Interreg
Baltic Sea Region
funding cooperation

# Programme Manual

## for the period 2014 to 2020

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Programme Manual of Interreg Baltic Sea Region, a Transnational European Territorial Cooperation Programme, for the period 2014 to 2020, part-financed by the European Regional Development Fund (ERDF).

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# A Introduction

This Manual aims to describe and explain the rules of the Interreg Baltic Sea Region Programme, further on referred to as the Programme, and give guidance on all phases of the project life cycle. It is the main document for projects under Priorities 1 *Capacity for innovation*, 2 *Efficient management of natural resources*, 3 *Sustainable transport* and Priority 4.1 *Seed Money*.

The requirements of Priority 4.2 *Coordination of macro-regional cooperation* are presented in a separate manual.

The rules laid down in this Manual are mandatory and are the primary rules of the Programme. They are based on the relevant European Regulations and have been harmonised with a number of transnational Interreg programmes. The Manual is addressed to a number of stakeholders involved at different phases of a project. Lead and project partners are the main target group of the document together with their first level controllers. However, the information presented in the various chapters might not be equally relevant for all.

Being responsible for all project phases from the development until the closure phase, **lead partners** are expected to be familiar with the overall content of the Manual. Furthermore, lead partners should use the Manual for information purposes and distribute the information to the project partners to ensure smooth and correct implementation at all levels.

Chapters which are highly relevant for **project partners** are chapter B, chapter C, chapter F, chapter G, chapter H, chapter I and chapter K. The information addressed in these chapters should be understood by the whole partnership.

**First level controllers (FLCs)** are another important target group of this document. The successful implementation of projects does not only depend on well informed project partners, but their FLCs have an equally important role in the interpretation and understanding of the Programme rules too. To achieve this, FLCs should at least be familiar with chapter F, chapter G and chapter I.

The above recommendation seeks to help users of the Manual with structured use and reading. However, the recommendations on the selected chapters can be extended according to the readers' needs.

## List of abbreviations

AA – Audit Authority

CP – Cooperation Programme

ENI – European Neighbourhood Instrument

ERDF – European Regional Development Fund

FLC – first level control(ler)

IB.SH – Investitionsbank Schleswig-Holstein

IPR – intellectual property rights

JS – Joint Secretariat

MA – Managing Authority

MS - Member State

MC – Monitoring Committee

NC – National Coordinator

PAC/HAC – Policy Area Coordinator/Horizontal Action Coordinator

Programme – Interreg Baltic Sea Region Programme

SLA – second level audit(or)

WP – work package

## Glossary

**Activity** – a work package component which may or may not result in an output.

**Amount declared** – expenditure incurred and paid (or calculated based on simplified cost options) by a project partner in relation to the project implementation and presented to the Programme for reimbursement.

**Amount verified** – Expenditure checked by FLC & included in the FLC certificate.

**Application package** – all documents needed when applying for funding.

**Audit trail** – An adequate audit trail ensures that the accounting records maintained and the supporting documents held at the level of the Certifying Authority, Managing Authority, intermediate bodies and project partners are adequate to trace expenditures.

**Co-financing** – The programme's financial support provided to the project.

**Co-financing rate** – The percentage applied to the eligible expenditure of the project and each individual partner resulting in the amount of co-financing to be received.

**Contribution** – The equivalent part to programme co-financing secured by the partners. Depending on the legal status of the partners, the contribution can be either public or private.

**Control** – any measure taken to provide reasonable assurance regarding the effectiveness, efficiency and economy of projects. Furthermore, it should contribute to the reliability of reporting, the safeguarding of assets and information, the prevention and detection and correction of fraud and irregularities and their follow-up. Control should ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multi-annual character of programmes as well as the nature of the payments concerned. Controls may involve various checks.

**Costs incurred** – Costs accumulated in relation to implementation of the project activities that are recorded as liabilities on a balance sheet of the partner organisation until they are discharged or paid. Incurred costs may include both direct and indirect costs.

**Defensive publication** – is a strategy used for intellectual property. It involves disclosing an innovation or invention (e.g. product, method) to the public domain by publication of its description and/or drawing in order to prevent any other actor in the field to claim an intellectual property right on it. The

description and/or drawing should provide enough details for the operation or implementation of the innovation or invention so that a skilled individual in the same field could use or apply the concept without unnecessary experimentation.

**Depreciation** – A non-cash expenditure that reduces the value of an asset over time. The full purchase price of equipment is only eligible if the item is solely used for the project during its total economic and depreciable lifetime. Otherwise, depreciation may be eligible, provided it is calculated taking into account the degree of use of the item for the project and the project duration.

**Durability** – durability of project outputs and results refers to the long-lasting effect of a project's achievements beyond project duration.

**Eligibility of a project partner** – if the proposed project partner fits to one of the legal status categories listed in C.1.2, fulfils the respective requirements (incl. not being an undertaking in difficulties) and is a legal entity, it is technically eligible for funding. Upon project approval and provided that the Agreement on Management, Financial and Control Systems of the Programme or a similar Agreement is signed by the relevant national authorities, the project partner becomes eligible for funding in practice.

**Equivalent probative value** – Invoices and other documents equivalent to invoices used as supporting evidence for expenditure incurred (e.g. by project partners). Accounting documents of equivalent probative value must be provided by project partners in case of expenditure for which there is no invoice available. For standard scales of unit costs, lump sums, flat rates (see REGULATION (EU) No 1303/2013, Article 67(1) and 68) and contributions in-kind (REGULATION (EU) No 1303/2013, Article 69(1)) no proof of expenditure needs to be provided.

**Implementation period** – A timeframe during which project expenditure should be incurred in order to qualify for reimbursement from the programme funds.

**Intellectual property** – refers to types of property that result from creations of the human mind (intellect).It comprises patents, for example, copyright and related rights, trade marks, know how, trade secrets, industrial designs, designs, drawings, reports, methods of research and developments, documented data, and description of inventions and discoveries.

**Intellectual property rights (IPR)** – are legal rights aimed at protecting the creations of the human mind (intellect). They are commonly divided into two categories: Industrial Property Rights (e.g. patents, trademarks, industrial

designs, geographical indications) and Copyright and Related rights (e.g. rights of the authors/creators).

**Member State(s)** – EU Member State(s)

**Multi-level governance** – is a cooperation and collaboration, both vertically among units of government and horizontally among governmental and non-governmental actors.

**Natural person** – a person, human being, distinguished from a corporation and opposed to a legally generated juridical person which may be a private (i.e., business entity) or public (i.e., government) organization.

**Participating countries** – countries participating in the programme as listed in the cooperation programme (eight Member States and three partner countries)

**Project specific objective** – a concrete statement describing what the project is intending to achieve. It can be evaluated at the conclusion of a project to see whether it was achieved or not.

**Real costs** – Expenditure actually incurred and paid, and supported by invoices or other documents of equivalent probative value.

**Reporting period** – A designated period of time during the project lifetime; activities carried out and expenditure incurred and paid (unless simplified cost options apply) during a reporting period are presented in a progress report and are subject to programme co-financing.

**Simplified cost options** – simplified cost options involve approximations of costs and are defined based on fair, equitable and verifiable calculation methods, or they are established by the Fund specific regulations. The application of simplified cost options signifies a departure from the approach of tracing every euro of co-financed expenditure to individual supporting documents.

**Standard scale of unit costs** – Is one type of simplified cost option. A standard scale of unit costs composed of priori defined standard price that applies to a certain type of expenditure. The eligible expenditure is calculated by multiplying the standard cost by the units achieved. Standard scales of unit costs involve approximations of costs and are established based on fair, equitable and verifiable calculation methods.

**State of art (prior art)** – is a legal term referring to all information of an innovation or invention which is disclosed to the public domain in any form (e.g. publications, documents, written articles, devices known, on sale, or used by the public, etc.) and any place (inside the national territory and outside) before its

priority date, i.e. the first filing date of a patent application, anywhere in the world (normally in the applicant's domestic patent office). The disclosed information has to constitute sufficient information for an average worker in the field of some subject matter to use or apply the concept without unnecessary experimentation. After such description is made public it is not possible to claim any intellectual property rights on the subject.

**Subsidy contract** – Is a grant agreement between the contracting authority (Managing Authority) and the lead partner.

**Total budget** – The total budget of a project is established based on the costs planned by all project partners in the application.

**Total eligible budget** – total eligible budget indicates the total budget of a project subject to programme co-financing. In the application, it is calculated based on the total budget, excluding the potential net revenue of the project.

**Total expenditure** – all expenditure incurred and paid (or calculated based on simplified cost options) by project partners in relation to implementation of the project activities.

**Total eligible expenditure** – Is the sum of the total expenditure compliant with EU, programme and national rules and thus is eligible for co-financing from the programme. In the progress report, the total eligible expenditure is calculated based on the total expenditure, excluding net revenue generated by the project.

**Union part of the Programme area** – Part of the geographical area covered by the programme, which includes an EU territory. In some programmes, the Programme area may also cover territories of third countries (e.g. Norway, Switzerland, etc.) and thus be outside the EU part of the Programme area.

**Value for money** – Term referring to a judgment on whether sufficient impact is being achieved for the money spent.

**Verification** – Measures undertaken by the MA/JS and/or the FLCs to ensure that co-financed products and services have been delivered and that expenditures declared have been paid, comply with applicable law, the Operational Programme and the conditions for support of the project (CPR REGULATION (EU) No 1303/2013, Article 125 (4)(a) and REGULATION (EU) No 1299/2013, Article 23 (4)).

**Work package** – A group of related project activities aimed at producing project main outputs.

# B General information about Interreg Baltic Sea Region

## B.1 General objectives

The **overall objective** of the Programme is to strengthen the integrated territorial development and cooperation for a more innovative, better accessible and sustainable Baltic Sea region. The Programme promotes **transnational cooperation and integration** by projects addressing common key challenges and opportunities of the region. Its added value is the transnational dimension of the supported actions and investments. The Programme exploits opportunities and addresses issues which cannot sufficiently be dealt with by single countries but require a joint response by partners from several countries from the Baltic Sea region.

The Programme develops a leverage effect on regional development by investing in the institutional capacities of the Programme's target groups. Improved institutional capacity in the Programme context is understood as:

- Enhanced institutionalised knowledge and competence;
- Improved governance structures and organisational set-up;
- More efficient use of human and technical resources (databases, technical solutions, infrastructure etc.);
- Better ability to attract new financial resources; and
- Increased capability to work in transnational environment.

Projects are expected to contribute to institutional capacity building. Their contributions to capacity building will be followed up by a system of indicators to measure achievements of the Programme.

## B.2 Programme priorities

The Programme is divided into four priority axes addressing the transnational key challenges and opportunities of the Baltic Sea Region:

1. Capacity for innovation
2. Efficient management of natural resources
3. Sustainable transport
4. Institutional capacity for macro-regional cooperation

All four priorities are briefly introduced in the following. A detailed description of the indicative actions to be financed can be found in the Cooperation Programme.

### B.2.1 Priority 1 'Capacity for innovation'

Priority 1 'Capacity for innovation' is dedicated to actions strengthening the ability of the Baltic Sea region to create and commercialise innovation. Thus the Programme encourages experimentation with new approaches and solutions to be practically tested through pilot actions. Furthermore, the priority aims at increasing the capacity of the public sector as an innovation driver and enhancing innovation uptake by SMEs. Thematically, one of the focus of this priority lies on utilisation of the potentials of existing and planned research and innovation infrastructures. Additionally, the priority supports capacity-building for smart specialisation strategies and their implementation, e.g. through test and pilot activities. Finally, the priority provides support for non-technological innovation.

**Specific objectives related to priority 1:**

- **Specific objective 1.1 'Research and innovation infrastructures':**
  To enhance market uptake of innovation based on improved capacity of research and innovation infrastructures and their users
- **Specific objective 1.2 'Smart specialisation':**
  To enhance growth opportunities based on increased capacity of innovation actors to apply smart specialisation approach
- **Specific objective 1.3 'Non-technological innovation':**
  To advance the Baltic Sea region performance in non-technological innovation based on increased capacity of innovation actors

### B.2.2 Priority 2 'Efficient management of natural resources'

Priority 2 'Efficient management of natural resources' supports transnational cooperation enhancing capacity of public authorities and practitioners to ensure better environmental status of the Baltic Sea region waters and to strengthen the resource-efficient growth. It will help in developing integrated approaches to reducing nutrient loads and decreasing discharges of hazardous substances to the Baltic Sea and the regional inland waters. Moreover, the Priority supports development and testing of governance and funding models as well as technological solutions for production and distribution of renewable energy and for improved energy efficiency. Lastly, it aims at strengthening the sustainable and resource-efficient blue growth in the Baltic Sea region.

**Specific objectives related to priority 2:**

- **Specific objective 2.1 'Clear waters':**
  To increase efficiency of water management for reduced nutrient inflows and decreased discharges of hazardous substances to the Baltic Sea and the regional waters based on enhanced capacity of public and private actors dealing with water quality issues
- **Specific objective 2.2 'Renewable energy':**
  To increase production and use of sustainable renewable energy based on enhanced capacity of public and private actors involved in energy planning and supply
- **Specific objective 2.3 'Energy Efficiency'**
  To increase energy efficiency based on enhanced capacity of public and private actors involved in energy planning
- **Specific objective 2.4 'Resource-efficient blue growth':**
  To advance sustainable and resource-efficient blue growth based on increased capacity of public authorities and practitioners within the blue economy sectors

### B.2.3 Priority 3 'Sustainable transport'

Priority 3 'Sustainable transport' covers capacity building measures ensuring more sustainable transport solutions in the region. In particular, it aims at better connecting the secondary and tertiary transport networks and nodes in the Baltic Sea region to core transport networks. Furthermore, the priority is targeted at improved accessibility of distant areas that have accessibility deficits as well as areas affected by demographic changes to urban, administrative and economic centres. Due to the significance of maritime transport for the region the priority also focuses on the improvement of maritime safety and environmental-friendly shipping. Lastly, the priority specifically focuses on urban areas of the Baltic Sea region with the aim of increasing environmentally friendly mobility.

