the Management Information System (MIS).

Depending on how the amounts unduly paid out have been detected, different requirements must be met:

a. in cases where they have been identified by the ***First Level Controller of the Project Partner*** (e.g. during on-the-spot checks), the relevant controller must provide the necessary information to the MA/JS (and National Authority where foreseen by national procedure) so that the financial correction can be made;

b. in cases where they have been identified by other level controllers (MA, Certifying Authority, Audit Authority, European Commission), the Managing Authority will promptly inform the Lead Partner, the concerned Project Partner and the National Authority. A contradictory procedure, eventually involving the FLC responsible body at national level, will be undertaken whenever necessary.

Recovery of funds from closed projects

For cases in which the project has already received the last ERDF &IPA fund instalment, the Managing Authority shall demand from the Lead Partner repayment of subsidy in whole or in part. In case the amounts unduly paid out refer to a Project Partner, it will be up to the concerned Project Partner to repay the Lead Partner any amounts unduly paid in accordance with the agreement existing between them (Partnership Agreement). If the Lead Partner does not succeed in securing repayment from a Project Partner after the LP has enforced all means foreseen in the Partnership Agreement, the participating Country on whose territory the relevant Project Partner is located shall reimburse the Managing Authority the amount unduly paid to that Project Partner.

Partner States may decide not to recover an amount unduly paid if the amount to be recovered from the beneficiary not including interest does not exceed € 250 in contribution from the Funds, according to Art. 122 of CPR Regulation.

PROJECT EXPENDITURE AND APPLICABLE RULES

Hierarchy of rules on eligibility of expenditure

First and foremost, for the eligibility of expenditure, three levels of rules apply in the framework of all Interreg Programmes, including BalkanMed Programme:

1. **Rules defined in EU legal framework**

   Due to the fact that the Programme is co-financed from ERDF, all general rules concerning the eligibility of expenditure regarding the structural funds are applicable, as follows:

   - Financial Regulation (EU) 966/2012 on financial rules applicable to the general budget of the Union;
   - Common Provisions Regulation (EU) 1303/2013 where Articles 6 and 65 to 71 give specific provisions on applicable law as well as on eligibility of expenditure;
   - ERDF Regulation (EU) 1301/2013 where Article 3 gives specific provisions on the eligibility of activities under the ERDF;
   - ETC Regulation (EU) 1299/2013 where Articles 18 to 20 give specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal;
   - Commission Delegated Regulation (EC) 481/2014 on eligibility of expenditure – specific rules for cooperation programmes.

2. **Programme rules**

   Additional rules on eligibility of expenditure for the BalkanMed Programme:

   - Established jointly by the Member States in the BalkanMed Programme Monitoring Committee
   - Apply to the BalkanMed Programme as a whole
   - Without prejudice to the rules on EU level

3. **National rules**

   - For any other matters not covered by EU rules and programme rules
   - Stricter rules in areas prescribed by EU rules

Eligibility rules set out by the BalkanMed Programme must be respected.

General eligibility principles

Eligible costs are those necessary for carrying out the project activities, paid out directly by Project Partners and made in compliance with the specific eligibility criteria.

They may be:

- exclusively devoted to the project objectives and activities, ***or***

- be allocated proportionally to the project, applying a justifiable fair and equitable method of calculation.

Based on these general principles, the expenditures are eligible only when they are:

- actually paid (***principle of real cost, with the exception of the costs calculated as flat rates and lump sums***) by the respective Project Partner;
- incurred within the period of eligibility of the project - project period defined by the starting date and end date of the project with the exception of:
  - Preparation costs (see further eligibility rules);
  - Final Progress Report preparation and closure costs (see further eligibility rules);
  - Expenditure incurred in the last reporting period shall be paid within **three(3) months** from the end date of the project; the deadline for payments will be explicitly given in the Subsidy Contract;
  - Control costs related to the Final Progress Report can be incurred after the end date of the project period, but it shall be paid within **three (3)months** from the end date of the project at the latest;
- reasonable, justified, and in compliance with the requirements of a sound financial management, in particular with **economy, efficiency and effectiveness principles**;
- included in the estimated total budget and closely linked to any action or output of the approved work plan and necessary for its implementation;
- identifiable and verifiable, in particular must be recorded in the accounting records of the Partner and determined according to the applicable accounting standards of the Country where the Partner is established and according to the usual cost-accounting practices of the Partner;
- in compliance with all the relevant EU, national and Programme rules;
- in compliance with the requirements of applicable tax and social legislation;
- accompanied by the necessary documents proving that the expenditure is real and that the action has been implemented and/or the output has been delivered;
- not shared with any other project partner.

Expenditure that breaches one of these rules will be considered ineligible and will not be paid by the Programme.

Definition of the general principles

*The "**real cost**" **principle** means that costs declared must have been actually borne by the Project Partner, i.e. there must be evidence of actual payment of the amounts claimed through receipted invoices or equivalent accounting documents.*

*The **'flat rate' principle** means that specific categories of eligible costs which are clearly identified in advance are calculated by applying a percentage fixed ex-ante to one or several other categories of eligible costs. Flat rates involve approximations of costs and are defined based on fair, equitable and verifiable calculation methods.*

*The **principle of economy** requires that the resources used for the pursuit of activities should be made available in due time, in appropriate quantity and quality and at the best price.*

*The **principle of efficiency** is concerned with the best relation between resources employed and results achieved.*

*The **principle of effectiveness** is concerned with attaining the specific objectives set and achieving the intended results.*

In addition, costs must also respect the following specific requirements in order to be eligible:

- they belong to one of the Programme categories of expenditure (budget lines), work packages and have been incurred according to the rules established by the Programme;
- they have been incurred in compliance with the rules on the Programme eligible area and the location of activities;
- they are denominated in Euro;
- they are not financed by any other Community fund.

Overview of eligible and ineligible costs

Eligible expenditure means any expenditure to the financing of the operation that complies with all the relevant EU, Programme and national rules on eligibility of expenditure. Expenditure that breaches one of these rules will be found ineligible and will not be paid by the Programme.

Articles 65 to 71 of the CPR, Article 18 of the ETC Regulation and the Commission Delegated Regulation (EU) 481/2014 establish the main rules on eligibility of expenditure. Further rules on eligibility of expenditure have been laid down by the Programme.

The Commission Delegated Regulation (EU) No 481/2014 establishes specific rules on eligibility of expenditure as regards: *Staff costs*, *Office and Administrative*, *Travel and Accommodation*, *External Expertise and Services*, and *Equipment*. It defines lists of costs that are eligible under the five (5) categories of expenditure. In a number of cases these lists include costs, which are of a broader character and for which examples of different cost items can be identified.

In other words, some of the cost elements listed in the Delegated Act can be further broken down into more specific examples of costs. Furthermore, with regard to *External Expertise and Services*, and *Equipment* the defined lists of costs are not exhaustive; other costs of expertise and services, and equipment needed for the project may be eligible. Further analysis is provided with regard to expenditure category *Infrastructure and Works*.

Ineligible costs

A non-exhaustive list with examples of costs that are not eligible in ETC programmes is provided below.

- Ineligible expenditure according to Article 2 Commission Delegated Regulation (EU) No 481/2014:
  - Fines, financial penalties and expenditure on legal disputes and litigation;
  - Costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information;
  - Costs related to fluctuation of foreign exchange currency.
- Ineligible expenditure according to Article 69.3 Common Provisions Regulation (EU) No 1303/2013:
  - Interest on debt;
  - Purchase of land;
  - Recoverable VAT.
- Charges for national financial transactions;
- Travel and accommodation costs of participants of events organised by the project, where the participants do not contribute to delivery of the project and they belong to the project target groups (final users of project outputs);
- Consultant fees between partners for services and work carried out within the project;
- Project partners cannot be contracted as a subcontractor, including contracting of employees involved in the project team of the partner organisations as external experts, e.g. as freelancers;
- Advance payments not foreseen in the contract and/or not supported with an invoice or another document of probative value.

Specific Programme provisions

- In-kind contribution[15] is not allowed in the BalkanMed Programme
- Shared costs[16] are not allowed in the BalkanMed Programme
- The purchase costs of second hand equipment are not allowed in the BalkanMed Programme.
- Regarding the depreciation costs, the CPR (Art. 69) applies.
- Heavy investments, infrastructures and works, as described by the Directive 2014/24/EU (annex II), with the exception of small-scale investments as facilities, and/or infrastructures of limited size or scope in the framework of pilot actions, are not allowed in the BalkanMed Programme.

[15] According to Article 69(1) of CPR, contributions in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices or documents of equivalent value has been made.

[16] Shared costs derive from activities carried out by one partner whose costs are covered by more than one project partner.

Specific provisions for expenditure incurred outside the Programme eligible area

As general principle, projects co-financed by the BalkanMed Programme must be realized in Programme eligible areas, even though at project level, in exceptional cases, expenditure may be incurred up to 20 % outside the Programme eligible territories.

As a general rule, the expenditures are considered incurred in the place where the Partner is located (where it has the registered office).