**Specific objectives related to priority 3:**

- **Specific objective 3.1 'Interoperability of transport modes':**
  To increase interoperability in transporting goods and persons in north-south and east-west connections based on increased capacity of transport actors
- **Specific objective 3.2 'Accessibility of remote areas and areas affected by demographic change'**
  To improve the accessibility of the most remote areas and regions whose accessibility is affected by demographic change based on increased capacity of transport actors

- **Specific objective 3.3 'Maritime safety'**
  To increase maritime safety and security based on advanced capacity of maritime actors
- **Specific objective 3.4 'Environmentally friendly shipping'**
  To enhance clean shipping based on increased capacity of maritime actors
- **Specific objective 3.5 'Environmentally friendly urban mobility'**
  To enhance environmentally friendly transport systems in urban areas based on increased capacity of urban transport actors

### B.2.4 Priority 4 'Institutional capacity for macro-regional cooperation'

Priority 4 'Institutional capacity for macro-regional cooperation' is dedicated to actions strengthening the implementation of the EU Strategy for the Baltic Sea Region (EUSBSR) as well as the implementation of common priorities of the EUSBSR and regional strategies of the partner countries. Firstly, seed money will be provided for preparation of projects of strategic importance to the EUSBSR to be funded by different funding sources available in the region.

Secondly, Policy Area Coordinators (PAC), Horizontal Action Coordinators (HAC) and National Coordinators (NC) will receive support for coordinating the transnational activities and in achieving the EUSBSR goals and targets. Furthermore, the Programme provides co-financing to general support and communication activities related to implementation of the EUSBSR. For more information, see the document *Programme Manual for coordination of macro-regional cooperation*.

**Specific objectives related to priority 4:**

- **Specific objective 4.1 'Seed Money'**
  To increase capacity for transnational cooperation implementing the EU Strategy for the Baltic Sea Region and working on common priorities with the partner countries
- **Specific objective 4.2 'Coordination of macro-regional cooperation'**
  To increase capacity of public institutions and pan-Baltic organisations for transnational coordination in implementing the EU Strategy for the Baltic Sea Region and facilitating the implementation of common priorities with the partner countries

## B.3 Types of projects

The main project type in the Programme is a **regular project**. The majority of the Programme co-financing is devoted to these projects. Chapter D.1 details the application procedure as well as the Programme requirements for regular projects.

In order to strengthen project results, the Programme offers **its projects** two other instruments – **extension stage** and **project platforms.** Chapters D.2 and D.3 detail the requirements for extension stage projects and project platforms.

The extension stage is designed to verify results of the **finalised projects** in practical application and/or to realise investments.

The instrument of project platforms supports further use of the outcomes of the **on-going projects** and increasing their visibility. Therefore, the project platforms are formed as groupings of projects cooperating with other organisations in the BSR in specific thematic fields.

In addition, the Programme provides support for the **preparation of projects of strategic importance to the EU Strategy for the Baltic Sea Region** to be funded by different funding sources available in the region. For more information, please see chapter J of this Manual.

## B.4 Legal framework

The Programme has been designed under the territorial cooperation goal of the European Union. In practice, the Programme combines financing from the EU structural funds/European Regional Development Fund (ERDF), Norwegian national funding, EU external funds/European Neighbourhood Instrument (ENI)[1] and Russian national funding. The Programme will be administered according to the ERDF structural funds rules.

In general, projects are guided by several layers of rules and requirements:

1. EU legislation, as referred to below,
2. Cooperation Programme, as referred to below,
3. Programme Manual, information in the application and other guidance documents to projects,
4. National legislation,

[1] ENI financing for Russia is based on the Financing Agreement concluded with Russian Federation in January 2018. ENI financing for Belarus is still subject to signing of a separate financing agreement.

5. Local and/or regional legislation, and
6. Institutional rules and regulations.

The hierarchy of rules sets out a priority of the EU legislation. Where no or no detailed provisions are stipulated in EU rules Programme rules can be set up accordingly. National, regional or local legislation and institutional rules only apply where specific issues are not regulated either by the EU legislation or the Programme rules.

The legal framework consists of:

- REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on 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 on general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006,
- REGULATION (EU) No 1301/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006,
- REGULATION (EU) No 1299/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal,
- REGULATION (EU, Euratom) No 966/2012 of the EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002,
- Implementing acts and delegated acts adopted in accordance with the aforementioned Regulations,
- Directives of the European Parliament and of the Council public procurement,
- Cooperation Programme 'Interreg Baltic Sea Region Programme 2014-2020' (CCI No 2014TC16M5TN001) – hereinafter referred to as 'Programme',
- Decision of the European Commission according to Article 29(4) of REGULATION (EU) No 1303/2013 approving the Programme (Decision

No C(2014) 10146 of 18 December 2014, amended by Decision No C(2015) 9118 of 9 December 2015).

The above list names the most relevant legislation but it is not an exhaustive one.

## B.5 Programme area

The Programme area covers eleven countries. It comprises the EU Member States:

- Denmark: the whole country
- Estonia: the whole country
- Finland: the whole country
- Germany: the States (Länder) of Berlin, Brandenburg, Bremen, Hamburg, Mecklenburg-Vorpommern, Schleswig-Holstein and Niedersachsen (only NUTS II area Lüneburg region)
- Latvia: the whole country
- Lithuania: the whole country
- Poland: the whole country
- Sweden: the whole country

In addition, three partner countries outside the EU will take part in the Programme:

- Belarus: the whole country
- Norway: the whole country
- Russia: St Petersburg, Arkhangelsk Oblast, Vologda Oblast, Kaliningrad Oblast, Republic of Karelia, Komi Republic, Leningrad Oblast, Murmansk Oblast, Nenetsky Autonomous Okrug, Novgorod Oblast, Pskov Oblast.

**Norway** will participate in the Programme with own funding. The participation of **Russia** is based on funding allocated from the European Neighbourhood Instrument (ENI) and on financial contribution of the Russian Federation. The participation of Belarus is still subject to the signing of a financing agreement.

## B.6 Programme budget and co-financing

The total Programme co-financing from the **European Regional Development Fund (ERDF),** including Priority axis 5 Technical Assistance, amounts to **263.8 million euros**. **Norway** allocates **5.3 million euros** national funding to the Programme for Norwegian project partners and for Priority axis 5 Technical

Assistance. The amount of co-financing transferred to the Programme from the **European Neighbourhood Instrument (ENI)** for the participation of partners from Belarus and Russia is **8.8 million euros**. An amount of **4.4 million euros** ENI funding is reserved for the participation of Russian project partners and for priority axis 5 Technical assistance. In addition Russia has allocated **4.4 million euros** national funding to the Programme for Russian project partners and for priority axis 5 Technical Assistance. The allocation of the remaining ENI funds to Belarus depends on the signing of the financing agreement.

*Table 1: Allocation of Programme funds for priorities 1 – 4**

| Priority | ERDF | ENI | Norwegian | Russian |
|---|---|---|---|---|
| | (all funds in EUR million) | | | |
| 1. Capacity for innovation | 84.4 | 3.0 | 4.8 | 4.0 |
| 2. Efficient management of natural resources | 84.4 | 3.0 | | |
| 3. Sustainable transport | 66.0 | 2.2 | | |
| 4. Institutional capacity for macro-regional cooperation | 13.2 | 0.1 | | |

**For Norwegian and Russian funds there is no binding allocation between priorities*

Project partners have to provide their own contribution to receive Programme co-financing. The level of these contributions varies between the countries and the funds used.

Partners from Denmark, Finland, Germany and Sweden are entitled to receive up to 75% ERDF co-financing, and partners from Estonia, Latvia, Lithuania and Poland up to 85% ERDF co-financing. Norwegian partners will receive up to 50% co-financing from Norwegian national funding. Russian partners will receive up to 85% Programme co-financing, which is financed both by the European Neighbourhood Instrument (ENI) and by the Russian Federation (Russian national funding). The exact share of the funding sources is visible for the projects in the application (e.g. for the second and third call for applications the share is 50%, which means that 50% of the Programme co-financing is covered by the ENI and the other 50% by Russian national funds).

Project partners from all Programme countries under priority 4 are entitled to receive up to 85% co-financing from ERDF, ENI/Russian national funding and Norwegian national funding. Funding modalities for partners from Belarus will be defined later.

Furthermore, project partners from countries outside the Union part of the Programme area are entitled to receive up to 75% ERDF co-financing. Further details regarding the conditions of participation of such partners is provided in chapter C.1.4.

Lower co-financing rates than specified above might have to be applied in case of state aid relevant activities. Details on the Programme's state aid rules and related co-financing rates can be found in chapter F.1.6.

## B.7 Horizontal principles

Sustainable development, equal opportunities and non-discrimination, as well as equality between men and women, are three major horizontal principles that constitute an integral part of EU policy and the Programme. The supported projects have to promote these principles whenever possible.

In practical terms, projects should reflect the horizontal principles of sustainable development, equal opportunities and non-discrimination, and equality between men and women in their activities, outputs and results. Projects should consider what their overall influence as regards these principles is. Projects should highlight in the application how these horizontal principles are integrated in project activities and outputs. In addition, projects should mention the specific measures they plan to take at the operational level (i.e. project management) to follow these principles. The promotion of the horizontal principles will be considered as a positive factor in the project selection for funding.

### Sustainable development

Sustainable Development stands for meeting the needs of present generations without jeopardising the ability of future generations to meet their own needs – in other words, a better quality of life for everyone, now and for generations to come[2]. Sustainable development requires everyone to make decisions in a way that the economic, ecological and social effects of each decision are taken into account.

Often transnational projects prepare or affect important decisions in regional development. Sustainable development of the region is thus an integral part of the Programme, covered by all Programme priorities. For example, priority 1

[2] DG Environment: Sustainable development, http://ec.europa.eu/environment/archives/eussd/index.htm (viewed: 31 July 2017)

*'Capacity for innovation'*, among others, aims at supporting solutions to societal challenges, such as climate change, energy and resource efficiency, food supply, welfare, health and demographic change. Priority 2 *'Efficient management of natural resources'* focusses, inter alia, on challenges related to sustainable use of natural resources, resource and energy efficiency and water protection, these also being core topics of sustainable development. Lastly, priority 3 *'Sustainable transport'*, supporting sustainable transport, also takes into account the sustainable development of the Baltic Sea Region, for instance the specific objective on environmentally friendly shipping.

When applying for the funding under the Programme, applicants should consider the impacts of the project on economical, ecological and social aspects within the region targeted. As a general principle, applicants should strive to promote the sustainable development as far as possible both via the approach they take and the solutions and outputs they develop. Among other things this means that projects should consider environmental impacts when making decisions on investments and their location. Projects have to comply with the respective rules and regulations on the environment and sustainable development as well as make sure the selected investment does not cause any environmentally negative effects.

There are several examples about how projects can implement sustainability on the operational level. These are described in chapter C.4.2.

**Equal opportunities and non-discrimination**

In line with EU policies the Programme promotes equal opportunities and non-discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Applicants have to consider their project impacts along these principles and follow them through in project implementation.

Some projects may deliver solutions that help promote equal opportunities and non-discrimination, e.g. designing transport solutions for areas that are geographically remote or have limited accessibility, providing inclusive business support addressed to groups that are at risk or are under-represented, developing innovative social services or products for elderly. In addition, projects should also apply the principle on the operational level. Namely, projects should ensure that no discriminative action is carried out within projects and vis-à-vis any third parties (e.g. contractors, suppliers, external speakers). Furthermore, when selecting service providers, suppliers or contractors projects have to ensure equal opportunities for all interested parties and avoid limiting or discriminating with requirements or selection criteria.

**Equality between men and women**

In line with EU policies the Programme promotes equality between men and women. Applicants have to consider their project impacts along this principle and follow the principle through in project implementation.

Projects are expected to address the gender equality principle on the operational level. For instance, when building management and steering structures, projects should strive to ensure the equal representation of men and women, as well as equal involvement in decision making. The project should also ensure equal pay.

## B.8 Integrated territorial approach

Projects financed by the Programme should support integrated territorial development[3]. This means that projects should address territorial challenges, make use of territorial assets and consider relevant territorial development policies as far as possible. The Programme expects projects to seek for ways on how to exploit the specific opportunities of the regions (e.g. through smart specialisation, blue growth, energy solutions). In addition, the Programme strongly encourages projects to **apply a cross-sectorial and multi-level approach** whenever possible. In practical terms, projects should involve relevant organisations from different sectors and various administrative levels directly or in a consultative way.

### B.8.1 Projects' contribution to the EUSBSR and partner countries' strategies

Common awareness about territorial challenges has been mobilised on the macro-regional level through the **EU Strategy for the Baltic Sea Region (EUSBSR)**. The Programme objectives are very much in line with the objectives of the EUSBSR. The aim is to maximise the synergies and leverage effects of the Programme on other financing sources for implementation of the EUSBSR. Therefore, applicants are encouraged to get acquainted with the action plan to the EUSBSR and consider the possible contribution of the project to a policy area or a horizontal action of the strategy. Detailed information regarding the EUSBSR can be found under http://www.balticsea-region-strategy.eu/.

Alongside the EUSBSR there are development strategies of the partner countries, Norway, Russia and Belarus, which address similar priorities. Applicants are also encouraged to link their projects to these strategies.

[3] See REGULATION (EU) No 1299/2013, Article 8(3)

In particular, the Programme is interested in supporting **flagship projects** of the EUSBSR action plan. The coordinators of the policy areas and horizontal actions of the strategy, together with their steering groups, are responsible for the selection of flagship projects. The Programme expects applicants with a EUSBSR flagship status to submit a **letter of commitment** from the relevant **policy area coordinator** or **horizontal action coordinator** together with the project application. More information will be provided in the announcement notes of each call. The list of responsible PACs/HACs can be found under http://www.balticsea-region-strategy.eu/.

### B.8.2 Projects' contribution to cross-cutting issues

In line with the integrated approach the Programme encourages applicants to also integrate one or more of what are known as cross-cutting issues in the approach of the project. These cross cutting issues derive mainly from the horizontal actions of the EUSBSR. The issues are listed below:

- cooperation with the partner countries Belarus and Russia,
- multi-level governance,
- BSR common identity,
- spatial planning/maritime spatial planning,
- climate change adaptation and mitigation,
- adaptation to demographic change.

Note that the contribution to the cross-cutting issues is not obligatory. However, the contribution to one or several of the issues is assessed on the basis of additional quality features of applications, which may be considered as an advantage by the Monitoring Committee when approving applications.

During implementation projects will be asked to report on how they have practically contributed to the selected cross-cutting issue(s). Projects will have to provide more details on the methods of addressing the selected issue(s), as well as name the possible outputs through which the issue(s) is (are) addressed.

## B.9 Programme implementation structure

The **Monitoring Committee (MC)** is composed of representatives of all eleven countries that participate in the Programme. The MC is responsible for ensuring the effectiveness and quality of the Programme as well as for selection of projects. The work of the MC is supported by the national sub-committees. The national sub-committees safeguard the information flow to regional and local

authorities, economic and social partners and non-governmental organisations during the implementation of the Programme.

A contact list of MC members can be downloaded from the Programme website: http://www.interreg-baltic.eu/contacts.html

The **Managing Authority (MA)** is responsible for managing and implementing the Programme on behalf of the participating states in accordance with the relevant Community and national legislation. The participating countries have designated Investitionsbank Schleswig-Holstein (IB.SH) located in Kiel, Germany to fulfil this task. IB.SH, as MA, will also be responsible for carrying out the functions of the Certifying Authority and for setting up the Joint Secretariat.

The **Joint Secretariat (JS)** is responsible for providing all necessary information and management services to the project partners. Furthermore, the JS informs the wider public about the Programme. The JS also supports the MC, MA, and AA in meeting their tasks. The main office of the JS is located in Rostock, Germany, with a branch office located in Riga, Latvia.

Contact information for staff members of the MA/JS is available on the Programme website: http://www.interreg-baltic.eu/contacts/ma-js.html

Germany, as the Member State hosting the MA, has appointed the Ministry of Justice, European Affairs, Consumer Protection and Equality of Land Schleswig-Holstein to act as **Audit Authority (AA)** of the Programme. The Audit Authority is responsible for verifying the effective functioning of the management and control system of the Programme. The AA is assisted by the Group of Auditors comprising one representative of each EU Member State and Norway and Russia as well as representatives of Belarus as observers.

## B.10 Programme language

The official language of the Programme is English. Therefore, all communication between applicants, lead partners, project partners and the MA/JS is carried out in English. Information in project idea forms, applications, progress reports as well as official correspondence should be treated accordingly. Although guidance on the Programme might be available in national languages, this can only be used as support when interpreting the Programme rules.

# C Formal expectations towards project partners

## C.1 Eligible project partners

The Programme sets specific requirements for project partners, project lead partners and the partnership of projects as a whole. Every organisation that takes part in a project as a lead partner or a project partner has to fulfil the requirements explained in the following chapters.

### C.1.1 Geographical location

The Programme covers 11 countries, eight of them EU Member States and Norway, Belarus and Russia. The geographical coverage of the Programme is defined in chapter B.4.

As a general rule, ERDF co-financing is only provided to project partners located in one of the Member States. However, in exceptional cases project partners located outside the Union part of the Programme area can request ERDF co-financing and join the BSR partnerships. The detailed requirements concerning this are provided under chapter C.1.4. Norwegian partners receiving Norwegian national funding, as well as partners from Belarus and Russia receiving ENI co-financing, are not affected by this exception.

### C.1.2 Legal entities eligible as project partners

The following legal entities can qualify for the Programme co-financing as project partners:

a) National (governmental), regional and local public authorities.

b) 'Bodies governed by public law' as defined in Article 2(1) of DIRECTIVE 2014/24/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 February 2014 on public procurement and repealing DIRECTIVE 2004/18/EC (OJ L 94, 28.3.2014).

   All organisations applying for funding in category b) must fulfil criteria i) ii) and iii).

   This means the organisation must:

   i. Be established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character; and

   ii. having legal personality; and

   iii. be financed, for the most part, by the State, regional or local authorities, or by other bodies governed by public law; or subject to management supervision by those authorities or bodies; or have 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.

c) Associations formed by one or several regional or local authorities as defined under a).

d) Associations formed by one or several bodies governed by public law as defined under b).

e) European Grouping of Territorial Cooperation (EGTC) as defined in the REGULATION (EC) No 1082/2006 as amended by REGULATION (EU) No 1302/2013[4].

Only if the partner does not fulfil the criteria of any of the categories a) – e), one of the following three categories (whichever suits best) can be selected:

f) Bodies having legal personality, but not fulfilling criteria i and/or iii under category b).

g) European Economic Interest Grouping (EEIG) as defined in the REGULATION (EEC) No 2137/1985[5] governed by public or private law.

h) International organisations acting under the national law of any country in the Programme area governed by public or private law[6].

Expenditure of legal entities belonging to the categories a) to e) is regarded as public expenditure, whereas expenditure of legal entities belonging to category f) to h) is regarded as private expenditure.

Legal entities applying for funding cannot be undertakings in difficulty within the meaning of point 24 (in conjunction with point 20) of the Guidelines on State aid

[4] The European Grouping of Territorial Cooperation (EGTC) is a cooperation instrument at the Community level established for the creation of cooperative groups in Community territory, invested with legal personality, in order to overcome the obstacles hindering territorial cooperation. Recourse to an EGTC is optional. For more information, refer to REGULATION (EU) No 1302/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 amending REGULATION (EC) No 1082/2006 on a European Grouping of territorial cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and functioning of such groupings.

[5] An EEIG can be formed by companies, firms or other legal entities governed by public or private law, which have their registered office in the European Union. It can also be formed by individuals carrying on an industrial, commercial, craft or agricultural activity or providing professional or other services in the EU. An EEIG must have at least two members from different Member States. For more information, refer to COUNCIL REGULATION (EEC) No 2137/85 of 25 July 1985 on the European Economic Interest Grouping (EEIG)

[6] This category should be chosen by branch offices of intergovernmental organisations (if not already falling into categories a)-e)) or of international non-governmental organisations (e.g. International Committee of the Red Cross, WWF, CARE International, etc.). Organisations not belonging to a larger international organisation should choose category f) – even if they work internationally.

for rescuing and restructuring non-financial undertakings in difficulty (OJ C 249, 31.7.2014, p. 1).[7] Undertakings in difficulty are not eligible to receive funding from the ERDF according to Article 1 (3) of REGULATION (EU) No. 1299/2013 in conjunction with Article 3 (3) d) of REGULATION (EU) No 1301/2013.

In the partner declaration legal entities applying for ERDF funding, Norwegian funding or ENI/Russian funding from the Programme, are obliged to declare that:

a) they fulfil the criteria as defined in the respective legal status category

b) they are not undertakings in difficulty as defined in the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty

A model partner declaration has been prepared by the MA/JS and is a part of the application package. It has to be signed by all applicants. The responsible authorities of the EU Member States participating in the Programme as well as Norway, Belarus and Russia will verify the accuracy of the statements of the legal status before an application is approved by the Monitoring Committee. In case of uncertainty about their eligibility, potential lead partners and project partners should make enquiries to the Monitoring Committee members of their country.

"Umbrella" types of partnership structures, where one partner acts on behalf of and represents other organisations collecting funding for them are not permitted. The MA/JS has to know which organisations receive Programme co-financing and whether they are eligible according to the Programme rules in order to ensure a functioning audit trail.

[7] An undertaking is considered to be in difficulty when, without intervention by the State, it will almost certainly be condemned to going out of business in the short or medium term. Therefore, an undertaking is considered to be in difficulty if at least one of the following circumstances occurs:

(a) In the case of a limited liability company , where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital.

(b) In the case of a company where at least some members have unlimited liability for the debt of the company, where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses.

(c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.

(d) In the case of an undertaking that is not an SME, where, for the past two years:

i. the undertaking's book debt to equity ratio has been greater than 7,5 and

ii. the undertaking's EBITDA interest coverage ratio has been below 1,0.

An SME that has been in existence for less than three years will not be considered to be in difficulty unless it meets the condition set out in point (c) above.

### C.1.3 Legal entities eligible as lead partners

Within the Programme only legal entities applying for co-financing in categories a) to e) as specified in chapter C.1.2 may act as lead partners. Other legal entities applying for funding in category f) to h) may act as project partners only.

Furthermore, lead partners must be located in the territory of a Member State in the Programme area or in Norway. Norwegian lead partners should note that they are not entitled to receive ERDF or ENI funding for their own expenditure.

**Exceptions**

Legal entities located in Germany (in the sense of legal registration) but outside the Programme area, which:

- are competent in their scope of action for certain parts of the eligible area, e.g. federal ministries, federal agencies, national research bodies which are registered outside the Programme area etc.,
- fulfil the basic requirements specified in chapters C.1.2, C.1.4, and
- carry out activities which are for the benefit of the regions in the Programme area

can become lead partners in Programme funded projects.

Legal entities located in Germany (in the sense of legal registration) but outside the Programme area can also become regular project partners in the Programme.

The exception is provided within the 20% rule (ERDF co-financing) in Article 20 of REGULATION (EU) No 1299/2013.

### C.1.4 Project partners outside the Programme area receiving ERDF

#### C.1.4.1 Legal framework

Activities financed by **ERDF funds** under a given programme should, as a general rule, be located in the area covered by the European Union part of that programme. However, it may in exceptional cases be useful to implement an activity outside this area in order to ensure the maximum benefit for the Programme area.

Article 20 of REGULATION (EU) No 1299/2013 has been introduced to create the legal background for such exceptional situations. Thus, the MA/JS can accept that all or part of a project is implemented outside the Union part of the

Programme area and be co-financed by ERDF. The provisions of Article 20 are applicable on two levels:

a) On the one hand, the MA/JS can accept that a project partner receiving ERDF co-financing located on the Union territory of the Programme area spends part of its ERDF budget in a third country or Member State not part of the Programme.

b) On the other hand, the MA/JS can accept that a group of activities is implemented by an organisation located in a third country or Member State not part of the Programme area and provide ERDF co-financing for the respective organisation.

The chapter below explains the requirements for option b). The rules regarding option a) are addressed in detail under chapter F.4.

Besides the specific rules provided below, organisations interested in becoming project partners in the Programme also need to comply with the legal requirements set under chapter C.1.2.

The maximum ERDF co-financing rate that organisations from third countries or Member States outside the Programme area can receive is 75%.

**Please note,** organisations located in countries outside the Programme area that plan to carry out State aid relevant activities are not allowed to participate as project partners. This is due to the fact that the Monitoring Committee cannot take decisions on State aid for a project partner, whose country is not participating in the Programme but liable for any unduly funds spent.

This rule does not apply to organisations located in Germany (in the sense of legal registration) but outside the Programme area as Germany is a Programme country and represented in the Monitoring Committee.

Norwegian, Russian and Belarusian organisations are not subject to this rule as they are receiving Norwegian national, ENI and Russian national funding respectively. For Russian organisations exceptions are detailed in chapter C.1.5.

### C.1.4.2 Procedure of how to become a project partner

Organisations outside the Union part of the Programme area can become project partners only if:

- their participation brings added value and expertise to the project implementation;
- their participation is to the benefit of the Baltic Sea Region; and

- the Member State or third country of origin enters into agreement with the MA/JS of Interreg Baltic Sea Region on obligations regarding management, control, audit and financial liabilities.

***Example:*** *a Belgian institution located in Brussels has a specific expertise in a topic highly relevant for an Interreg Baltic Sea Region project. As the use of this expertise would be beneficial for the Baltic Sea region the lead applicant of the respective project could invite the institution to take part in the project and to cooperate and exchange on the topic. Equally, it could become relevant to include a partner located in a third country to share experience and cooperate on a relevant issue. In such situations Article 20 offers a possibility for the involved organisations to receive ERDF co-financing provided that some specific conditions are met.*

Following procedures apply for organisations outside the Programme area to become project partners in Interreg Baltic Sea Region:

**Application phase**

At the application phase organisations located in third countries or in Member States outside the Programme area are requested to present a partner declaration and a State aid self-declaration. In addition to this an official confirmation of their eligibility and legal status is needed upon submission of the application. This has to be obtained from their national authorities responsible for transnational cooperation/Interreg programmes.

If the MA/JS does not have established contacts or agreements with national authorities already, the relevant partners are required to identify their national responsible authorities as early as possible, verify that they are the correct ones and provide this information through their lead applicants to the MA/JS.

After the submission of the application by the lead applicant the MA/JS will provide the national authorities with the specific template of the country declarations to formally confirm the eligibility and legal status of the organisations from their countries. In addition, the national authorities should provide additional information in case they are aware of difficulties related to organisational and financial capacity of the potential project partner, e.g. with reference to undertakings in difficulties (see C.1.2) or previous implementing difficulties in funding programmes. During this procedure the potential project partner outside the Programme area might be requested to provide additional information to the national authority in charge.

**Condition:** The national authority submits the country declaration on the eligibility of the respective organisation by a deadline set by the MA/JS,

approximately 2-3 months before the MC approval of the respective call for applications.

It is the partner's responsibility to follow up on the signing of the country declaration by the national responsible authority of its country of origin.

If the eligibility confirmation by the responsible country is not provided to the MA/JS by the fixed deadline, the partner concerned will be excluded from the project partnership as a regular partner and the subsidy contract, in case of project selection, will be signed without its participation. It will still be possible to become an associated organisation of the project.