The following table syntheses the criteria in order to establish the location of expenditure for each budget line:

Staff	Location of the registered office or of the fixed establishment involved in the project.
Travel and accommodation	Location of the event/meeting
Overheads	Location of the registered office or of the fixed establishment involved in the project
External expertise	Location of the registered office or of the fixed establishment involved in the project
Promotion	Location of the registered office or of the fixed establishment involved in the project
Meetings and Events	Location of the event/meeting
Equipment	Place of location of the equipment
Investments	Place of location of the investment
Financial guarantee and bank charges	Location of the registered office or of the fixed establishment involved in the project

NB. Only expenditures related to travel and accommodation, as well as for different types of meetings and events are allowed to be incurred outside the eligible area. The rest of the expenditures should be carried out only in the eligible programme area.

At project level, in exceptional cases, expenditure incurred outside the Programme area may be eligible provided that both following conditions are respected:

- the project could only achieve its objectives with that expenditures ***and***
- the expenditures are authorized in compliance with Article 20.2 of ETC Regulation.

This means that costs incurred ***outside the Programme eligible area are eligible in case the operation is for the benefit of the programme area clearly contributing for reaching the project objectives and the amount allocated to operations located***

outside the programme area does not exceed 20 % of the support from the ERDF at project level.

In case this expenditure has not been foreseen in the Application Form, Project Partners shall require a formal authorization to the Managing Authority/ Joint Secretariat through their Lead Partner, stating clearly the motivation of such activity, the need to implement it outside the Programme eligible area and the benefit for the project and the Programme. Such request shall be submitted before incurring expenditure outside the Programme eligible area, otherwise Project Partners may risk bearing the whole costs if the authorization is not granted.

The MA/JS will then verify the submitted request and decide whether to authorize it or not.

In case of authorization, the competent FLC will be informed accordingly.

In case this request brings to a substantial modification of the project, the authorization shall be provided by the Monitoring Committee (see § Project Modifications of PIM).

The respective Call for Project Proposals may establish specific rules for territorial eligibility.

Period of eligibility of expenditures

As a general rule, at Programme level expenditure shall be eligible if it has been actually paid between 01 January 2014 and 31 December 2023, for projects or part of projects implemented.

However, within IPA countries, the signature of the Financing Agreement for projects or part of operations implemented and incurred is an additional prerequisite *for reimbursement*.

Costs for the preparation of a project proposal are eligible if are related exclusively to preparation activities (such as the finalization of the application documents, the organization of joint meetings, the development of preparatory studies, analysis and researches for activities preliminary to the project).

Costs for the implementation of an approved project are eligible from the date of the last signature on the Subsidy Contract until its official ending date as set in the Subsidy Contract.However, the rules concerning the ***starting date of the eligibility expenditure*** of projects is established by the respective Call for Project Proposal.

All operational expenditure shall be incurred and invoiced before the official ending date established by the Subsidy Contract. All implementation-related costs incurred and invoiced in the last reporting period must be paid by Project Partners **within three (3) months** after the end date of project implementation.

Costs for project closure, related to the elaboration and submission of the last Project Progress Report, the Final Progress Report and to the project administrative closure

activities (first level control, staff costs, insurance, bank expenses), are eligible and must be incurred, invoiced and paid out **within three (3) months** after the official ending date of the project.

The **final date** of eligibility of expenditure under no circumstances may exceed the 31st December 2023 (the N+3 deadline for the final funds committed on 31 December 2020).

Eligible expenditures can be distinguished between preparation costs, implementation costs and closure costs.

Project preparation costs

In the framework of the BalkanMed Programme, approved projects which successfully signed the Subsidy Contract with the Managing Authority are entitled to receive reimbursement of their preparation costs. That means that in case projects foresee this kind of expenditure in the Application Form, they will be reimbursed.

The partnership decides which partners will receive what share of the reimbursement of preparation costs. It is strongly recommended to reach a consensus within the partnership on the distribution of preparation costs, reflecting the actual preparation activities carried out by the partners in a fair and transparent way.

NB: Preparation costs do not constitute a specific budget line, but these costs should be the starting Deliverable (Deliverable 1.x.1) of the Work Package 1 (WP1) per project partner. On this basis, they are foreseen as costs indifferent budget lines apart of ***Office and Administrative, Equipment*** *and* ***Investments/ Works*** costs which are not eligible in the preparation phase. As a result, all requirements specified for the budget categories are applicable also to the eligibility of preparation costs.

In addition to these, the following requirements apply as well:

- preparation costs are only eligible if foreseen in the approved Application Form, thus only partners having stated preparation costs in WP1/ Deliverable 1.x.1 per partner of the approved Application Form can claim this type of costs;
- these costs must be related exclusively to preparation activities (such as the finalization of the application documents, the organization of joint meetings, the development of preparatory studies, analysis and researches for activities preliminary to the project) carried out between the starting date of eligibility and the date on which the Application Form is submitted by the LP;
- the payment of preparation costs must be foreseen in the first spending forecast period and reported in the first Project Progress Report; in practice this means that they could be paid also after the submission of the Application Form [at latest two (2) months after the signature of the subsidy contract], on the understanding that the related expenditure must be reported within the first Progress Report, otherwise they will not be reimbursed by the Programme;
- the eligible preparation costs respect the ceilings established by the reference Call for Project Proposals;

Please note that costs related to the negotiation of requests put forward by the Managing Authority or by the Monitoring Committee and that must be fulfilled prior to

contracting are in all cases to be considered as **implementation** and **not preparation** costs.

Project implementation costs

The implementation period is the period that goes from the starting date of the project to its closing date, in accordance with the Subsidy Contract and the approved Application Form and its following amendments. Consequently as a general rule, **implementation costs** are eligible if related to activities implemented within this implementation period.

However, the rules concerning the ***starting date of the eligibility expenditure*** of projects is established by the respective Call for Project Proposal. At the earliest, costs are eligible from the day indicated in the related Call for Project Proposals. Partners may decide at their own risk to start the implementation activities before the project is finally selected for granting.

The ***ending date*** of the project indicates when all the project activities have to be concluded. Project Partners are allowed to pay the costs related to such project activities also after this ending date, but ***no later than three (3) months after it*** and provided that they are anyway paid within the 31st December 2023. This means that within three (3) months after the ending date stated in the Application Form, Project Partners must conclude ***all payments,*** otherwise the related expenditures will not be eligible.

In order to be eligible, all implementation-related costs incurred in the last reporting period must be paid by Project Partners within three (3) months after the end date of project implementation, as well as all costs related to the elaboration and submission of the last project Progress Report, the Final Progress Report and to the project administrative closure activities (first level control, staff costs, insurance, bank expenses).

Eligibility of expenditure by budget line[17]

The project budget must be structured according to the following budget lines:

- Staff costs;
- Office and Administrative expenditure;
- Travel and Accommodation costs
- External Expertise and Services costs
- Equipment expenditure
- Investments expenditure and costs of Works

These budget lines apply to all Work Packages and to all partner organisations (Lead Partner or Project Partner).

Explanations on how to report the foreseen costs are provided below. In addition, an indicative list of the relevant supporting documents for each category of expenditure that need to be made available for the controllers is also provided.

Eligibility of Staff costs

This budget line refers to the expenditure on costs of staff members employed by the partner organisation, who are formally engaged to work on the project:

- full-time
- part-time
  - part-time with a fixed percentage of time dedicated to the project per month
  - part-time with a flexible number of hours worked on the project per month
  - contracted on an hourly basis

These costs includes staff costs of employees in line with the employment/work contract, and costs of natural persons working for the partner organisation under a contract other than an employment/work contract and receiving salary payments. Staff costs comprise actual salaries plus social security, health insurance and other statutory costs included in the remuneration (all calculated in accordance with the national legislation).

Hereinafter, both the employment/work contract and an appointment decision/contract of natural persons working for the partner organisation and receiving salary payments are referred to as 'employment document'.

[17] Guidance provided in this Manual takes account of provisions of the regulatory framework 2014-2020 (in particular rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014, articles 65 to 71 of the CPR, article 18 of the ETC) and practices in use by ETC programmes in 2007-2013.

General principles

- Staff costs must relate to activities which the partner organisation would not carry out if the project was not undertaken.
- Overheads and any other office and administrative costs cannot be included under this budget line.
- Daily allowances and any other travel and accommodation costs cannot be included under this budget line.

Forms of reimbursement

Staff costs can be reimbursed by the programme either on the basis of:

I. real costs, or

II. flat rate of (up to) 20% of direct costs other than staff costs, or

Each project must decide on the reimbursement option and declare it along with the Application Form. The reimbursement option will be selected by each Project Partner working on the project. It will be set for the entire project duration.

I. Real costs

Budget line specific rules

- Staff costs cover real costs paid out based on a payslip or a document of equivalent probative value. Data from the organisation's accounting system may be accepted, in line with the controllers' professional judgement regarding reliability of the system.
- The following costs are eligible components of staff costs:
    a. Salary payments fixed in the employment/work contract, an appointment decision (in the case of natural persons working for the partner organisation under a contract other than an employment/work contact), or by law.
    b. Any other costs directly linked to the salary payments, incurred and paid by the employer, such as employment taxes and social security including pensions as long as they are fixed in the employment document and they are in accordance with the legislation and standard practices in the country and/or organisation.
- The salary payments must relate to responsibilities specified in a job description of the individual staff member.
- Costs of social security including pensions are only eligible, if they are not recoverable by the employer.

- Taxable benefits linked to salary payments are eligible as long as they are in line with the employment policy of the partner organisation, e.g. lunch vouchers, bonus payments, relocation benefits.[18]
- Holidays as resulting from normal employer's obligations are eligible. The cost forms part of the gross employment cost.
- Overtime is eligible, provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member.
- Staff costs must be calculated individually for each staff member.