**Contracting phase**

After receipt of the confirmation of technical eligibility and the approval of the project by the MC, the MA/JS will contact the country where the project partner is located to receive a signed agreement on the management, control and audit responsibilities. This agreement will be similar to the one signed by all the other participating countries in the Programme. It will outline the FLC system and the SLA responsibilities of the particular country as well as its liability in case of any irregularities linked to the national involvement in the Programme. The signed agreement has to be obtained, at the latest, by the end of the project's contracting phase. The time between approval and the end of the contracting phase is approximately 3 months. During this time the partner's activities are implemented at own risk. As long as the signed agreement has not been received by the MA/JS, the partner organisation outside the Programme area cannot report or claim any cost. It is the partner's responsibility to follow up on the signing of the agreement by the national responsible authority of its country of origin.

**Condition:** In case the responsible national institution does not provide the signed agreement and requested information by the set deadline, the partner organisation concerned will automatically be excluded from the project. Should such a situation occur, the lead partner has to initiate a change procedure for the exclusion of the said partner organisation. The procedure for such project changes is described in detail in chapter G.4.

In order to facilitate and support the implementation of the procedure, the lead partner of the project should remain in regular contact with the MA/JS as the latter can offer assistance throughout the whole process.

**Please note,** organisations located in Germany (in the sense of legal registration) but outside the Programme area will be treated as having the second condition (regarding

the signed agreement on the management, control and audit system) automatically fulfilled due to Germany being a Programme country.

### C.1.5 Project partners outside the Programme area receiving ENI/Russian co-financing

Legal entities located in Moscow, Russian Federation (in the sense of legal registration), and thus outside the Programme area, which:

- are competent in their scope of action for certain parts of the eligible area, e.g. federal ministries, federal agencies, national research bodies, and
- carry out activities which are for the benefit of the regions in the Programme area

can become project partners in Programme- funded projects.

## C.2 Lead partner principle

The Programme is based on the lead partner principle[8]. This means that each project should appoint one organisation as a lead partner. This organisation will be responsible for a number of tasks as detailed below. The lead partner organisation will follow the legal requirements set out in chapter C.1.

### C.2.1 Main responsibilities of the lead partner

The lead partner, in cooperation with the project partners, is responsible for the drafting of the project application. Furthermore, it is the lead partner's responsibility to submit the application to the MA/JS.

After approval of a project the lead partner will sign a subsidy contract with the MA/JS and launch the project implementation. During the implementation phase, the main task of the lead partner is the coordination of the project with sound financial and project management. In addition, the lead partner should maintain a dynamic communication process among the partnership and make sure that there is enough exchange of information that enables the successful delivery of the outputs. Besides these, there are a number of other responsibilities and tasks that a lead partner should carry out. These are regulated in the subsidy contract and detailed below.

The main responsibilities of the lead partner include:

[8] See REGULATION (EU) No 1299/2013, Article 13

1. Laying down the arrangements with all other partners in a written agreement (i.e. partnership agreement) including provisions that, inter alia, guarantee the sound financial management[9] of the funds allocated to the project, and the arrangements for recovering amounts unduly paid[10].
2. Assuming responsibility for and ensuring the implementation of the entire project[11]. This includes:
   - Signing and submitting the application to the MA/JS;
   - Signing the subsidy contract with the MA/JS;
   - Developing and maintaining an efficient and reliable project implementation system (strategic, operational and financial management), e.g. securing efficient use of the project's resources;
   - Co-ordination of activities (division of budget and tasks) among the involved partners and ensuring that these tasks are subsequently fulfilled;
   - Delivering the programme related information to the project partners (e.g. information received during lead partner or financial seminars etc.);
   - Representing the project – the lead partner serves as a contact point to the MA/JS – and ensuring continuous communication between the Programme authorities and the project partnership;
   - Making sure that the planned progress on the project is achieved, in particular the delivery of outputs described in the approved application;
   - Making sure that the expenditure stated by all project partners has been incurred by implementing the project and corresponds to the activities agreed between all the project partners.
3. Ensuring that the expenditure which was presented by the partners and submitted to the MA/JS is in accordance with the requirements[12]. This includes:

[9] The principle of sound financial management is defined in chapter 7 of REGULATION (EU, Euratom) No 966/2012. This regulation states that the budget shall be spent "in accordance with the principles of economy, efficiency and effectiveness. The principle of economy requires that the resources used by the institution for the pursuit of its activities shall 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 relationship between resources employed and results achieved. The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results."

[10] REGULATION (EU) No 1299/2013, Article 13.2 (a)

[11] REGULATION (EU) No 1299/2013, Article 13.2 (b)

[12] REGULATION (EU) No 1299/2013, Article 13.2 (c)

- Following the visibility rules about the assistance received from the European Union;
- Reporting on the activity and the financial related progress to the MA/JS;
- Monitoring the project spending plan against the total project budget and each partner's budget;
- Ensuring that the expenditure presented by other project partners has been verified and certified by a controller or controllers;13
- Making available all documentary evidence required for first level control and payments and ensuring efficient cooperation between the first level controllers and the lead partner/project partners.

4. After receiving the payment from the Programme being responsible for internal allocation and further disbursement of grants to project partners. This should be done without delay and as quickly as possible. No amount will be deducted or withheld and no specific charge or other charge with equivalent effect will be levied.
5. Retain all files, documents and data about the project, in particular the subsidy contract and partnership agreement, as well as all reports and supporting documents regarding expenditure co-financed by the Programme for a period of three years from 31 December following the submission of the payment request of the MA/JS to the European Commission including the final expenditure of the completed project. The MA/JS will inform each lead partner individually about the exact starting date.[14] This period is interrupted either in case of legal proceedings or by the duly justified request of the European Commission. Other possibly longer statutory retention periods as may be stated by national law remain unaffected.
6. Keeping available all documents related to de minimis aid granted (e.g. de minimis declaration) for a period of 10 fiscal years from the date on which the aid was granted (e.g. from the date when the last party signed the subsidy contract or the addendum to the subsidy contract).[15] The exact starting date is stated in the de minimis award letter issued to the project partners concerned. Other possibly longer statutory retention periods as may be stated by national law remain unaffected.
7. Keeping available all documents related to aid granted under the General Block Exemption Regulation (GBER) for 10 years from the date on which the

[13] REGULATION (EU) No 1299/2013, Article 13.2 (d)

[14] REGULATION (EU) No 1303/2013, Article 140

[15] COMMISSION REGULATION (EU) No 1407/2013, Article 6 (4)

last aid was granted under the relevant GBER scheme of the Programme. The MA/JS will inform each lead partner individually about the exact starting date. [16] Other possibly longer statutory retention periods as may be stated by national law remain unaffected.

### C.2.2 Main responsibilities of the project partners

Project partners have the following obligations and tasks to fulfil:

- Delivering project outputs planned in the application and agreed in the partnership agreement;
- Ensuring durability of main outputs;
- Assuming responsibility of any irregularity in the expenditure which it has declared;
- Repaying the lead partner any amounts unduly paid in accordance with the partnership agreement signed between the lead partner and the respective project partner;
- Carrying out information and communication measures for the public about the project activities according to the visibility rules laid down by the Programme and the relevant regulations; and
- Retain all files, documents and data about the project, in particular the subsidy contract and partnership agreement, as well as all reports and supporting documents regarding expenditure co-financed by the Programme for a period of three years from 31 December following the submission of the payment request of the MA/JS to the European Commission including the final expenditure of the completed project. The MA/JS will inform each lead partner individually about the exact starting date. This period is interrupted either in case of legal proceedings or by the duly justified request of the European Commission. Other possibly longer statutory retention periods as may be stated by national law remain unaffected.
- Keeping available all documents related to de minimis aid granted (e.g. de minimis declaration) for a period of 10 fiscal years from the date on which the aid was granted (e.g. from the date when the last party signed the subsidy contract or the addendum to the subsidy contract). The exact starting date is stated in the de minimis award letter issued to the project partners concerned. Other possibly longer statutory retention periods as may be stated by national law remain unaffected.

[16] COMMISSION REGULATION (EU) No 651/2014, Article 12

- Keeping available all documents related to aid granted under the General Block Exemption Regulation (GBER) for 10 years from the date on which the last aid was granted under the relevant GBER scheme of the Programme. The MA/JS will inform each lead partner individually about the exact starting date. Other possibly longer statutory retention periods as may be stated by national law remain unaffected.

## C.3 Financial capacity of project partners

The Programme works with the reimbursement principle. This means that project partners have to pre-finance their project activities and will get reimbursement for the generated expenditure after submission and evaluation of regular progress reports. Progress reports are submitted twice a year. The progress report covers a six month period. Since the time frame between the occurrence and reimbursement of costs can last up to 9-10 months, project partners have to be ready to financially support the project implementation. Furthermore, taking into account that the co-financing rate of the participating countries varies between 50% and 85%, project partners have to have sufficient financial resources to provide their own financial contribution.

## C.4 Project and financial management

### C.4.1 General coordination

The project management includes both the coordination of activity implementation and administrative and financial management of the project and its accounts. The management of a transnational project is a challenging and time-consuming task. Therefore, project staff should have experience in the management of (international) projects, be able to handle the challenges of different languages and cultures, and should enable the partnership to work together as a team.

Each project should appoint a person (a project coordinator) responsible for establishing and maintaining the project implementation scheme. The tasks assigned to the project coordinator include (but are not limited to):

- co-ordination of activities (division of tasks) among the involved partners and ensuring that these tasks are subsequently fulfilled;
- monitoring the progress of the project and ensuring the delivery of planned outputs;
- securing an efficient use of the project's resources;
- being a contact point for the project;

- ensuring proper information flow – continuous communication between the Programme (MA/JS) and the project partnership as well as between the project partners; and
- preparation and submission of the progress report (including financial and activity report) to the MA/JS.

The project coordinator should have a sound knowledge of the issues addressed by the project and be able to work as a driving force for the partnership and the people around it in order to achieve the project objectives set out in the application.

### C.4.2 Sustainability of projects on operational level

A more sustainable Europe is an overarching goal of the European Union and of the Programme[17]. By now, many services are available in more environmentally friendly ways, under more socially acceptable conditions, and very often at the same price as conventional services. Today, all European citizens have a choice – both in private and professional life.

For the operational level of projects, the Programme encourages all project partners to carefully make their choices in everyday work life – be it in buying office equipment or supplies, planning of meetings and business trips, preparing of printed publications and marketing material, contracting external service providers at fair conditions or other activities.

**How to meet with a small CO2 footprint**

Meeting people, talking to each other, and seeing how others work in their surroundings is at the heart of cooperation across borders. Yet travelling, in particular flying, has an evident environmental impact: a substantial carbon footprint. Therefore, it is important to consider the following options when arranging a meeting:

1. **Avoid:** Is it necessary to meet face-to-face or will an online meeting suffice?
2. **Reduce the carbon footprint:** Can different meetings be combined in one place? Is the location well-accessible for participants without using a plane and/or car? Is travel without plane/car possible and realistic?

[17] Review of the EU Sustainable Development Strategy (EU SDS) Renewed Strategy (Council of the European Union, No 10917/06)

3. Carbon offsetting: Can the project partners compensate their $CO_2$ emissions from travelling by saving $CO_2$ emissions elsewhere?

Many projects already use online tools for smaller meetings to replace face-to-face meetings. Several services are free of charge or not very costly, e.g. by supporting climate change mitigation projects.

Moreover, many institutions have business arrangements for compensation of $CO_2$ emissions.

**Please note** costs for compensation of $CO_2$ emissions are not eligible for co-financing from the Programme. However, project partners should verify if $CO_2$ emissions caused by their project activities can be compensated by the institution or company instead.

Rethinking meeting habits could not only help to minimise environmental impacts, but, at the same time, it could lower the travel burden of employees and thus save money.

**How to buy green**

Numerous information sources are available to help people make the right choices in everyday office life. The following links cover a small spectrum of ideas of how to buy and publically tender more green:

- **Green public procurement website** *(European Commission)*: useful links, publications and reliable sources http://ec.europa.eu/environment/gpp/index_en.htm
- **Handbook on green public procurement** *(European Commission)*: http://ec.europa.eu/environment/gpp/pdf/handbook.pdf
- **Public procurement for a better environment** *(Communication of the European Commission)*: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52008DC0400&from=EN
- **Green IT** *(German Federal Environment Agency)*: recommendations for environmentally friendly procurement of notebooks http://www.umweltbundesamt.de/publikationen/recommendations-for-the-environmentally-friendly-0
- **Green conferencing** *(German Federal Environment Agency)*: guidelines for sustainable organisation of events http://www.umweltbundesamt.de/publikationen/guidelines-for-sustainable-organisation-of-events

**Please note:** be aware that whenever you analyse an option for green procurement this must be in line with the procurement procedures applicable in the Programme and cannot overrule them.

**Every choice counts**

Europe still has a long way to go in order to become truly sustainable. Yet with every choice we make – be it a part of a project activity or elsewhere – we can demonstrate to others that we care. Choosing the sustainable way means taking responsibility – and this responsibility is a shared one.

The MA/JS will gladly hear about your experience. In order to share good practice, additional guidelines or other information sources, project partners should mention this in their progress reports - on a voluntary basis.

# D Project types and application procedures

## D.1 Regular projects

### D.1.1 Objectives, results and main activities of regular projects

#### D.1.1.1 Programme objectives and results

Projects ought to contribute to the achievement of the Programme objectives and results. In the following paragraphs the structure of the Programme objectives and expected results as well as the expected contribution of projects to these objectives is explained.

Programme specific objectives are detailed in the Cooperation Programme and chapter B.1.1 of the Programme Manual.

Chapter D applies to Priorities 1-3.

The Programme reaches its objectives and results through project achievements. Hence, projects should define their objectives and results in relation to those of the Programme.

For each specific objective the Programme has set out an expected result which the Programme seeks to achieve. The Programme aims at making an impact in the region mainly by contributing to institutional capacity building of its target groups in different thematic fields. Therefore, the Programme results are expressed as enhanced institutional capacities of the Programme's target groups.