Calculation of staff costs and audit trail

Depending on the assignment (full-time, part-time, contracted on an hourly basis) to work on the project, staff costs of each individual are calculated as follows:

Full-time	An individual dedicates 100% of his/her working time to the project. **Staff costs = total of the gross employment cost** Audit trail The following main documents must be available for control purposes: - Employment/work contract or an appointment decision/contract considered as an employment document. - Job description providing information on responsibilities related to the project. - Payslips or other documents of equivalent probative value. - Proof of payment of salaries and the employer's contribution. - *No registration of the working time is required.*
Part-time assignment with a fixed percentage of time worked on the project per month	An individual dedicates a fixed percentage of his/her working time to the project. **Staff costs = fixed percentage of the gross employment cost** Audit trail The following main documents must be available for control purposes: - Employment/work contract or an appointment decision/contract considered as an employment document. - Document setting out the percentage of time to be worked on the

[18] Extra bonuses or changes to salaries due to running of an EU project should be evaluated against sound financial management principles (if they are justified by e.g. special qualifications, changes to the task description, etc.).

	project per month (if not specified in the contract). - Job description providing information on responsibilities related to the project. - Payslips or other documents of equivalent probative value, identifying the real salary costs. - Proof of payment of salaries and the employer's contribution. - *No registration of the working time is required.*
Part–time assignment with a flexible number of hours worked on the project per month	An individual dedicates a flexible share of his/her working time to the project. **Staff costs = part of the gross employment cost depending on the number of hours actually worked on the project** The staff costs can be calculated on the basis of two options. For each employee working part-time (and a flexible number of hours per month) on the project, the partner organisation should select one of the two methods to calculate the hourly rate. The same method will apply to the employee for the entire project duration. **Option 1** An hourly rate established based on the monthly working time (number of hours per month) fixed in the employment document: *Hourly rate = monthly gross employment cost/number of hours per month fixed in the employment document* *Staff costs = hourly rate * number of hours worked on the project per month* <u>Audit trail</u> The following main documents must be available for control purposes: - Employment/work contract or an appointment decision/contract considered as an employment document (including information on the monthly working time). - Job description including information on tasks related to the project. - Payslips or other documents of equivalent probative value. - 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. - Proof of payment of salaries and the employer's contribution.

	Option 2 An hourly rate established based on a standard number of 1720 hours per year: *Hourly rate = latest documented annual gross employment cost/1720 hours* *Staff costs = hourly rate * number of hours worked on the project per month* Audit trail The following main documents must be available for control purposes: - Employment/work contract or an appointment decision/contract considered as an employment document. - Job description including information on tasks related to the project. - Payslips or other documents of equivalent probative value. - 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. - Proof of payment of salaries and the employer's contribution. - Document identifying the latest annual salary cost - Document showing the calculation of the hourly rate
Contracted on an hourly basis	An employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project. **Staff costs = part of the gross employment cost depending on the number of hours worked on the project** The staff costs are calculated on the basis of an hourly rate fixed in the employment document: *Hourly rate = fixed in the employment document* *Staff costs = hourly rate * number of hours worked on the project* Audit trail The following main documents must be available for control purposes: - Employment/work contract or an appointment decision/contract considered as an employment document (including information on the hourly rate). - Job description providing information on responsibilities related

	to the project. - Payslips or other documents of equivalent probative value. - Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project. - Proof of payment of salaries and the employer's contribution.

II. Flat rate

Calculation of staff costs

Staff costs are calculated as a flat rate of 20% of direct costs other than the staff costs.. The Project Partners will not be obliged to report or prove categories of costs calculated on the basis of a flat rate, but only the eligible direct costs included in the calculation basis for the application of the flat rate (e.g. the eligible direct costs: travel and accommodation, external expertise and services, equipment, infrastructure and works).

Staff costs = 20% * eligible direct costs other than staff costs

- Direct costs are all costs that can be attributed directly to the project and are identified by the partner organisation as such, in accordance with accounting principles and internal rules of the organisation.
- Indirect costs (i.e. costs that cannot be assigned in full to the project) must not be taken into account in the calculation of staff costs.
- Direct costs that form the basis for calculation of staff costs must be incurred and paid by the partner organisation as real costs.
- Direct costs that form the basis for calculation of staff costs must not include any office and administrative costs, if a flat rate option is used on the office and administrative budget line (ref. *Forms of reimbursement* in the fact sheet on "Office and administrative").

Audit trail

By applying the 20% flat rate option, the expenditures related to staff costs are not a subject to FLC verification and the Project Partners do not need to document that the expenditure has been incurred and paid.

Programme-specific conditions

- The Lead Partner shall appoint (internally) a Project Manager and shall appoint (internally) or contract (externally) a Financial Manager; a Communication Manager may be appointed, too, if deemed necessary.

- The number of staff of each partner organisation must relate to project activities;
- The salary of staff of each partner organisation must relate to real market conditions when applicable.

Eligibility of Office and Administrative costs

This budget line refers to expenditure on office and administrative costs. They cover operating and administrative expenses of the partner organisation that support delivery of project activities.

General principles

- According to Regulation (EU) No 481/2014 Article 4, office and administrative expenditure are limited to the following items:

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

- Office and administration costs can be direct and/or indirect:
    - Direct costs are costs that can be attributed directly to the project and are identified by the partner organisation as such, in accordance with accounting principles and internal rules of the organisation.
    - Indirect costs are costs that cannot be assigned in full to the project, as they link to various activities of the organisation, including activities that do not relate to the project.
    - No cost item can be taken into account twice as direct and indirect, i.e. no double funding is permissible (ref: Article 65.11 Common Provisions Regulation (EU) No 1303/2013).
- Office equipment, IT hardware and software, and furniture and fittings cannot be included under this budget line; the cost must be reported as equipment expenditure. This does not include IT system support of an administrative nature; the cost falls under the office and administrative costs budget line.

- Costs of control and audit of the project cannot be included under this budget line; they must be reported as external expertise and services costs.

Forms of reimbursement

Office and administration can be reimbursed by the programme either on the basis of:

I. real costs, or
II. flat rate of (up to) 15% of staff costs.

Each partner organisation must decide on the reimbursement option and indicate the choice in the Application Form. The reimbursement option will be set for the entire project duration.

I. Real costs

Budget line specific rules and calculation of office and administration costs

- All office and administration costs (direct and indirect) are reported as actually incurred and paid.
- Indirect expenses must be allocated to the project according to a justified and equitable method. The partner organisation should use a pro rata to distribute the organisation's indirect expenses among different activities and to extract the share of indirect costs necessary for the implementation of the project. The allocation methodology should be in line with the general accounting policy of the partner organisation, e.g. allocation of indirect costs to the project based on a percentage of personnel costs.
- Internal practices and rules of the partner organisation that affect the level of indirect office and administration costs must be verified against the principle of sound financial management. In cases where costs are deemed not necessary or excessive, they should be removed from the calculation basis or adjusted to the justifiable level.

Audit trail

The following main documents must be available for control purposes:

1. List of direct and indirect costs.
2. Paid invoices to justify direct and indirect costs.
3. Calculation method and a pro rata rate to justify indirect costs reported as real costs.
4. Proof of payment.

II. Flat rate

Calculation of office and administrative costs

Office and administrative costs are calculated as a flat rate of 15% of staff costs.

Office and administrative costs = 15% * eligible staff costs

- The flat rate covers all office and administrative costs, i.e. there is no distinction between direct and indirect costs.
- Office and administrative costs can be calculated as flat rate regardless of the form of reimbursement applied under the staff costs budget line, e.g. staff costs calculated as a flat rate can still form the basis for the calculation of office and administrative costs.

Audit trail

By applying the 15% flat rate option, the expenditures related to office and administrative costs are not a subject to FLC verification and the partners do not need to document that the expenditure has been incurred and paid.

- No detailed budget needs to be planned for the budget line 'Office and administrative expenditure' since the Application Form will automatically calculate a budget corresponding to 15% of the planned staff costs for each partner.
- When it comes to reporting office and administrative expenditure, the flat rate of 15% is automatically applied to the actually eligible reported staff costs of each project partner.

Eligibility of Travel and Accommodation costs

This budget line refers to expenditure on travel and accommodation costs of **staff of the partner organisation** (participating in project activities and/or are part of the project team) that relate to delivery of the project (e.g. participation in project meetings, project size visits, meetings with Programme bodies, seminars, conferences, etc.). Eligible cost items under this budget line are (exhaustive list):

a) Travel costs;
b) Accommodation costs;
c) Costs of meals;
d) Visa costs;
e) Daily allowances.

General principles

- Travel and accommodation costs must clearly link to the project and be essential for effective delivery of the project activities.
- Costs must be definitely borne by the partner organisation. Direct payment by a staff member of the partner organisation must be supported by a proof of reimbursement from the employer.
- The principle of sound financial management should apply to the choice of transport and accommodation. In line with the result-oriented policy approach, effectiveness should be the leading principle. In the second instance, cost-efficiency should be ensured, taking into account the entire cost of the mission (travel cost, staff costs related to the travel, etc.).
- Any expenditure item defined as travel costs, accommodation costs, costs of meals or visa costs that is already covered by a daily allowance, cannot be eligible in addition to the daily allowance, i.e. no double funding is permissible (ref: Article 65.11 Common Provisions Regulation (EU) No 1303/2013).
- Travel and accommodation costs of staff of organisations involved in the project as associated partners can be eligible, as long as they are finally borne by any of the partner organisations.
- Travel and accommodation costs of external experts and service providers cannot be included under this budget line; they must be reported as **external expertise and services costs**.
- Travel and accommodation costs of natural persons (e.g. speakers, chairpersons, teachers, etc.) contributing to the project must be reported as **external expertise and services costs**, unless the cost is borne directly by any of the partner organisations.