The Programme specific objectives and results are detailed in the table below:

*Table 2: Programme specific objectives and results for priorities 1, 2 and 3*

| No. and title of Programme specific objective | Programme specific objective | Programme result |
|---|---|---|
| **1.1 Research and innovation infrastructures** | To enhance market uptake of innovation based on improved capacity of research and innovation infrastructures and their users | Improved capacity of research and innovation infrastructures and their users allowing for better support market uptake of innovation |

| No. and title of Programme specific objective | Programme specific objective | Programme result |
|---|---|---|
| **1.2 Smart specialisation** | To enhance growth opportunities based on increased capacity of innovation actors to apply smart specialisation approach | Increased capacity of innovation actors (innovation intermediaries, authorities, research institutions, enterprises) to apply smart specialisation approach |
| **1.3 Non-technological innovation** | To advance the Baltic Sea region performance in non-technological innovation based on increased capacity of innovation actors | Increased capacity of innovation actors (innovation intermediaries, authorities, research institutions, enterprises) to improve conditions for non-technological innovation |
| **2.1 Clear waters** | To increase efficiency of water management for reduced nutrient inflows and decreased discharges of hazardous substances to the Baltic Sea and the regional waters based on enhanced capacity of public and private actors dealing with water quality issues | Enhanced capacity of public authorities, public and private practitioners (from water management, agricultural, forestry, fisheries etc. sectors) for improved water management |
| **2.2 Renewable energy** | To increase production and use of sustainable renewable energy based on enhanced capacity of public and private actors involved in energy planning and supply | Enhanced capacity of public and private actors involved in energy planning and supply (public authorities, energy agencies, waste management, forestry, agricultural advisories, enterprises, NGOs) allowing for increased production and use of sustainable renewable energy |
| **2.3 Energy efficiency** | To increase energy efficiency based on enhanced capacity of public and private actors involved in energy planning | Enhanced capacity of public and private actors involved in energy planning (public authorities, energy agencies, enterprises, NGOs) allowing for increased energy efficiency |
| **2.4 Resource-efficient blue growth** | To advance sustainable and resource-efficient blue growth based on increased capacity of public authorities and practitioners within the blue economy sectors | Enhanced capacity of public authorities, enterprises and NGOs within the blue economy sectors to advance resource-efficient and sustainable blue growth |

| No. and title of Programme specific objective | Programme specific objective | Programme result |
|---|---|---|
| **3.1 Interoperability of transport modes** | To increase interoperability in transporting goods and persons in north-south and east-west connections based on increased capacity of transport actors | Increased capacity of authorities, public and private logistic and transport operators, ports, intergovernmental and research institutions for higher interoperability between transport modes and systems by sea, rail, road, inland waterways and air |
| **3.2 Accessibility of remote areas and areas affected by demographic change** | To improve the accessibility of the most remote areas and regions whose accessibility is affected by demographic change based on increased capacity of transport actors | Increased capacity of authorities, public and private logistic and transport operators to apply economically efficient solutions maintaining and improving accessibility of remote areas and areas where accessibility is affected by demographic changes |
| **3.3 Maritime safety** | To increase maritime safety and security based on advanced capacity of maritime actors | Increased capacity of maritime actors (maritime administrations, rescue services, authorities, shipping operators, ports, research and intergovernmental organisations) to work with maritime safety and security |
| **3.4 Environmentally friendly shipping** | To enhance clean shipping based on increased capacity of maritime actors | Increased capacity of maritime actors (maritime administrations, rescue services, authorities, shipping operators, ports, research and intergovernmental organisations) to reduce negative effects of shipping on the marine environment |
| **3.5 Environmentally friendly urban mobility** | To enhance environmentally friendly transport systems in urban areas based on increased capacity of urban transport actors | Increased capacity of authorities, ports, infrastructure providers and operators, transport users to enhance the use of environmentally friendly transport solutions in urban areas |

The Programme has distinguished five dimensions of institutional capacity that projects may address. Ultimately, projects will result in increased capacity of their target groups in one or several aspects that are listed below:

1. institutionalised knowledge and competence;
2. governance structures and organisational set-up;
3. efficient use of human and technical resources (databases, technical solutions, small infrastructure etc.);
4. ability to attract new financial resources; and
5. capability to work in transnational environment.

**How to set project objectives and results**

Applicants have to think in terms of a positive change that they will bring to the Baltic Sea Region. Therefore, the very first step is to answer a question:

*What positive change will the realisation of my project idea bring*?

The answer to this question should indicate the overall direction of a project. Once the direction of the project is known, its design can be further developed by setting objectives and identifying expected results. As the project objectives and results should be defined in relation to the Programme specific objectives and results, applicants should choose one Programme specific objective and its respective result to which their project can contribute the best.

This means, firstly, that the projects have to select one of the specific objectives of the Programme. Secondly, the projects have to identify the **relevant target groups** within the thematic field of the objective. Thirdly, the projects have to consider how they can contribute to one of the aspects of institutional capacity building within the identified target groups.

A graph below gives an example of how projects should define their objectives and results in relation to the Programme:

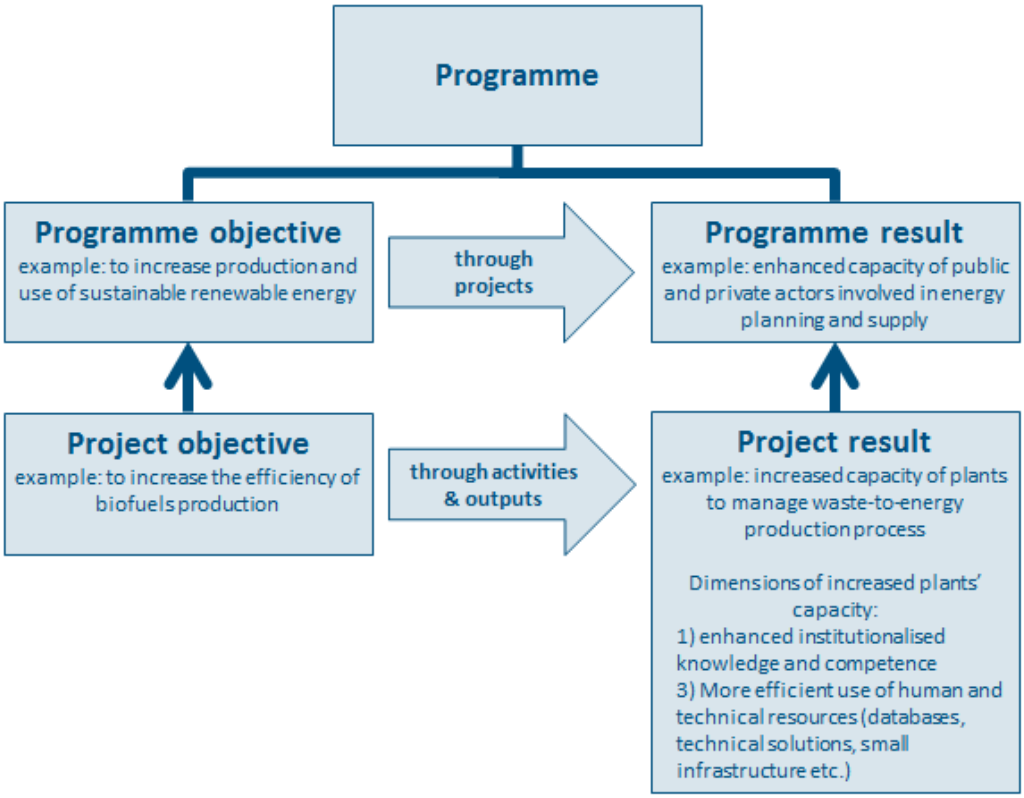


*Figure 1: Relation between Programme and project results and objectives with example*

The Programme objectives depict improvement of a situation, whereas the Programme results are expressed as increased institutional capacities of project target groups. Consequently, on a project level an objective describes a positive change of a **situation** that the project aims to achieve, e.g. *to increase the efficiency of biofuels production*. A result indicates a change that a project brought about in terms of **increased institutional capacities** for its target groups, e.g. *increased capacity of plants to manage waste-to-energy production process*. In the application applicants should select dimensions of the project target groups' institutional capacity where there will be an improvement at the end of the project, e.g. *improved governance structures and organisational set-up*.

### Project target groups

Projects are expected to be focused on clearly defined target groups **and their needs**. The target groups should be organisations and institutions active in a respective field e.g. waste management authorities. The projects cannot select individuals e.g. citizens, tourists, fishermen as their target groups.

The Programme's logic is that in order to achieve a positive change in the region, the **respective actors should increase their institutional capacity** to be able to

work towards achieving such change. Hence, the applicants have to identify needs of target groups that have to be met and gaps that have to be bridged in order to increase their institutional capacity and ultimately achieve the desired change.

**Transnational cooperation and main activities**

The transnational cooperation projects of the Programme are expected to be built to address challenges that cannot (sufficiently) be dealt with by single countries but require **joint action** by partners from several countries from the Baltic Sea Region. Therefore, the main project activities have to be implemented together by partners from several countries.

The following levels of cooperation help illustrate a degree of cooperation in such a project:

1. Meeting: Getting to know each other, learning about motivation, interests, needs, skills, and expectations, cultural and structural aspects;
2. Information: Delivering (targeted) exchange of information, building basic cooperation structures and trust, shaping common ideas;
3. Coordination/Representation: Creating a joint partnership structure, first allocation of functions and roles;
4. Strategy/Planning: Defining joint objectives and developing concrete actions;
5. Decision: Binding commitments of partners, partnership agreement; and
6. Implementation: Joint implementation of actions, efficient joint management, fulfilment of requirements by each partner.

The Programme expects that the majority of projects will achieve high degrees of cooperation (4-6). Lower levels of cooperation can be justified in case where no transnational cooperation has taken place around the project topic earlier on or when new partners that have not yet been involved in cooperation were to be integrated.

Strategically, the main project activities should aim to increase the institutional capacities of the relevant target groups. Therefore, the Programme places particular attention to the **practical implementation** of solutions to challenges in the Baltic Sea Region. This includes carrying out activities that deal with improvement, adaptation and implementation of already developed solutions. Equally, the Programme welcomes experiments that aim to introduce new and

improved solutions. Hence the Programme provides a **test ground** on a transnational level to carry out joint pilot, test and demonstration activities.

Examples of the various types of activities that can be implemented follow below:

- joint development and implementation of strategies or action plans,
- developing and establishing cooperation models and platforms for knowledge transfer and joint management,
- mapping resources in a selected topic and developing proposals for their efficient use,
- developing and piloting training programmes,
- developing funding schemes,
- pilot investments, feasibility studies and pre-investment planning,
- testing new solutions (e.g. technologies) and promoting their application.

### D.1.2 Work plan

In the application a project work plan is to be organised in up to five work packages. Each work package is composed of groups of activities. The groups of activities lead to outputs, and depict the main processes that need to be implemented in order to achieve the outputs.

The graph below illustrates the interconnection between the group of activities and outputs:

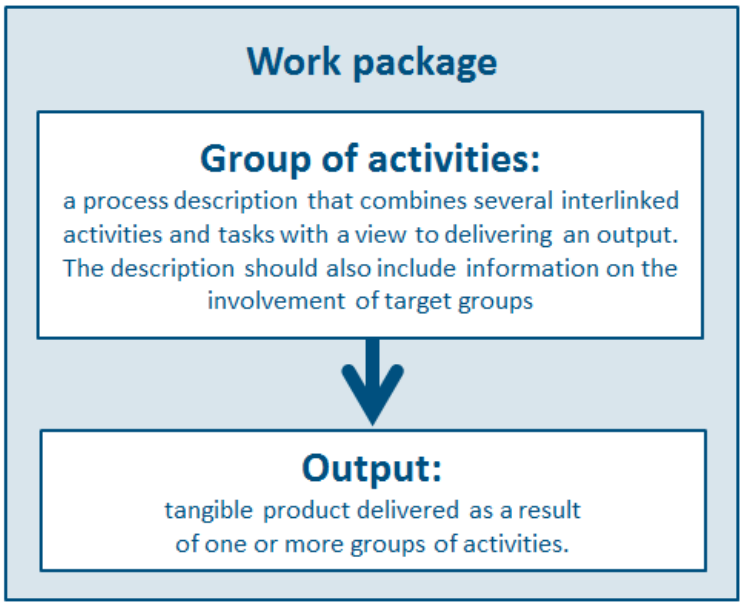


*Figure 2: Content of a work package: interconnection between group of activities and outputs*

It is recommended to carefully select the content and the number of work packages. Applicants should keep each work package focused and devote it to groups of activities that are related in nature (e.g., research, piloting) or theme (e.g., optimising value-chains, improvement of quality assurance processes).

Project objectives, results and outputs have to be logically linked to the project work plan (work packages, activities, time plan). Namely, the work plan has to clearly show both how the set objectives will be reached and results achieved.

### D.1.3 Outputs of regular projects

The increase of target groups' institutional capacity (project results) will be achieved through **main outputs**. The main outputs are understood as **tangible** ultimate products of projects that are further used by relevant target groups in the region. For instance, in order to increase waste-to-energy production in the region, respective waste and energy management authorities and local municipalities should be provided with e.g. policy tools, guidelines and equipment, which will be the project's main outputs. Therefore, good quality, relevant and properly applied and used outputs are of pivotal importance for a project to achieve its set results (that is, increase institutional capacity of project target groups) and to bring a **positive change** in the Baltic Sea region.

The main outputs have to incorporate transnational value either due to:

- their practical use by project target groups across the countries,
- or being used as a model solution that can be transferable to other locations.

Projects have to clearly define the tangible main outputs needed to reach their intended result. An output alone is not enough. Each output will contribute to the intended change only if **used properly by the relevant target groups** and in the relevant parts of the Baltic Sea region. Thus, defining a main output also means defining its mode of use. Ultimately, the **durability** of the main outputs will depend on their successful use.