Budget line specific rules

- Travel and accommodation costs must be justified by activities carried out within the project, e.g. participation in project meetings, project site visits, meetings with the programme bodies, seminars, conferences, etc.
- Costs of travel and accommodation related to activities outside the programme area are only eligible, if they have been included in the approved Application Form. In all cases, benefits of such activities to the programme area must be demonstrated.
- Maximum daily rates for hotel and subsistence should be respected, in accordance with the national legislation and internal policy of the partner organisation. In duly justified cases, costs above the maximum rates may be accepted.
- Travel and accommodation cost should be properly documented in line with the national legislation and internal policy of the partner organisation. In very exceptional cases national rules concerning missing/lost documents may be accepted.

Audit trail

The following main documents must be available for control purposes:

1. Invitation, agenda and/or minutesor similar of the meeting/seminar/conference, presenting the time, duration, venue as well as signed list of participants for all the days of the meetings.
2. Decision for travelling according to the institutional framework of the Partner
3. Paid invoices (e.g. hotel bills, travel tickets).
4. Daily allowance claims.
5. Proof of payment.
6. The national legislation and the Partner's regulation on the level of the subsistence allowances, the kilometer allowance for using private car.

Eligibility of External Expertise and Services costs

In accordance with Regulation (EU) No 481/2014, Article 6, expenditure on external expertise and service costs shall be limited to the following services and expertise provided by a public or private law body or a natural person other than the beneficiary of the operation:

a) Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
b) Training (e.g. venue, trainers);
c) Translations;
d) IT systems and website development, modifications and updates;
e) Promotion, communication, publicity or information linked to an operation or to a cooperation programme as such;
f) Financial management;
g) Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
h) Participation in events (e.g. registration fees);
i) Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
j) Intellectual property rights;
k) Verifications and validation of expenditure carried out by authorises First Level Controllers;
l) The provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee;
m) Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
n) Other specific expertise and services needed for operation.

General principles

- The work by external experts and service providers must be clearly and strictly linked to the project and be essential for its effective implementation and justified in the AF.
- Each partner organisation is responsible for ensuring that EU and national public procurement rules are respected and that all contracts comply with the basic principles of transparency, non-discrimination and equal treatment as defined in the EC Treaty and the Commission Interpretative Communication on the Community law applicable to contract awards below the EU thresholds.

  (http://ec.europa.eu/internal_market/publicprocurement/docs/keydocs/communication_en.pdf)
- No sub-contracting between project partners is allowed.

Budget line specific rules

- Travel and accommodation for external experts, service providers and natural persons (e.g. speakers, chairpersons, teachers, etc.)shall be declared under this budget line.
- External expertise and services for the purpose of the project control, audit, and communication should be included under this budget line.
- All costs of external expertise and services that are linked to an investment in infrastructure should be included under this budget line, e.g. feasibility studies, notarial fees, training fees.

Audit trail

The following main documents must be available for control purposes:

- Evidence of the selection process, in line with national procurement rules or the EU public procurement rules depending on the amount contracted.
- A contract or a written agreement laying down the services to be provided with a clear reference to the project. For experts paid on the basis of a daily fee, the daily rate together with the number of days contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the public procurement rules and must be documented.
- An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules.
- Outputs of the work of external experts or service deliverables.
- Proof of payment.

Eligibility of Equipment expenditure[19]

This budget line refers to expenditure for the financing of equipment purchased, rented or leased by a partner, necessary to achieve objectives of the project. This includes costs of equipment already in possession by the partner organisation and used to carry out project activities. In the case of investment activities, "equipment" covers costs of fixed investments in equipment, and costs of equipment that forms part of an investment in infrastructure.[20]

In accordance with Regulation (EU) No 481/2014 Article 7 expenditures for the financing of equipment purchased, rented or leased by a partner of the operation shall be limited to the following:

a. office equipment;
b. IT hardware and software;
c. furniture and fittings;
d. laboratory equipment;
e. machines and instruments,
f. tools or devices;
g. vehicles;
h. other specific equipment needed for operations.

General principles

- Costs of equipment are eligible if they have been approved by the programme (and are foreseen in the approved Application Form).
- Costs of equipment are eligible if no other EU funds have contributed towards financing of the same expenditure item, i.e. no double funding is permissible (ref: Article 65.11 Common Provisions Regulation (EU) No 1303/2013).
- All costs are subject to applicable public procurement rules and each partner organisation is responsible for ensuring that these rules have been respected.

Budget line specific rules

- Purchase cost of equipment is eligible, if it is used solely for the purpose of the project or the target group in line with objectives of the project and incurred and paid within the eligible period.
- For equipment that has been purchased before the project approval but used solely for the project or equipment purchased during the project lifetime but used

[19] Guidance provided in this fact sheet takes account of provisions of the regulatory framework 2014-2020 (in particular specific rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014) and practices in use by ETC programmes in 2007-2013. The fact sheet is by no means a legally binding document.

[20] Compared to equipment that supports delivery of project activities, fixed investments in equipment and investments in infrastructure refer to outputs of the project, which remain in use by the partners and/or target groups after completion of the project.

partially for the project, only a pro rata cost related to the project (duration, degree of use) is eligible. This share has to be calculated according to a justified and equitable method in line with the legislation or general accounting policy of the partner organisation.

- Depreciation applies if the economic life-time of equipment exceeds the duration of the project (ref. Article 69.2 Common Provisions Regulation (EU) 1303/2013). The cost has to be calculated in accordance with the legislation and general accounting policy of the partner organisation.
- Full purchase cost of equipment that is not depreciable (e.g. low-value asset) is eligible.
- Purchase cost of second-hand equipment is eligible, provided no other assistance has been received for it from the ESI Funds, the equipment has the technical characteristics necessary for the operation and complies with applicable norms and standards and its price does not exceed the generally accepted price on the market.
- In the case of fixed investments in equipment and when equipment forms part of an investment in infrastructure, full cost of equipment as approved by the programme is eligible, i.e. no depreciation is eligible.
- Equipment cannot be purchased, rented or leased from another partner.

Audit trail

The following main documents must be available for control purposes:

- Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract.
- Invoice (or a supporting document having equivalent probative value to invoices, in the case of depreciation) providing all relevant information in line with the applicable accountancy rules, including the Serial Number of the equipment (if applicable).
- Calculation scheme of depreciation.
- Proof of payment.
- Certificate of acceptance of products (if applicable).
- Registration of the equipment in the accounting system.
- Licenses to set and operate the equipment, where required (e.g. medical equipment).

Eligibility of Infrastructure expenditure and costs of Works

The BalkanMed Programme, as well as the other transnational cooperation programmes, in principle is not intended as an investment programme. This is largely due to its limited budget and its cooperative nature.

This budget line refers to expenditure for the financing of infrastructure and construction works. “Infrastructure and Works” covers costs related to small-scale investments in infrastructure that do not fall into the scope of other budget lines. This includes costs for site preparation, delivery, handling, installation, renovation, and purchase of land, when applicable. Costs under this budget line refer to small-scale investments on facilities or infrastructure which are essential for the implementation of the project. **The BalkanMed Programme does not finance investments in large-scale infrastructure, but may finance small-scale investment as facilities, or infrastructures of limited size or scope essential to the successful implementation of a pilot activitywith a transnational character and a potential territorial impact**.

NB. Transport infrastructure is not eligible (in accordance with the provisions of the programme document).

General principles

- Costs of infrastructure and construction works are eligible if they have been approved by the programme (the activity is approved in the Application Form).
- All costs are subject to applicable public procurement rules and each partner organisation is responsible for ensuring that these rules have been respected.
- All investments in infrastructure must comply with the applicable EU and programme information and publicity rules.

Budget line specific rules

- Full costs of infrastructure and construction works that form part of the project are eligible, i.e. no depreciation is eligible.
- Documents specifying the ownership of land and/or buildings where the works will be carried out must be provided.
- All compulsory requirements set by the EU and national legislation related to the respective investment in infrastructure must be fulfilled (e.g. feasibility studies, environmental impact assessments, building permission, etc.).

Audit trail

The following main documents must be available for control purposes:

- Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract.
- Contract laying down the works/infrastructure to be provided, with clear reference to the project and the programme. For contracts based on a daily fee, such fee together with the number of days contracted and the total amount of the contract must be provided.
- Invoice providing all relevant information in line with the applicable accountancy rules.
- Proof of payment.
- Any other documents according to the respective national legislation.

Project Reporting

The main instrument for the project monitoring is the **Project Progress Report (PPR)**, since on the basis of this report the Joint Secretariat monitors the implementation of the projects. By monitoring the progress of the projects the MA/JS wants to help the projects to achieve the best possible output for the benefit of the BalkanMed Programme area. At the same time, PPR is a tool for the Lead Partner and MA/JS to follow the activities and costs occurred among the project partners. Additionally, PPR allow the Lead Partner, FLC and MA/JS to examine the progress of the project (see § Project Reporting of PIM). It should be noted that a good report does not include only the success factors but gives a balanced view of the project. This includes, of course, reporting the success factors, but also the lessons learnt and what did not work, problems arisen and how they have been overcome. In this way, the reporting is useful for both the project itself and the Programme.

In the BalkanMed Programme, reporting takes place at project level. There are two types of reports to be compiled at this level:

- the **Project Progress Report** at project level;
- the **Final Project Report** at project level.

For the reporting process at project level, for both the Project Progress Report and the Final Project Report, compulsory templates are provided by the JS and are available in the Programme website. All the reports must be filled in **English** in all their parts.

Reporting Activity

The following paragraphs explain the requirements that must be respected for reporting by Lead Partners and provide detailed description of the Project Progress Report. Description on the Project Final Report to be submitted by the Lead Partner is explained in Chapter 8 of PIM.

Requirements for the costs to be reported

In addition to the general and specific eligibility requirements explained in Chapter 6, the following requirements must be respected as well.

➢ **Budget limits**

The reported expenditure must not exceed:

- the approved total project budget;
- the approved budget of each Project Partner.

Generally speaking, the reported expenditures should not exceed the approved total amount per budget line and per Work Package (including budget limits as for preparation costs - see § Project Preparation Costs of PIM), otherwise they could not be reimbursed by the Programme.

- **Conversion into Euro**[21]

All amounts set in the Subsidy Contract and in all the reports have to be shown in Euro.

In practice this means that Project Partners in participating Countries which have not adopted the Euro as their currency on the date of submission of the expenditures to the national FLC shall convert into Euro, with an accuracy of ***two digits after the comma***, the amounts of expenditure incurred in national currency. The amount shall be converted into Euro using the monthly accounting exchange rate of the Commission ***in the month during which expenditure was incurred***. The conversion shall be applied and verified by the controller in the participating country in which the Project Partner is located. The average monthly exchange rates set by the Commission are available at http://ec.europa.eu/budget/inforeuro/. In such cases, the exchange rate should be rounded off to four digits after the decimal comma, with 0,0005 being rounded up.

The Project Partners shall also provide the '**Table of Expenditure**' detailing individual cost items, the WP to which the activities and the related costs are related, the budget line to which the costs have to be attributed, showing the amount in Euro. The JS provides a template of 'Table of Expenditure' to be used by Project Partners for the submission of the expenditures to the national FLCer.

It is important to note that the IPA funds will be disbursed in Euro to the Lead Partners' bank account and that any exchange risk is borne by the Project Partners.

- **Display of figures**

All the amounts have to be inserted in the reports using the system of two (2) decimals, thus with an accuracy two digits after the comma.

In order to avoid rounding differences, Project Partners must then round off all expenditure to two digits after the decimal comma (with 0,005 being rounded up), as shown in the following examples:

Examples of rounding off		
Amount of the expenditure:	176,***374*** EUR	176,***376*** EUR
Amount to be indicated in the report:	**176,*37***	**176,*38***

[21] This paragraph refers only to the conversion into EUR of expenditure incurred by Project Partners in currencies other than EUR and ***does not relate to the reimbursement made to personnel*** (employees or external experts) ***which participates to project meetings held in Countries which have not adopted the EUR as national currency***. In fact, ***project staff*** that participates to project meetings held in Countries *with a currency different from the one of the Country where the Project Partner is located* may convert expenditure incurred in a currency different from the one of the Project Partner that will reimburse that expenditure, by applying a fair and equitable rate of conversion, provided that a document that justifies the exchange rate applied is enclosed to their reimbursement request.

Timing for reporting

Project Partners must be aware that the general rule adopted by the Programme is to allow projects to report expenditures *whenever they want and they are ready*, given that, at least, the spending forecasts planned in the Application Form will be respected.

Therefore, Project Partners are suggested to report expenditures as soon as they are incurred, in order to be included in Programme claims and to ensure that projects are progressing. In this way the Programme Authorities will be able to monitor the progress of the project, verifying how far the expenditure reported is from the planned spending forecast and take the appropriate measures in case of delay.

Voiding expenditure documents

All original invoices and other probative documents must be voided by means of a stamp (or written by pen, even if the use of a stamp is strongly suggested). The intent is to make explicit reference to the fact that the expenditure has been co-funded by the Programme in order to avoid double funding and, in addition, to make explicit the claimed expenditure for every item.

Therefore the sentence borne by the stamp (or by pen) has to provide at least the following information:

- the concerned expenditure has been co-funded by the BalkanMed Programme;
- the code and the name (acronym) of the project;
- the amount declared as eligible[22].

An example of sentence that can be used is shown in the following table:

Expenditure incurred under BalkanMed Programme, Project *"<Acronym>* - Code *<Code>*", for a sum of € ....., date…..

For Project Partners in participating Countries which have not adopted the Euro as their currency, the amount reported or declared as eligible should be indicated both in the original currency and in Euro value:

Expenditure incurred under BalkanMed Programme, Project *"<Acronym>* - Code *<Code>*", for a sum of *<abbreviation of the original currency><amount in the original currency>*, equal to € *<amount in euro>*, date……

In case that invoices (and/or other probative documents) are available only on electronic support (i.e. no original copy can be identified) the minimum information

[22] The invoice is voided by the competent FLCer.

included in the stamp (as mentioned above) has to be incorporated in the subject and/or in the content of the electronic document.

Stamping shall be performed by the First Level Controller.

Project Progress Report

The Project Progress Report presents the state of the implementation of the whole project. It is compiled by the Lead Partner and submitted to the MA (through the JS) twice per year, ***on a six-month basis, meaning every six (6) months after the start date of the project implementation period*** with the exception of the Final Project Report (see § Final Project Report of PIM). PPR shall contain a summary of the activities and the verified and paid out costs of all Project Partners of the project for the related period.

The purpose of the Project Progress Reports is to enable the Programme Monitoring Committee, Managing Authority and the Programme Joint Secretariat to follow, monitor, keep informed about and to be able to inform others about the progress and achievements of the project.

In particular, the Project Progress Reports may describe progress in achievements of planned milestones, delivery of outputs and financial progress and should include information on main challenges and deviations/delays occurred during the reporting period, if any.

Thus the Project Progress Reports shall contain:

a. a progress activity report, that provides information on the activities of the project -as a whole - implemented in the related period of reporting, achievement of outputs and results; deliverables produced ***and***

b. a financial report, that provides information on validated expenditures and the submitted applications for reimbursement;

c. a publicity and information report.

Where the Lead Partner fails to submit a Project Progress Report by the given deadline, it must inform the Managing Authority of the reasons why it is unable to do so. However, it has to justify in a summary the progress made in the Project following the previous Project Progress Report.

Progress Activity Report

The Progress Activity Report relates to the work performed and results achieved by each Partner in the considered period of reporting, highlighting the state of project implementation, the description of activities carried out, and the outputs and results achieved according to the project work plan.

The Progress Activity Report shall be coherent with the activities, objectives, results and the time schedule described in the approved Application Form. If not, related motivations for eventual deviation and envisaged activities to catch up with the delays

shall be provided. If relevant, the description should also provide information on the main challenges that occurred and how the project dealt with them or what actions have been foreseen to deal with them.

By filling in the Progress Activity Report the Lead Partner confirms that the provisions concerning equal opportunities for men and women, non-discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation and sustainable development have been respected by each Partner.

Financial Report

The Financial Report relates to the expenditure incurred, paid out and verified during the concerned period of reporting, per budget lines and WP.

Each expenditureshould be listed according to the related Work Packages and budget line to which it refers, in connection with the supporting invoices, or other accounting documents of equivalent probative value.

7.1.3.1 Submission of the Project Progress Reports

The **Project Progress Report** must be filled in English, pre-filled templates (excel file) provided by the Joint Secretariat[23]. It should be filled-in in all its parts.

They have to be submitted to the MA/JS both in original hard copy and electronically. The electronic version (excel format) must be sent via e-mail to MA/JS, whilst the paper version with all the relevant enclosure must be sent via normal mail/courier dully signed and stamped to the MA/JS premises.

[23] Templates will be available in the Programme website.

Summary table of interim project reporting

The figure below shows the different steps during the project closure period:

Timeline of project reporting				
	Implementation Period			
Procedure	**Step 1:** Transmission of a *Partner Progress Report* of PPs to LP ensuring that part of the reported activities and expenditure are independently verified by FLC in compliance with the country specific requirements. ***NB: T****he reporting period of a project is* ***on a six-month basis*** *after the start date of the project implementation period.* **Step 2:** Elaboration and submission of the Project Progress Report (PPR) to MA/JS by the LP **within fifteen (15) days** after the submission of the *Partner Progress Report* by PPs. **Step 3:** Verification by the MA/JS of the submitted PPR and approval **within twenty (20) days** after the submission of the PPR.			
Total duration	**twenty-four (24) months**			
Activity/ Deliverable	**1st PRP**	**2nd PRP**	**3rd PRP**	**4th PRP- last**
Reporting period	**1st semester**	**2nd semester**	**3rd semester**	**4th semester**
Deadline among PPs	**fifteen (15) days**	**fifteen (15) days**	**fifteen (15) days**	**fifteen (15) days**
Reporting of eligible costs	reporting of all implementation related costs incurred, verified and paid out in the first reporting period, as well as all preparation costs as declared in the approved Application Form	reporting of all implementation related costs incurred, verified and paid out in the second reporting period	reporting of all implementation related costs incurred, verified and paid out in the third reporting period	reporting of all implementation related costs incurred, verified and paid out in the fourth reporting period
Reporting of activities	YES	YES	YES	YES - last **by the end date of the project all activities are completed**

Validation of expenditure (expenditure verification)

The Managing Authority has the overall responsibility for verifying the regularity of expenditure[24]. Each Country designates the controller/s responsible for verifying the legality and regularity of the expenditure declared by the Project Partners established on its territory. Consequently each *Application for Validation of Expenditure (AVE)* submitted to the competent body (e.g. NA or FLCer) by Lead Partner and Project Partner participating in a project has to be verified and confirmed by the First Level Controller according to the First Level Control System established in the respective Country.