The scheme below illustrates the causal sequence of steps leading to a project result:

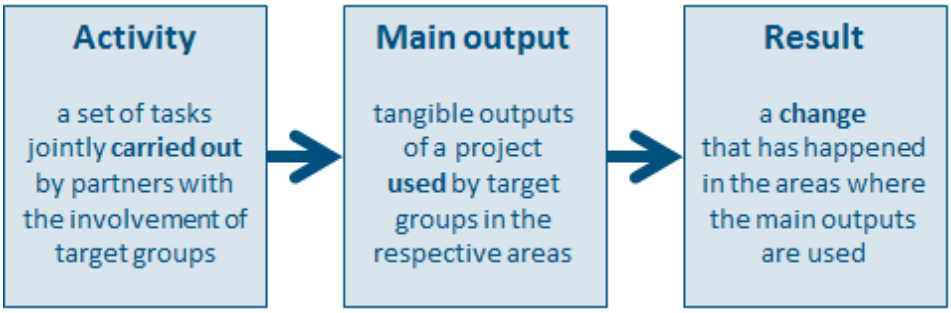


*Figure 3: Work package description: causal chain from project activity to result*

The main outputs may be different types of tools, methods, products or model solutions developed by a project and used as a means to achieve expected results. Some examples are detailed below:

- territorial development strategies and concepts (e.g. smart specialisation strategies, strategies for green transport corridor);
- transnational action programmes and plans;
- business/investment plans and market access strategies;
- documents for a specific investment (e.g. feasibility studies, technical concepts, environmental impact assessments, territorial impact assessments, building plans, construction design);
- investments;
- thematic expertise (e.g. economic analysis, market analysis);
- resource maps and process management plans (e.g. waste-to-energy management plans, cradle-to-cradle models, resource/energy efficiency management plans, service offers);
- management plans (e.g. crisis management, management plans for the marine environment and resources, logistics);
- ICT tools (e.g. databases, information exchange, monitoring and assessment systems, smartphone applications);
- branding and marketing concepts and strategies; and
- educational products (e.g. training programmes or methods, curricula).

**Intermediary outputs**

Normally a project also produces outputs other than the main outputs. These outputs are of an intermediary nature, namely, they are understood as “in-between steps” that eventually will feed into a main output. To give an example, an intermediary output may be a stakeholder analysis of biomass potentials that

is collected from partner countries, which eventually constitutes a basis for a main output—a roadmap of biomass use in the region.

In the application these intermediary outputs are referred to as outputs.

**Investments**

In the context of the Programme investments are possible if they help **address challenges** identified by the project. Investments should be an integral part of the project rationale and complement the rest of the activities and outputs, and ultimately lead to the achievement of the set project results. Thus, the transnational value of an investment is justified by its contribution to the achievement of project objectives and results.

An investment may either be of a **pilot** nature or be an **already existing solution** that has previously been tested outside the project. In the first case the investment most commonly would be used as a test case of new solutions and might not be intended for permanent use. Nonetheless, in both cases the development and evaluation of the investment has to be carried out through joint transnational work.

There are various types of challenges that can be addressed by investments. Some examples of investments are as follows:

- ICT solutions (hardware and software) to improve performance of a transnational network of SMEs, and research and innovation infrastructures;
- infrastructure and technical investments in ports, railway routes and road junctions improving the operability and interoperability of a transnational transport corridor;
- technical equipment enhancing effectiveness of actions in case of marine accidents in the Baltic Sea;
- technical infrastructure to improve urban energy efficiency;
- new and broadly applicable technologies for SMEs to boost their innovation capacity;
- ICT solutions unlocking accessibility of peripheral areas;
- technical equipment of ships to reduce exhaust gases;
- water treatment facilities reducing land-based marine pollution;
- technical solutions for efficient production and use of bio-mass;
- technical solutions for energy saving in buildings; and

- technical solutions increasing the share of environmentally friendly public transportation.

In the application investments are considered as main outputs. Therefore, in the work plan applicants have to list the activities leading to investments. Their intended use by the target groups has to be described as it is done for any other main output.

From the financial point of view expenditure related to an investment might belong to budget lines 4, 5 and 6. This means that the relevant costs need to be planned within one of the specified budget lines and be highlighted accordingly. During the reporting the same principle should be followed and investment related expenditure should be highlighted in the progress reports. When it comes to specific rules on eligibility, these are explained in chapter F.3 of the Manual. Project partners planning to deliver investment outputs should consult the relevant information in the Manual and with the MA/JS, if necessary, to avoid planning and paying for ineligible expenditure.

Projects delivering investments as main outputs should also become familiar with the special requirements on ownership and durability described in chapter G.5.1.

### D.1.4 Output indicators

The Programme achievements will be measured by result indicators in terms of increased institutional capacities of the Programme's target groups, as well as by output indicators quantifying products of the projects and relevant target groups. The information about the output indicators will be collected directly from the projects.

The Programme requires that all applicants select the output indicator "No. of documented learning experiences".

What is a '**documented learning experience'**?

The Programme's expected result of increased institutional capacities of target groups means that there has been a process of generating new knowledge. The way in which the indicator is formulated, the **'learning experience'** stands for a process of acquiring institutional knowledge in the transnational context through joint testing, piloting or any other type of demonstration activities related to newly developed, transferred or adapted services, products, structures, processes or strategic documents. Whereas **'documented'** means that documental proofs that such a learning process has occurred have to be in

place and available to any interested party. These documents may be strategy documents, products, reports, etc.

In the application applicants have to describe their planned learning experiences in a similar way to the example below. A maximum of three learning experiences can be defined by the project.

**Example**:

*The project partnership will involve municipal residents (end-users), hospitals and non-profit organisations in the planning of home-based assistance services for elderly. This will be done by jointly combining experiences from countries which the partnership represents with a view to renewing public services and exploiting possibilities for public-private partnerships. In the course of the project implementation partners will test the viability of developed services.*

*The process represents the 'learning experience' aspect, while the services and their evaluation constitute documented proofs.*

The project specific output indicators are listed below. Projects are asked to consider their contribution to all indicators.

*Table 3: Definitions of project specific output indicators*

| Output indicator | | Definition |
|---|---|---|
| P1 | No. of local/regional public authorities/ institutions involved | The number of project partners representing public administration at local or regional level.<br>! Please note that universities, research institutions and health care institutions (e.g. hospitals) governed by local or regional authorities cannot be included in this output indicator. |
| P2 | No. of national public authorities/institutions involved | The number of project partners representing public administration at national level.<br>! Please note that universities, research institutions and health care institutions (e.g. hospitals) governed by national authorities cannot be included in this output indicator. |
| P3 | No. of enterprises receiving support | The number of enterprises (small and medium size as well as large) involved as project partners. |
| P4 | No. of enterprises receiving non-financial support | The number of enterprises (small and medium size as well as large) involved in the project as<br>a) associated organisations or<br>b) organisations outside the project partnership that either will participate in specific project activities or will use the project's outputs |

| | Output indicator | Definition |
|---|---|---|
| P5 | No. of enterprises cooperating with research institutions | The number of enterprises (small and medium size as well as large) that will initiate, establish or strengthen cooperation with research institutions. Enterprises can be involved in the project as<br>a) project partners,<br>b) associated organisations, or<br>c) organisations outside the project partnership |
| P6 | No. of documented newly developed market products and services | The number of products or services that will be newly developed for the Baltic Sea Region. The new products or services need to be offered on the market during the project lifetime.<br>The number of new products or services that have been recently developed and as a result of the project will be streamlined and offered on the market during the project lifetime.<br>The number of new products or services that will be adapted to specific conditions of the Baltic Sea Region. The new products or services need to be offered on the market during the project lifetime. |
| P7 | Amount of private investments matching public support in innovation or R&D projects | The amount of private funds provided in addition to the public expenditure planned for the implementation of the project's activities that will<br>a) facilitate innovation in the Baltic Sea Region, or<br>b) support development or implementation of Research and Development (R&D) projects in the Baltic Sea Region. R&D projects can also be fully further designed or implemented after the project closure.<br>The funds can be provided by enterprises (small and medium size as well as large) involved in the project as<br>a) project partners,<br>b) associated organisations, or<br>c) organisations outside the project partnership. |
| P8 | Amount of documented planned investments to be realized with other than the Programme funding | The amount of funds (excluding the total project budget) defined in investment plans or equivalent documents that will be produced by the project. The implementation of investment plans or equivalent documents may also take place after project closure. |

### D.1.5 Communication in projects

Targeted communication will help projects to achieve aims and ensure transparency of the use of the EU funds. Communication activities are an important and integral part of the project implementation, and thus require thorough planning as well as adequate resources.

#### D.1.5.1 Communication as an integral part of the project

Already at the project application stage, projects are expected to demonstrate how communication will help to implement the project successfully. In work package 1 (project management and administration) project communication measures have to be described, whereas for the thematic work packages the applicants have to describe how the communication will contribute to achieving the work package aims.

The **communication elements** to be defined in the application are as follows:

- the communication aims: what do you want to achieve with the communication?
- the main target groups: whom do you have to target with communication activities in order to achieve the aims and how do you plan to interact with them?

The applicants have to reflect the strategic approach to communication in relation to the activities, outputs and division of partner responsibilities for each thematic work package.

#### D.1.5.2 Responsibilities and resources

Each project partner has to plan enough staff and resources for the implementation of the communication activities.

Projects are not obliged to establish an individual website. Yet it has to be explained in the application how the project will make its results accessible to end users, e.g. on social media, websites of partner organisations or permanent networks. If a project decides to set up and run a website, partners have to plan resources for this.

The MA/JS will provide each project with a logo (the programme logo with an integrated project acronym) and basic project design guide based on the Programme's corporate design manual. They can be downloaded via the visibility downloads webpage at http://www.interreg-baltic.eu/visibility_downloads.html. It is recommended to create brands (i.e. own project logo and design manual) only if the brand is to last beyond the project lifetime. If a

project decides to create an own brand (e.g. for permanent networks or one of the outputs/results), it has to plan enough resources for this.

It is recommended that each project partner appoints one person responsible for communication. The lead partner has to appoint a communication manager responsible for planning and coordination of communication measures for the whole project.

The **responsibilities of the communication manager** may cover:

- setting communication aims for the work packages and ensuring consistency of the aims, target groups and approach;
- drafting a communication plan (voluntary output);
- support in planning and implementation of the communication between project partners;
- coordination and support of persons responsible for communication in partner organisations;
- cooperation with MA/JS on communication issues.

### D.1.5.3 Project and Programme communication

Project communication contributes to the Programme Communication Strategy[18]. In particular, project communication has to aim at making thematic experts, decision makers and other target groups in the region aware of the project results and achievements. The success of project communication depends on establishing and developing continuous relations with the key target groups throughout and even beyond the project lifetime.

The success of Programme communication depends on good project results and good cooperation between the projects and the MA/JS. The MA/JS will be in contact with the appointed communication manager regularly. The MA/JS will provide communication training, templates and technical tools to projects as support for project communication. In return, the MA/JS expects the projects to deliver content for communication activities at the Programme level, e.g. content for the Programme website, recommendations for interview partners, high quality photos with public copyright licence, information about upcoming key events or contributions to events, or online and print publications.

[18] Programme Communication Strategy: http://www.interreg-baltic.eu/fileadmin/user_upload/about_programme/Main_documents/2016.06.14_Communication_Strategy_Final.pdf

Content-wise, projects have to concentrate on communicating thematic issues and solutions developed by project partners to the public. Branding of the project is of a lower importance, as experience shows that project brands are of a short duration. Projects may develop brands for their products or solutions, when it is absolutely necessary to achieve the project aim.

### D.1.6 Composition of regular project partnerships

#### D.1.6.1 Regular project partners

Each project has to involve at least three project partners from three different countries of the Programme area: a lead partner and at least two project partners. Lead partners must be located in the territory of a Member State in the Programme area or in Norway.[19] At least one of the partners has to be located in the territory of an EU member state in the Programme area. An organisation can only be considered as a project partner if it has a clearly defined role in the partnership and a budget (co-financing from Programme funds and own financial contribution).

Depending on the character of the project, the number of partners may vary considerably. The project consortium should be set up in a strategic manner and well adapted to its purpose. Too small of a partnership may be lacking necessary organisations needed for project implementation. On the other hand, too large a partnership might cause significant organisational, communication and coordination problems and thus be cost inefficient. Keeping this in mind, applicants should always reflect on the optimal number and the role of partners to be involved. In addition, partner organisations should possess sufficient financial, technical and human resources to implement project activities. The maximum number of project partners is 35. However, in order to keep the projects and partnerships manageable it is strongly recommended to limit the number of organisations involved in the project consortia.

Please note that all partners must have a clear role in the project and provide a content-related contribution, i.e. have a clearly defined role in at least one thematic work package and contribute to the development of at least one main output. This means those public or private entities whose main scope of activities within their business profile, as well as their project role consists of project coordination, management or communication cannot be involved as

[19] Please note that institutions from Belarus will not be counted in relation to the minimum number of partners and countries until Programme funding will be available for these countries.

project partners. Namely, project partners cannot contribute only to the work package 1 Project Management and Administration. This will be checked during quality assessment (please refer to the Annex I - Quality assessment criteria).

So as to apply an integrated territorial approach the project partnership should not consist only of organisations from one sector, but include relevant organisations from other sectors necessary for the project. In addition, when building the partnership a **multi-level governance** principle should be followed in a manner commensurate with the project aims. To this end, the partnership should comprise various relevant administrative levels that possess the right mandate to address the challenges in question, as well as ensure the right level of collaboration between governmental and non-governmental actors. Note that apart from being involved in a project as a partner, organisations can also join the project as associated organisations, or be addressed as a target group.

Projects have to identify the right decision makers – public authorities or other political decision makers representing a certain sector or level. The involvement of the decision makers in project activities as early as possible helps strengthen the political commitment and thus make project results durable (e.g. developed strategies recognised or planned investments implemented).

Furthermore, the Programme encourages involvement of the **private-for-profit sector** (e.g. SMEs). It helps ensure that the solutions developed by the projects can also be tested in real life conditions within the project. For example, involvement of the commercial sector is of high importance when dealing with innovation, blue growth, accessibility and energy topics.

Project partners should be already involved in the project drafting phase in order to incorporate ideas from all partners and to ensure high level commitment to the project. In addition, during the preparatory phase partners can test how the cooperation works before implementation of the project activities starts.