The main aim of the control systems is to provide a guarantee for the Managing Authority, the Certifying Authority and to the project itself that costs are reported and claimed in accordance with the legal and financial provisions of the Programme rules, as well as the Community regulations and national rules.

However, within the Programme, additionally to the first level controls, expenditure incurred and paid out by each Project Partner may undergo a number of checks by different actors (see § Other Programme actors involved in control of PIM).

The different control levels

The First Level Control

In the BalkanMed Programme, each State has established a First Level Control System (FLCS) to verify the legality and regularity of the expenditure reported by all Project Partners on their territory participating in the operations, each relating to the AVE submitted.

The control performed by the First Level Controller (FLCer) makes possible to verify:

- the delivery of the products and services co-financed;
- the soundness of the expenditure declared for project or parts of project implemented on its territory;
- the compliance of such expenditure and of related projects, or parts of those projects, with Community, Programme and, when relevant, with national rules.

All Programme's documents (Cooperation Programme, Programme Manual, Application Package for the reference Calls, the present PIM) provide the needed guidance required for the verification and validation of expenditures by the First Level Control. These documents are available on the Programme website.

On-going controls by the Managing Authority/Joint Secretariat

The Managing Authority (or the JS on its behalf) may also perform on-going controls focused on the delivery of activities in relation to the work plan presented in the

[24]According to Art. 23 of ETC Regulation, the Managing Authority "*shall satisfy itself that the expenditure of each final beneficiary participating in an operation has been validated by a designated controller*".

Application Form of the project and in compliance with non-financial rules such as those on publicity and information.

Anyway, it must be highlighted that, during the monitoring of the Project Progress Report, the Joint Secretariat will verify the true existence of the project, not only that it is "living" on the paper and spending, but that the implementation of its activities is real and ongoing, and going towards the set results and objectives, by analysing all relevant outputs delivered by the project as enclosures to the Project Progress Report (e.g. agenda, minutes and list of participants of meetings held, promotional material, studies, etc)[25].

If the information delivered in the Project Progress Reports is insufficient, the MA/JS will ask for further information or clarification to the Project Partners that should provide the answers to the Managing Authority/Joint Secretariat within the set timeframe.

The MA is also responsible for checking that all Project Partners' AVE have been validated by the competent FLC before authorizing the payment of an Application for Reimbursement (the Lead Partner should have already checked this once before submitting the claim).

It should be noted that the controls performed by the MA/JS may result in additional requests for clarification to the Lead/Project Partner, even if the AVE was technically validated by the FLC, and might bring to recovery of unduly paid amounts.

Other Programme actors involved in control

According to Article 126 of the CPR Regulation, the **Certifying Authority** has the responsibility for certifying that the reported and validated expenditure complies with applicable Community and national rules and has been incurred in respect of the selected project in accordance with the criteria applicable to the Programme and complying with Community and national rules.

Under provisions of Article 127 of the CPR Regulation, second level audits are performed by the **Audit Authority** (Group of Auditors).

Other checks might also be performed on the project by **other auditing bodies of the European Union** (European Commission (EC), European Anti-Fraud Office (OLAF), European Court of Auditors).

It should be noted that the controls performed by these bodies (Certifying Authority, Audit Authority, other bodies) may result in additional requests for clarification to the Lead/Project Partner and could eventually bring to recovery of unduly paid amounts.

[25] The annexes to the Project Progress Report (e.g. agenda, list of participants to meetings and events, promotional material, publications, press releases, etc.) as proof of the realization of the project activities and of Programme visibility, in some cases can be also provided in electronic version by an electronic device (e.g. scan of the list of participants, file of the press notice published on a website, brochures).

Procedure for expenditure verification

Once the hard copy of the submitted *Application for Validation of Expenditure is received*, the FLCer will carry out verifications covering administrative, financial, technical and physical aspects of projects.

Besides what has been said in the previous paragraph of this chapter, verifications shall ensure specifically:

- that the costs are eligible and sufficiently supported by invoices or accounting documents of equivalent probative value;
- that the expenditure has been incurred for the purpose of implementing the project in accordance with the contents of the Subsidy Contract, including the latest version of the approved Application Form which is an integral part of the contract itself[26];
- the reality of the reported expenditure (activities have actually taken place and products and services have been delivered);
- the compliance of the expenditure with applicable rules on public procurement, publicity and information, protection of the environment and equal opportunities.

In order to be sure that the activities reported in the *Application for Validation of Expenditure* by Project Partners have been actually implemented, the products/outputs delivered, the works concluded or on-going, the equipment purchased, the First Level Controller will make ***administrative verifications*** ("*desk-based checks*") for each submitted *Application for Validation of Expenditure*(covering 100% of the reported expenditure), which can be also integrated by ***on-the-spot checks*** to a sample of *Application for Validation of Expenditure*.

Supporting documents to the Application for Validation of Expenditure

Any *Application for Expenditure Verification* must be supported by documents proving the eligibility of expenditure as:

- invoices and accounting documents of equivalent probative value related to project expenditure;
- other documents as: bank statements, contracts, timesheets, boarding passes, evidences of the selection procedure, etc.
- public procurement documents, in case of awarding service/s, contracts for works or supply;
- project deliverables as: promotion materials produced during the project period, list of participants and minutes of meetings; copy of the materials produced directly linked to events, etc.
- list of expenditure, where required;

[26]In case of amendments of the Application Form and/or of the Subsidy Contract and Partnership Agreement, the latest version/s will be made available for the competent controller by the Lead/ Project Partner.

- for Project Partners located in the Participating Countries which have not adopted the euro as their currency, the page of the InforEuro website showing the monthly exchange rate;
- any other document useful for checking compliance with national legislation that the national First Level Controller might require.

Invoices and accounting documents of equivalent probative value related to project expenditure shall be submitted according to the procedure established by the related FLCSystem (FLCS). This means that those Project Partners which are required to void their invoices before submitting them, must provide to the competent FLCer true/certified[27] copy (if needed according to national procedures) of the invoice after stamping it as explained above. For Project Partners whose invoices are voided by the competent FLC, these invoices must be instead sent in ORIGINAL.

Project Partners must perform an administrative and accounting self-evaluation on the documentary evidences to support their own *Application for Validation of Expenditure* before submitting it to the competent FLC, using the check list for self-evaluation provided by the JS.

Administrative verification (desk-based checks)

Desk-based checks are verifications made with the help of the supporting documents (see § Supporting documents to the Application for Validation of Expenditure of PIM) submitted by the Project Partners with every *Application for Validation of Expenditure*.

The verification of the supporting documents makes possible administrative and financial checks of 100% of the expenditure declared by the Project Partner in the Progress Reports.

In addition, during the '*desk-based checks*' FLC checks that:

- the submitted *Application for Validation of Expenditure* is correct and consistent with the supporting documents;
- the reported expenditure is not affected by irregularity or any suspected irregularity.

The First Level Controllers may also ask the Project Partners to provide additional documents to those annexed to the *Application for Validation of Expenditure*. The Project Partners should provide the answers within the set timeframe in order to speed up the procedure of expenditure validation.

For Project Partners in participating Countries which have not adopted the Euro as their currency on the date of submission of the expenditures to the national FLC, the First Level Controller applies the exchange rates to convert expenditure incurred in the national currency of those Participating Countries (see § Requirements for the costs to be reported of PIM).

[27] The purpose of the certification of the required documents is to confirm that the submitted copies correspond to the original. This certification can be given by any authorised person of the participating Partner by stating on the document '*Corresponding to the original*' and having this statement signed, stamped and dated.

On-the-spot checks

Administrative verifications are not sufficient to give assurance on the legality and regularity of expenditure, thus it is essential that on-the-spot verifications are carried out. The on-the-spot checks make possible technical and physical verifications in addition to the administrative checks because the portfolio of checks available on-the-spot is larger compared to the one available for administrative verifications.

The First Level Controller will then perform on-the-spot checks in order to check in particular the reality of project and to be sure that the activities reported have been actually done, the products/outputs delivered, the works concluded or on-going, the equipments purchased and the investments realized.

The on-the-spot checks are even an obligation but are performed on a sample basis in order to proportionate the means invested in going on-the-spot to the expenditure to be checked. In general the on-the-spot-checks shall cover at least the following verifications:

- the existence and effective functioning of an accounting system on the level of each partner, either separate or analytical-based, allowing for a clear identification of all project-related expenditure and avoiding the possibility of double-funding;
- adequacy of supporting documents and of the existence of an adequate audit trail;
- the reported services/equipments/investments have been delivered in reality, and are available at the premises of the project partner, and are used in line with the project purposes;
- compliance with national and Community rules;
- the publicity rules and requirements of the BalkanMed Programme have been respected.