The involvement of permanent staff of the participating organisations helps the network to stay operational after closure of project activities. It also ensures that knowledge gained during the project implementation remains within the organisations.

### D.1.6.2 Associated organisations

Associated organisations are organisations that support the project implementation but are not participating as project partners. They do not receive Programme co-financing but have to finance their activities from their

own resources. The associated organisations do not take up responsibility for any major tasks of the projects, but play instead more of a supportive role. For example, these could be national ministries providing strategic advice or being a target group of the project.

The associated organisations may also be subcontracted by project partners to carry out parts of their activities in a project; in this case the applicable public procurement rules have to be observed. In case of subcontracting, the responsibility for implementation of the respective activity will remain with the contracting project partner.

It is recommended that associated organisations submit a letter of support together with the application to demonstrate their commitment. There is no formal model for such letters. The letter should be in English and include a description of the organisation's role/contribution to the project and explain its particular interest/benefit. The letter of support is perceived as formal proof of involvement of an associated organisation.

### D.1.6.3 Reserved partners

The Programme offers a possibility for project partnerships to include some organisations in the projects **later** than at the stage of application. This approach is to be used only when there is a specific task for which a specialised implementing partner is needed which could not be identified at the stage of the project development, or they cannot stay in the partnership for the entire project implementation period. Private-for-profit organisations, (notably SMEs) can particularly benefit from this approach. In most cases these tasks should be related to test or pilot activities where specific expertise, knowledge or capacity is required. The **activities** assigned to such organisations, however, have to be clearly described in the application.

NOTE: These organisations participate as **regular project partners** with **own financial contribution** to the project, not as external service providers.

The partnership cannot opt for the reserved partner option only to solve shortcomings within the existing partnership (e.g. include organisations as reserved project partners due a lack of time to arrange practicalities for a partner to enter a partnership at the stage of application).

The costs assigned to the reserved partners for the implementation of their activities have to be included in the total budget of the project. These costs must be indicated **per budget line**, in the same way that it is done for other regular activities and partners. Consequently, the projects having reserved

partners are approved with a reserved budget. Nevertheless, the budget of the reserved partners should only constitute a small fraction of the total project budget.

**Please note** that reserved partners cannot allocate any funds to Budget line 7 "Other costs (simplified cost options for specific project activities)" at the stage of application. Should the use of the budget line become necessary, a budget re-allocation can be carried out during the implementation phase when the reserved partners are included in the project.

**What information to provide in the application form?**
In the application the project partnership has to provide the following information:

1) the **specific activities** for which implementation the reserved partners are needed;
2) the implementation **time** of the activities;
3) the estimated **budget** to carry out the activities;
4) the **type** of reserved partners and the specific **capacities** they should possess in order to implement the activities;
5) a description of the organisations if already known, or a description of the reserved partner **search strategy**.

***Example:***

*A project plans to carry out tests on innovative green solutions for renewable energy production. However, the relevant organisations (e.g. SMEs) that will implement these tests are not involved in the partnership at the stage of application. During the project implementation the partnership looks for suitable organisations and includes them to implement the defined activities.*

### Unlocking fields in the application form

Fields for including the information on the reserved partners will be unlocked by MA/JS upon a lead applicant's written request. The request should be sent via email to any project officer. In the email lead applicants have to include the following information:

- Number of the reserved project partners;
- A brief justification why there is a need to include the reserved project partners.

The section for reserved partners can be unlocked in the Online Application System within one week. Note, that this procedure is not a pre-assessment of

the partnership. The provided justification for inclusion of the reserved project partners at the stage of unlocking the respective fields in the application form will not be taken into account in the quality assessment of the submitted application forms.

**Including the reserved partners and unlocking the budget**

As soon as the relevant organisations are identified by the lead partner, the lead partner has to consult with the MA/JS about the new partners and submit an official request for change in accordance with chapter G.4 of this Manual. The reserved budget will be released upon approval by the MA/JS.

If a project does not apply for inclusion of the reserved partners by the time the reserved activities have to be carried out as indicated in the application, the funds will be returned to the Programme budget. The exact deadline will be specified in the subsidy contract.

Lead partners are expected to keep in close contact with the MA/JS regarding developments in the project implementation and keep the MA/JS informed on whether the activities assigned to the reserved partners will be implemented on time. In case of delays or non-delivery the lead partner has to mitigate any negative impacts on the project.

### D.1.7 Duration of regular projects

The project duration consists of three phases: a contracting phase, an implementation phase and a project closure phase. The contracting phase lasts three months and starts on the day after the MC approval. If the clarifications for contracting are finalised earlier, the contract may be concluded before the end of the official contracting phase.

The duration of the implementation phase may vary for each project and can last from 12 up to 36 months. The closure phase lasts three months (for more information on project phases consult chapter F2).

At the end of the programming period, all projects have to be finalised in due time in order to enable the Programme closure. Therefore, the implementation of regular projects must end no later than June 2021.

### D.1.8 Application of regular projects

#### D.1.8.1 Application procedure

The Programme allocates its funding to projects through calls for applications. The timing and specific conditions of the calls (e.g. amount of funding dedicated to the call, thematic focus of the call) are set by the MC and announced on the Programme website in an announcement note. The website also contains basic documents needed by applicants e.g. forms, templates and guidance documents. The documents are updated for each call for applications.

The text below gives an overview of all stages of the **application procedure**. Further details on this topic can be found in other chapters of this Manual to which references are provided throughout this chapter.

1. **Opening of the call for applications:** The MA/JS publishes the announcement note and further documents related to the call on the Programme website defining specific conditions of the call for applications.
2. **Development of project applications:** Applicants are asked to briefly describe their project's strategic relevance, main outcomes, core activities and the planned partnership in a project idea form (PIF) (available at interreg-baltic.eu) and submit it to the MA/JS by the deadline given in the announcement note. The MA/JS will provide feedback to project ideas by organising consultations at its locations, during info events or in online meetings. Only after a consultation can lead applicants obtain access to the online application system (BAMOS), where they can submit a complete **project application**.
3. **Submission of the project applications:** The established partnership is expected to develop the project application jointly. In the application applicants have to describe the **thematic relevance of the project** in detail. In practical terms, the applicants have to explain the project's contribution to the Programme results, demonstrate the project's transnational value and give information about the contribution of the project to policies and strategies that are relevant to the Baltic Sea Region. Furthermore, applicants should provide a detailed presentation of the planned **activities** for the entire project duration, plan the **timetable** and set out the **responsibilities** of the partnership. In addition, applicants have to define **outputs** and describe who will **use** them, how and where.

   The applicants deliver the finalised digital and paper project applications by the deadline given in the announcement note. The digital submission of applications is done via an online system. The MA/JS administers the system

and provides accounts after the consultation. The complete project applications consists of the application and required attachments (partner declarations and State aid self-declarations for each participating organisation) as well as non-obligatory enclosures (e.g. letters of support from associated organisations if applicable).

4. **Admissibility check and quality assessment:** The MA/JS verifies the completeness of the submitted documents. This procedure is followed by quality assessment of the applications (see chapter D.1.9 and Annex I).
5. **Approval of project proposals:** The MC selects the projects to receive Programme funding. The approval of the MC may contain requirements which have to be fulfilled during the contracting phase (see chapter D.1.10).
6. **Information about the outcomes:** Applicants will receive approval or rejection letters from the MA/JS. The list of successful project proposals will be published on the Programme website a day after the Monitoring Committee approval.

The following table summarises how and which documents have to be submitted during the application:

*Table 4: Documents that applicants need to submit during the call*

| **Project idea form** | | |
|---|---|---|
| | **Digital version** | |
| Which documents? | Project Idea Form (PIF) | |
| When? | By the deadline indicated in the announcement note | |
| How? | Sending via e-mail to: idea@interreg-baltic.eu | |
| **Project application** | | |
| | **Digital version** | **Paper version** |
| Which documents? | Online application | Signed application +Partner declarations and State aid self-declarations for all project partners (including lead applicant) original or copies.<br>Optional: letters of support from associated organisations. |
| When? | By the deadline indicated in the announcement note | By the deadline indicated in announcement note<br>The date on the post stamp must be that date or earlier |
| How? | Via online submission system | IB.SH, Managing Authority/Joint Secretariat, Grubenstrasse 20,18055 Rostock, Germany |

### D.1.8.2 Programme´s support to generation and development of the application

The Programme provides tools and organises events to support the applicants in the project development process.

**Feedback on project ideas and consultations**

The MA/JS provides written feedback on project ideas as well as arranges consultations during events, in its offices (Rostock/Riga) and via telephone and online meetings when the call is open. Project ideas and the state of its development should be described in a project idea form (PIF), which is the basis for discussion between the project developers and the MA/JS. PIF is a template in pdf format that can be downloaded from the Programme website, completed and submitted to the MA/JS before the consultation or in order to get written feedback.

**Project idea and partner search**

The Programme offers an online project idea and partner search tool. A link to this tool is available on the Programme website.

**Information events**

The aim of the information events is to inform potential applicants about the Programme priorities or selected themes, requirements on application procedure and the timeline of the specific call. This event offers the possibility for potential applicants to discuss with the MA/JS and participants what kind of project ideas can get funding. Back-to-back with the seminar, individual consultations may be arranged with potential applicants, based on a completed project idea form. In addition, networking and partner search among the applicants are facilitated during this event as well.

Usually one to two such events are organised in each application round. The seminar may cover all the Programme priorities or may be organised on selected topics highlighted by the Programme.

**Programme information on the website**

All the Programme documents necessary for submitting an application are available on the Programme website upon the opening of the call.

#### D.1.8.3 Reimbursement of preparation costs

Regular projects approved by the MC under priorities 1-3 are entitled to receive reimbursement of their preparation costs. The reimbursement of these costs will follow the principles detailed below:

- preparation costs will be lump sum based;
- the lump sum will amount to EUR 20,000 of total eligible expenditure per project;
- the co-financing rate of the preparation costs will be 75% for all project partners regardless of their country of origin (i.e. the lump sum for total amount of preparation costs of EUR 20,000 * 75% = EUR 15,000 of programme co-financing payable per project); and
- projects having received seed money funds (EUSBSR Seed Money Facility/Baltic Sea Region Programme (priority 4)) or any other EU funds for the preparation of the same project will not be eligible to receive reimbursement of preparation costs.

In order to apply for the reimbursement of preparation costs, the lead applicant has to complete an indicative table in the application. By doing this the project is officially notifying the MA/JS of its request for the reimbursement of the preparation costs. The indicative table has to show the division of the lump sum on a partner level.

After the signature of the subsidy contract the lump-sum will be automatically transferred to the bank account indicated in the relevant section of the application. It is then the lead partner responsibility to pay the agreed division to the project partners in case of approval. Any difference to the real costs is neither checked nor further monitored. Furthermore, over or under-compensation of project partners resulting from the lump sum are accepted and do not have to be balanced with real costs.

### D.1.9 Assessment of applications

#### D.1.9.1 Admissibility check

The purpose of the admissibility check is to verify that the application fulfils the minimum technical requirements of the Programme. The admissibility criteria are applicable to all submitted applications. Table 6 details the admissibility criteria for the applications submitted.

*Table 6: Admissibility criteria*

| No | Admissibility criteria |
|---|---|
| 1 | Digital and paper application sent before the deadline |
| 2 | Paper application signed by the lead applicant |
| 3 | Digital and paper application submitted in English |
| 4 | Digital application submitted via the online system |
| 5 | Digital and paper applications identical |
| 6 | The application is complete |
| 7 | Minimum requirements regarding transnational approach met[20] |
| 8 | Legal status of the project partners incl. the lead applicant in line with Programme requirements |
| 9 | Geographical eligibility of lead applicant in line with the Programme requirements |
| 10 | The application fits with the focus of the call. *(Only relevant for thematically focused calls)* |
| 11 | All partner declarations submitted and correct. |
| 12 | All State aid self-declarations submitted and correct |

Only the applications that have passed the admissibility check are subject to a further quality assessment. The lead applicants that did not pass the admissibility check are informed about the inadmissibility as soon as possible. However, formal confirmation of the inadmissibility of the applications is done by the MC at the time of selection of the applications.

The MA/JS carries out the admissibility check upon submission and registration of the applications. As part of the admissibility check the MC members check the compliance of the legal status of all applicant institutions with the Programme eligibility rules. In addition, MC members should provide information in case they are aware of difficulties related to organisational and financial capacity of the potential project partner, e.g. with reference to undertakings in difficulties (see C.1.2) or previous implementing difficulties in funding programmes. If necessary, the MC members may request additional

[20] Three project partners from three different countries of the Programme area: a lead partner and at least two project partners. Lead partners must be located in the territory of a Member State in the Programme area or in Norway. At least one of the partners has to be located in the territory of an EU member state in the Programme area. An organisation can only be considered as a project partner if it has a clearly defined role in the partnership and a budget (co-financing from Programme funds and own financial contribution). Therefore institutions from Belarus will not be counted in relation to the minimum number of partners and countries until Programme funding will be available for them.

documents from the applicants. The eligibility of the applicants from outside the Programme area (e.g. UK, NL, BE) has to be confirmed by the responsible national authority (see chapter C.1.4). In case the legal status of the lead applicant organisation does not comply with the requirements of the Programme, the application is regarded as inadmissible and will not be further assessed. In case the legal status of a project partner organisation does not comply with the formal requirements of the Programme, the respective partner will be excluded from the project as part of the MC approval of that call.

#### D.1.9.2 Quality assessment

The purpose of the quality assessment is to provide the Monitoring Committee members with sufficient information on the quality of each application. The quality assessment of applications is carried out by the MA/JS according to the quality assessment criteria. The assessment criteria are presented in Annex I.

In order to ensure equal treatment of all applications, the quality assessment is carried out on the basis of the information provided in the application. No additional clarification will be requested during the assessment process.