The Declaration on Validation of Expenditure (FLC Certificate)

After completing all verifications (both the administrative checks and (if the case) on-the-spot checks), the competent First Level Control shall issue a **Declaration on Validation of Expenditure (FLC Certificate)** within a period of **three months** from the date of receiving the relevant *Application for Validation of Expenditure* (if no additional documents have been required), which proves that the expenditures have been validated.

The FLC Certificate is drawn up by the Programme to be used by each FLC. It has to be issued in Euro only.

In particular the Declaration on Validation of Expenditure consists of four main parts:

Declaration	The First Level Controller declares in details that all the necessary verifications have been done, and declares, among other things, the amounts of expenditure reported and checked and the eligible expenditure.

Annex A	The First Level Controller reports in details on the method of verification and on the findings of the desk-based checks and the findings of on-the-spot checks (if in case).
Annex B	The submitted *Applications for Validation of Expenditure* to which the DVE refers to.
Annex C	Control Check list(s) filled by First Level Controller.

A detailed explanation of the ineligible (thus not validated) expenditure will be provided by the First Level Controller in the issued DVE.

The Declaration on Validation of Expenditure is issued by the FLCer. The First Level Controller has to sign the DVE in original and send it in hard copy and in electronic format together with obligatory annexes to the Project Partner that has submitted the relative *Application for Validation of Expenditure* and in electronic format to the MA/JS, and, if required according to the national FLC system, to the respective National Authority.

In case the DVE does not include some expenditure because their checking has been deferred, waiting for additional documents, the above-mentioned deadline of three months is meant interrupted only for those reported expenditures not completely checked. In this case the FLC will send a request for additional documents to the Project Partner which shall answer within the given deadline. After receiving the further documentation, the FLC will check again those expenditures and decide whether to validate them or not. The proof of this further validation, always related to the same *Application for Validation of Expenditure*, will be an additional DVE, connected to the one already issued. This additional DVE will be sent to the Project Partner with the same method used for the first DVE. Alternatively, those expenditures may be included in the next *Application for Validation of Expenditure*.

Summary table of expenditure verification procedure

Steps of expenditure verification procedure			
	Steps	**Brief Information**	**Duration**
1	Application for Validation of Expenditure (AVE)	Submitted by every partner to the respective competent body (according to the national FLC system - FLCS).	**Within three (3) months** after the submission of the AVE
2	Nomination of the first level controller (FLC) (if applicable)	The nomination is carried out according to the national FLC system - FLCS.	
3	Verifications of the AVE	Carried out by the FLC covering administrative, financial, technical and physical aspects of projects.	
4	Declaration on Validation of Expenditure (DVE) including:	Declaration - The FLC declares in details that all the necessary verifications have been done, and declares, among other things, the amounts of expenditure reported and checked and the eligible expenditure.	
		Annex A -The FLC reports in details on the method of verification and on the findings of the desk-based checks and the findings of on-the-spot checks (if in case).	
		Annex B -The submitted Applications for Validation of Expenditure to which the DVE refers to.	
		Annex C -Control Check list(s) filled by FLC.	
5	Submission of DVEs	Submitted by every FLCer to the PP, MA and, if required according to the national FLC system, to the respective National Authority.	

Reimbursement

The main rules and requirements related to the payment procedure within the BalkanMed Programme are outlined below.

The total budget of project selected for funding is co-financed up to a maximum rate of 85% by the Community fund, while the remaining budget is covered with national co-funding, ensured by each Project Partner according to the national co-financing system established by its Country of origin. Therefore, while the EU funds are always reimbursed by the Programme through the Lead Partner, each participating Country applies a different system to provide the national co-funding and, in case, to reimburse it to Project Partners.

This being said, the payment of the Community and (where applicable) of the national contribution granted to the project will be done with the reimbursement method, which means that any eligible expenditure will be reimbursed by the Programme if it has been incurred by the Project Partners, verified and validated by the competent First Level Controller and if the Managing Authority has received an Application for Reimbursement from the Lead Partner.

Programme reimbursement system

The Managing Authority/Joint Secretariat will control the correctness of DVEs taking into account the implementation of the entire Project and inserts the relevant data in the MIS. The MA issues a Payment Claim (PC) to the Treasury of the Programme (Certifying Authority) in order to proceed with the reimbursement.

The Certifying Authority will transfer the EU contribution of the whole project (thus of all Project Partners) to aninterest-free bank account indicated by the Lead Partner. Payments from the Certifying Authority to the Lead Partner will be made in Euro (€).Once received these funds from the Treasury of the Programme, the Lead Partner is obliged to transfer in time and at the latest **within fifteen (15) days** of its receipt and in full the share of EU funds which correspond to each Project Partner.The amounts will be paid according to the flow of funds from the European Commission.

Description of the national co-financing systems

The national co-financing reimbursement, if due, will instead follow the rules established by each participating Country, according to the specific national co-financing system set up, namely:

- the share of national co-financing (15%) of **Bulgarian Project Partners** is guaranteed by state contribution via the Ministry of Regional Development and Public Works;
- the share of national co-financing (15%) of **Cypriot Project Partners**is guaranteed by own contribution(public in the case of public bodies and bodies

governed by public law or private in the case of non -profit bodies governed by private law);

- the share of national co-financing (15%) of **Greek Project Partners**[28] is guaranteed by state contribution via the Public Investments Budget (PIB);the Greek Project Partners must submit a letter to the Managing Authority of European Territorial Cooperation Programmes requesting the registration of the approved project they participate in to the PIB. Once the request letter is submitted, the MA of ETCP provides it consent for funding. A copy of this letter is provided to the PPs concerned. The PPs must validate their expenditure and submit a letter to MA ETCP requesting the national co-financing, in order to receive the payment of the corresponding national share of co-financing from state funds. This is an ongoing procedure until the end date of the project.
- the share of national co-financing (15%)of **Albanian Project Partners** is guaranteed by own public contribution of the project partner and/or other public contribution (e.g. regional/ local/ other public sources) – **not covered by state contribution**. Therefore, Albanian partners are required to ensure the requested co-financing for co-funding the project activities.
- the share of national co-financing (15%)of **the former Yugoslav Republic of Macedonia Project Partners** is guaranteed by public contribution. National co-financing for LP/PP shall be ensured through the National Budget of the former Yugoslav Republic of Macedonia for all the partners of the country and administered by the NA. Once awarded a grant/ subsidy contract in the frame of this Programme the LP/PP concludes an additional Contract for National Co-financing with the Ministry of Local Self Government. The contract is concluded on the 100% of the amount of the awarded grant, however, 15% of the National co- financing is administered based on the proved/ verified eligible expenditure of the LP/PP after the complete finalization of the project activities.

For more detailed information on the national procedures, please contact the National Coordination Points (NCP) in each partner country.

28 In the case of Greek Project Partners, the relevant Ministerial Decrees may apply.

Summary table of reimbursement procedure

The figure below shows the different steps of the cash flow during reimbursement procedure:

Steps of reimbursement procedure			
	Steps	**Brief Information**	**Duration**
1	DVEs check	Check of the submitted DVE and insertion of data in MIS is carried out by the MA/JS.	**Within fifteen (15) days** after receiving each DVE by each FLC.
2	Payment Claim	Issued by the MA to the Certifying Authority (CA) for making reimbursements to LP.	**At least three (3) times per year** depending on the accrued amount.
3	The LP receives the ERDF and IPA funds	CA on the basis of the Payment Claim reimburses the refundable expenditures to the LP.	**Within three (3) months** after the submission of the Payment Claim by the MA.
4	Transfer to the rest of the Project partners (PP) the ERDF and IPA funds	By the LP to every PP according to the share reported and verified expenditure. National co-financing (where applicable) will be reimbursed to Project Partners according to the national co-financing systems.	**Within fifteen (15) days** of receiving the reimbursed from the CA amounts by LP.

PROJECT CLOSURE

At the end of the project implementation (see § Period of eligibility of expenditure of PIM), several obligations arising from the Programme, the Community and the national legislation still apply.

Final Project Report

After finalisation of the project the Lead Partner must submit a Final Project Report (standard form provided) to the Managing Authority/ Joint Secretariat ***not later than eight (8) months from the end date of the project***, giving a qualitative summary of the project as a whole.

Specifically, the Final Project Report of the project will be submitted to the MA/JS for approval two (2) months after all certificates of verified expenditure are issued. In any case, the Final Project Report must be submitted no later than eight (8) months after the official end date of the project.

This report, which replaces the last Project Progress Report, shall provide an overview of the project's activities and achievements. It should also highlight how transnational cooperation has contributed to attain the expected results and should include a detailed description of the measures foreseen in order to ensure their durability. In addition it should contain financial information about all certified expenditures (DVEs).

As the Project Progress Report, the Final Project Report shall contain:

a) report detailing all project activities as a whole, achievement of outputs and results; deliverables produced ***and***
b) financial reporting regarding all project certified expenditures, including those related with activities of the last reporting period;
c) relevant attachments as communication and publicity documents.

Project Partners must be aware that disbursement of the last Programme contribution instalment is subject to the submission of the Final Project Report.

The Final Project Report must be filled in English, pre-filled templates provided by the Joint Secretariat[29] and it has to be submitted to the JS both in original hard copy and electronically.

The electronic version (excel format) must be sent via e-mail to the MA/JS, whilst the paper version with all the relevant attachments must be sent via normal mail/courier duly signed and stamped to the JS premises.

Summary table of final project reporting

The figure below shows the different steps during the project closure period:

[29] Templates will be available in the Programme website.

<table>
<tr><th colspan="4">Timeline of final project reporting</th></tr>
<tr><th></th><th colspan="3">Closure Period</th></tr>
<tr><td>Procedure</td><td colspan="3">Step 1: Transmission of a Partner Progress Report of PPs to LP ensuring that part of the reported activities and expenditure are independently verified by FLC in compliance with the country specific requirements.

NB: The final reporting period of a project is preferably concluded not later than eight (8) months from the end date of the project. FPR is dependent on(a) the payment of all implementation-related costs incurred in the last reporting period as well as all costs related to the elaboration and submission of the Final Progress Report and to the project administrative closure activities (first level control, staff costs, etc.) and (b) the verification of all pre-mentioned expenditure by FLC.

Step 2: Elaboration and submission of the Final Project Report (FPR) to MA/JS by the LP within fifteen (15) days after the submission of the Partner Progress Report by PPs.

Step 3: Verification by the MA/JS of the submitted PPR and approval within forty-five (45) days after the submission of the FPR.</td></tr>
<tr><td>Total duration</td><td colspan="3">eight (8) months</td></tr>
<tr><td>Activity/ Deliverable</td><td>Final payments</td><td>Final verifications</td><td>FPR</td></tr>
<tr><td>Reporting period</td><td>three (3) months from the end date</td><td>three (3) months from the final payments</td><td>two (2) months from the final verifications</td></tr>
<tr><td>Deadline among PPs</td><td></td><td></td><td>fifteen (15) days</td></tr>
<tr><td>Reporting of eligible costs</td><td>payment of all implementation-related costs incurred in the last reporting period as well as all costs related to the elaboration and submission of the Final Progress Report and to the project administrative closure activities (first level control and staff costs)</td><td>FLC - verification of expenditure of all implementation-related costs incurred in the last reporting period as well as all costs related to the elaboration and submission of the Final Progress Report and to the project administrative closure activities (first level control and staff costs)</td><td>reporting of all implementation-related costs incurred, verified and paid out in the fourth (last) reporting period as well as all costs related to the elaboration and submission of the Final Progress Report and to the project administrative closure activities (first level control and staff costs)</td></tr>
<tr><td>Reporting of activities</td><td></td><td></td><td>giving a qualitative summary of the project as a whole and detailing all project activities as a whole, achievement of outputs and results, deliverables produced.</td></tr>
</table>

Durability and ownership of the project outputs

According to the Subsidy Contract, Project Partners are the owners of the intellectual and industrial property rights on the Project's results, reports and other documents relatedto it. Where several members of the partnership (Lead Partner and/or PPs) have jointly carried out work generating outputs and where their respective share of the work cannot be ascertained, they shall have joint ownership of it/them. Within the Partnership Agreement Project Partners may establish provisions regarding the allocation and terms for exercising that joint ownership. The proofs of transfer of ownership rights to the owners shall be anyway annexed to the Final Project Report.

Notwithstanding, following the provisions of the Programme Visibility rules, the publication of information by Programme or National Authorities/Coordinator or the European Commission, in order to guarantee their widespread publicity and to make them available to the public, may not be considered as a breach of industrial and intellectual property rights or a breach of confidentiality clause if the publication does not affect the Project Partner's commercial secrets.

The produced outputs of the project cannot be transferred or be substantially modified within five years of the final payment to the beneficiary (Art.71, CPR). More in detail, the project must not undergo any substantial change:

- cessation or relocation of a productive activity outside the programme area;
- a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
- a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

Should any of the above conditions not be met by any of the Project Partners, the Managing Authority must be informed without delay. This might imply a recovery of funds unduly paid.

Storage of project documents and accounting records

All accounting and supporting documents (e.g. Project Application Form, Subsidy Contract, reports, service contracts, public procurement documentation, rental contracts, important communication between the project partners and with the Programme bodies as well as documents required to ensure an adequate audit trail, documents related to expenditures as e.g. original invoices and controls and audits) must be available and accessible until three (3) years from 31 December following the submission of the accounts in which the expenditure of the operation is included (according to Art. 140 of the CPR Regulation), unless stricter national rules state a later date.

Official documents related directly to the communication with the Programme authorities shall be archived by the Lead Partner, whilst the reporting and supporting

documents related to the Project Partners must be kept at the Project Partners' premises for an equal period of time. The documents can be kept either in the form of original copies or in a version in conformity with the original, as commonly accepted data carriers. The procedure for the certification of the conformity of these documents held on data carriers with the original documents must be in line with the provisions set by the national authorities and shall ensure that the versions held comply with the national legal requirements and can be relied on for audit and control purposes.

In case of retaining the documents electronically, internationally accepted security standards must be met.

Representatives of the Managing Authority, Joint Secretariat, National Authorities, First Level Control, Certifying Authority, Audit Authority, authorized officials of the Community and their authorized representatives, European Commission and the European Court of Auditors are entitled to examine the project, all relevant documentation and accounts of the project also after its closure.

Retention of project documents

The following documents have to be retained as the project's audit trail:

Nr	Document	Lead Partner	Project Partner
1	Approved Application Form	Copy (of original signed by LP)	Copy (of original signed by LP)
2	Partnership Agreement (and its amendments)	original	original
3	Subsidy Contract (and its amendments)	original	copy
4	Project Progress Reports	copy	Not relevant
7	Declarations on validation of expenditure	copy	Original
8	Each invoice and accounting document of probative value related to project expenditure (originals to be retained at the premises of the project partner concerned)	Only LPs invoices	Only PPs invoices
9	All supporting documents related to project expenditure (e.g. payslips, bank statements, public procurement, documents etc) to be retained at the premises of the project partner concerned	Only the supporting documents of the LP	Only the supporting documents of the PP
10	If relevant, documentation related to on the spot checks of the Controllers (to be	Only LPs on the spot check	Only PPs on the spot check

	retained at the premises of the project partner concerned	documentation	documentation
11	If relevant, documentation of monitoring visits of the MA/JS	original	Copy
12	If relevant, audit reports	All audit reports, LP audit report in original, all other reports in copy	PPs audit report in original
13	Final Progress Report	copy	Not relevant

Final considerations for project closure

Costs for project closure

Expenditure have to be incurred and paid before the end date of the project set in the Subsidy Contract, with exception of costs incurred in the last reporting period and control costs and project closure administrative activities related to the Final Progress Report that have to be **paid within three (3) months from the project end date** at the latest.

Revenues after project closure

If, no later than the closure of the Programme, should the project be identified as revenue-generating in accordance with the definition provided in § Treatment of revenues of the Programme Manual, the Managing Authority is entitled to ask for refunding to the Programme in proportion to the contribution from the funds.

Control after project closure

The EU and Programme regulations indicate the open-to-control period after the project is closed. Key factors, related to being prepared for control after project closure, are indicated below.

- Project closure and the open-to-control period, of three (3) years from 31 December following the submission of the accounts in which the expenditure of the operation is included (according to Art. 140 of the CPR Regulation)or longer if foreseen at national level,require **preparation from the start** of project implementation;
- The **institutions and organisations** acting as Project Partners should **understand their obligations** during the open-to-control period, regardless of the continuity of the staff assigned to the project, especially in terms of the access to documents, information systems and infrastructure and equipment financed by the project;
- The **Partnership Agreement** should be valid until the end of the open-to-control period and include all the necessary clauses to ensure smooth after-closure procedures;

- The **original documents** and the **computerised systems** need to be **easily accessible** during the full open-to-control period. If the period for retention of documents and computerised records required by the national rules or the organisation's usual practice is less than the open-to-control period, ad-hoc adequate procedures have to be designed and implemented at the beginning of the project;
- **Web-sites** and any **internet-based** tools have to be **stored locally** to be able to show them in case of a control. A log of the evolution of web-sites and adequate local back-up systems have to be required from developers;
- Even if **infrastructure** or **equipment** property is transferred after the project closes, the agreement with the recipient has to include the **right of access** during the open-to-control period. All technical documentation and photographs should be kept in the project archives (as needed, copies of the technical documents can be given to the owners of the equipment or infrastructure);
- Any **equipment** at the end of its useful life for example, obsolete computers, needs to be **removed from** the organisation's **inventory** following adequate recorded procedures which have to be archived with the project documents, even after project closure;
- **Technical documentation** must include all supporting documents and photographs **proving all the activities** financed during project implementation, both tangible and intangible;
- **Financial documentation** must be accessible in its original form or equivalent according to national law and must include **proof of delivery of services and supplies**;
- The Lead Partner and Project Partners must agree to nominate a **contact person during the open-to-control-period** with adequate knowledge of the project, its content, its archives and computer systems and records.

The actual duration of a project goes much longer than its implementation period.

Overall, before formally closing the project, Project Partners must ensure that:

- **Each Partner's organisation is aware of the obligations** (not just those involved in project implementation) during the open-to-control period. A future control may need to be facilitated by someone without any knowledge of the project.
- **A communication line is kept with all your partners** during the open-to-control period. Even if it is written in the Partnership Agreement, check how you are going to make this operational and keep regular contact.
- **Review the project documentation** (all of it) and verify that it is organised in a way that anyone with no knowledge of the project can ensure a smooth control by the relevant bodies.