The assessment outcomes will be submitted to the MC in the form of assessment sheets. A score is given for each category depending on how well the application fulfils the criterion: 1 – insufficient; 2 weak; 3 – sufficient; 4 – good; 5 – very good. The explanation of the scores is given below:

- **5 (very good)** – the application fulfils the given criterion to an excellent level and the provided information is sufficient, clear and coherent for assessing the criterion;
- **4 (good)** – the application fulfils well the given criterion; however the provided information includes minor shortcomings (e.g. the timeline provides little space for unexpected delays, details are missing in the given information in minor parts of the application);
- **3 (sufficient)** – the application fulfils the given criterion to a sufficient level; however some aspects of the given criterion have not been met fully or not explained in full clarity or detail (e.g. the proposed constellation of partnership lacks certain expertise to address the identified challenge; the implementation steps are not fully clear based on the description in the work plan);
- **2 (weak)** – the application has serious shortcomings in fulfilling the given criterion and/or the provided information is of low quality; (e.g. the transnational relevance of the project is not clearly justified; the main outputs are not clearly described; the target groups of main outputs are not described); and

- **1 (insufficient)** – the application does not fulfil the given criterion/or information required is missing (e.g. the application addresses issues that are not of relevance to the Programme as set out in the CP; the information in the application is not complete or is unclear).

**Additional quality criteria**

Besides the quality assessment criteria detailed above and in Annex I, additional quality criteria will be assessed. Additional quality criteria will provide further information to the MC on how the projects contribute to a number of cross-cutting issues as part of the integrated approach of the Programme. Fulfilment of these criteria is not obligatory for the projects. It may, however, positively influence the approval of the projects. Table 7 details additional quality criteria.

*Table 7: Additional quality criteria*

| No | Does the project clearly contribute to any of the following cross cutting issues? |
|---|---|
| 1 | Cooperation with the partner countries (Belarus, Russia and Norway) |
| 2 | Multi-level governance |
| 3 | Baltic Sea region common identity |
| 4 | Spatial planning/maritime spatial planning |
| 5 | Climate change adaptation and mitigation |
| 6 | Adaptation to demographic change |

### D.1.10 Approval of applications

Members of the Monitoring Committee carry out the strategic assessment of submitted applications which is followed by the selection and funding approval. The strategic assessment is based on the results of the quality assessment. In addition, the analysis of the existing portfolio of approved projects, the availability of funds under each priority and the fulfilment of Programme indicators are also taken into account. Furthermore, the MC will take into consideration the project's compliance with national and pan-Baltic policy priorities.

At the time of approval the MC may set certain requirements which should be addressed by the applicant during the contracting phase or together with the first project progress report.

The MC has three options when it comes to the approval of projects:

1. To approve the project application;

2. To approve the project application with certain requirements, or
3. To reject the project application.

## D.2 Extension stage projects

### D.2.1 Objectives and main activities of extension stage projects

**Objectives of extension stage projects**

The **extension stage** is an instrument of the Programme to flexibly support successful regular projects in the capitalisation of their earlier results and partnerships. It is open to all regular projects. Via the extension stage regular projects may reach higher maturity and a better use of their outcomes. This in turn should ensure a higher impact of the Programme on the Baltic Sea Region.

This extension stage should be used to verify regular project results in practical application and/or to realise investments resulting from the preceding regular project. Extension stage should help to increase the quality and durability of the preceding regular projects. Moreover, it should also encourage a stronger involvement of the private-for-profit sector.

**Main activities of extension stage projects**

Extension stage projects should realise specific follow-up activities from the regular projects. These follow-up activities should be implementation focused.

NOTE: Extension stage projects **cannot be a simple prolongation** of regular project activities. An extension stage project needs to implement a solution developed during the regular project in the form of a practical application or a physical investment.

**Examples** of possible extension stage activities:

- *A regular stage project identifies shortcomings in the cooperation of national maritime safety actors of the Baltic Sea region in case of major maritime accidents. The extension stage project uses the findings of e.g. missing standard procedures, inadequate training and unclear legislative provisions etc. and improves them or implements them together with relevant target groups e.g. rescue workers.*
- *A regular project evaluates innovative aquaculture technologies within the Baltic Sea region and identifies administrative obstacles to large scale nutrient neutral aquaculture production. The extension stage project continues to overcome the administrative obstacles and implements a pilot aquaculture production facility. It involves the public and private sector and uses the earlier identified latest technology.*

### D.2.2 Outputs of extension stage projects

**Programme expectations on practical application of developed solutions**

Regular project outputs might reach higher maturity when a practical application is being implemented in the extension stage. Such a **practical application of a solution developed in the regular project** would justify an extension stage project. Its implementation for target groups and the evaluation of its success could be at the core of an extension stage project.

**Please note**: A prerequisite for a successful extension stage project is the **unique character of the piloted solution**. This means the solution cannot be based on the mere replication of existing solutions.

**Examples** of possible practical applications in extension stage projects:

- *The regular project analysed deficits of the national labour markets in the Baltic Sea region and found that in many countries older workers are not sufficiently appreciated by their employers and existing human resource management schemes. The regular project developed human resource management schemes that better addressed the older workforce. During the extension stage project the new human resource management scheme is piloted in several selected enterprises throughout the Baltic Sea region. Results of the implementation are jointly monitored and evaluated.*
- *The regular project analysed the quality and quantity of logistic services in the Baltic Sea Region. It concluded that the logistic market is not transparent enough for small scale and last minute transportation of goods. Therefore, it suggested new and more open transport offers and required coordination. The extension stage project introduced a pilot application of the solution to open up existing transport broker systems to small transport operators as well as to individual actors who might request transport services or offer them.*

**Programme expectations on investments**

A successful extension stage project would base its investment on joint evaluation and planning activities from the regular project. Extension stage projects may be centred on an investment as its main output.

The preparatory activities for an investment during the extension stage should have a transnational character. The physical investment should either demonstrate a transnational dimension or it should otherwise be of transnational added value.

The Programme does not formulate any limits on the minimum or maximum financial volume of an investment. However, expensive investments such as the

building of transport infrastructure cannot be financed by the Programme due to its limited resources.

**Examples** of possible investments in extension stage projects:

- *The regular project analysed deficiencies in the treatment of waste water and found polluting substances from waste water facilities in various countries of the same sea basin. The extension stage project built on the earlier identified shortcomings and invested in waste water quality monitoring equipment in selected treatment facilities with the aim of further promoting their installation from private and public funds in other facilities of the concerned countries.*
- *During the regular project a novel traffic monitoring prototype was developed and first test runs were have been completed successfully aboard a vessel. During the extension stage project multiple ships from various Baltic countries were equipped with the system to broadly demonstrate the added value of the innovation.*

### D.2.3 Composition of extension stage project partnership

It is expected that extension stage activities are a practical implementation of regular project outputs and results. For this reason, the partnership composition of an extension stage project should be based on the core partnership of the main stage project. In well justified cases it is also possible to involve organisations which have not been included in the partnership in the main stage project. However, the lead partner of the extension stage project should come from the partnership of the main stage project. Otherwise the same rules apply for extension stage projects as for regular projects. Each project has to involve at least three project partners from three different countries of the Programme area: a lead partner and at least two project partners. Lead partners must be located in the territory of a Member State in the Programme area or in Norway. At least one of the partners has to be located in the territory of an EU member state in the Programme area. An organisation can only be considered as a project partner if it has a clearly defined role in the partnership and a budget (co-financing from Programme funds and own financial contribution).

An expectation of the partnership of extension stage projects is their specific **involvement of private partners in the pilot activities and investments**.

### D.2.4 Duration of extension stage projects

The duration of extension stage projects is divided into similar phases as those of regular projects. It consists of a contracting phase, implementation phase and closure phase. The contracting phase lasts at least two months and starts on the day after the MC approval. The closure phases last three months (for more

information on project phases consult chapter F.2.) In combining these three phases an extension stage project may **last up to 24 months**.

### D.2.5 Budget and eligibility of costs

Extension stage budgets and eligibility of costs must follow the same rules as regular projects. However, any costs of the extension stage projects are **not eligible** as long as the main stage project is still in its implementation phase. Further, extension stage projects **cannot claim reimbursement** costs for project preparation.

### D.2.6 Application, assessment and approval of extension stage projects

A **call for extension** stage projects would usually be announced when the regular projects are about to finalise their implementation phase.

Extension stage applicants will be asked to submit their **application** in a one-step procedure to the MA/JS. This application will be considered as a follow up of the regular project. Consequently, there is no need to repeat information about, for example, the thematic relevance and policy background.

The MA/JS will actively promote the possibility of applying for extension stage projects after the regular projects had sufficient time to establish their working structures and deliver their first results. The MA/JS would support the development of the extension stage projects by providing written feedback to extension stage ideas as well as arranging individual consultations in Rostock and Riga via telephone and online meetings. The MA/JS might offer further support during dedicated information events.

The **assessment criteria** and the assessment procedure of extension stage applications is the same as for regular projects (see chapter D.1.9 and Annex I).

During the assessment **particular attention** will be paid to the links between the regular project and the extension stage project.

1. The extension stage project should be based on a **successful regular project**.
2. The extension stage project should be a **practical implementation** of regular project outputs and results.
3. The partnership of the extension stage project should be **based on the regular project's partnership**.

The **approval process** for extension stage projects is the same as during the application for regular projects (see chapter D.1.10). The MA/JS and the MC will

try to be timely in **announcing** the approval of extension stage projects. Ideally, this would be still **before the end of the regular project implementation** phase of the majority of projects in a given call. This would help to maintain the regular project's partnerships, staff competences and the overall momentum of the projects' implementation.

As most regular projects are assumed to have an implementation time of 36 months the timeline of the extension stage calls and approvals will be accordingly adapted. In consequence, there would be a **gap between the implementation periods of regular projects shorter than 36 months** and their extension stages.

## D.3 Project platforms

### D.3.1 Objectives and main activities of project platforms

The instrument of project platforms supports further use of regular project outcomes and increases their visibility. It is mainly addressed to on-going regular projects of the Programme. That is why the following chapter of the Programme Manual is largely dedicated to partners of these projects. The chapter explains how to establish a project platform.

In this context **the project platform (or platform)** is understood as a framework for cooperation of core partners of projects funded by Interreg Baltic Sea Region and other funding programmes in one thematic field. It involves cooperation with further stakeholders of that thematic field beyond project partnerships, for example coordinators of the EU Strategy for the Baltic Sea Region. By doing so it increases the impacts of Interreg Baltic Sea Region and other EU-funded projects in the area and jointly capitalises knowledge and communicates the projects' results.

Project platforms enable joint activities of project partners representing different projects working in closely related thematic areas within the Programme. The instrument reflects the Programme's ambition to contribute to capacity building in the region and therefore the project platforms are expected to:

1. Create a platform for exchange to streamline activities of different projects and to avoid duplication of efforts;
2. Deepen the knowledge based on the projects' outcomes in a selected field;
3. Support communication of the regular projects and the Programme in its major thematic fields; and

4. Ensure better usage, durability and transferability of the individual project outcomes.

Project platform partnerships are free to choose their own working methods and include in their work plans any activities contributing to the above specified aims of the project platforms.

The list below gives examples of possible activities of project platforms:

1. Systematic planning and realisation of information flows among the partners of different projects (e.g. through regular workshops, working groups, virtual platforms etc.) and, whenever relevant, feeding the results of that process into implementation of single projects;
2. Continuous mapping of the situation, resources and needs in the field addressed by the platform (special attention will be paid to the outcomes of other cross-border and relevant transnational projects as well as activities of the stakeholders of the EUSBSR);
3. Establishing task-oriented networks of stakeholders to solve particular challenges defined in the platform field;
4. Synthesising of the project outcomes and their further promotion towards end-users and decision-makers;
5. Complementing the Programme's effort of collecting information about the project achievements and their best practice (e.g. concerning innovative approaches applied by the projects; supporting private partner involvement);
6. Exchanging of approaches in communication/stakeholder involvement among projects in a platform;
7. Piloting of approaches on coordination of funding;
8. Providing inputs to the Programme events and other communication as well as organising own events targeted at the external audience (e.g. thematic conferences/workshops presenting the Programme and the projects' achievements).

### D.3.2 Outputs of project platforms

Project platforms are expected to be more process-oriented than the regular projects. However, they should also bring tangible outcomes, especially in terms of perception change, improved communication tools and standardisation of approaches and tools based on best practices. In order to achieve this, the project platforms should deliver outputs such as:

1. Policy papers or studies on the state of play and needs in the specific thematic field of the platform;

2. Agreements on joint standards in the specific thematic field;
3. Collection of best approaches to reaching end users of the project outcomes and their pilot implementation;
4. Joint analysis of further potential financing sources that could be used for the implementation of project outcomes;
5. Political statements endorsed as a result of strategic processes with participation of high level officials;
6. Models demonstrating practical approaches to the coordination of funding;
7. Task-oriented networks established to address particular challenges;
8. Models of sustainable and long-term exchange among platform partners

### D.3.3 Composition of project platform partnership

**Minimum requirements**

Each project platform has to follow the same principles for composition of the partnership as the regular projects (see chapter D.1.6). An additional requirement is that the partners have to represent at least two different projects co-financed by Interreg Baltic Sea Region and at least one project of another EU funding programme.

**Composition of the partnership**

The platform is led by a project platform leader. This lead applicant (lead partner) should be an organisation from a regular project funded by Interreg Baltic Sea Region or an EUSBSR Policy Area or Horizontal Action Coordinator. The number of partners may vary considerably between the platforms depending on the character of the project platform. The consortia should be set up strategically. With this in mind, efforts should be made during the platform development phase to involve partners who demonstrate good knowledge of all activities and outputs of their regular projects (e.g. lead partners, WP leaders) as well as relevant coordinators of the EUSBSR. The platforms are encouraged to combine expertise, if suitable thematically, from different priorities e.g. transport with innovation or environment. Nevertheless, the platform partnerships have to include such a number of partners that allows efficient daily cooperation. At the same time they should be representative of the Programme area and different regular projects involved in the platform.

The thematic areas capitalised by the platforms can be enriched through experiences of other programmes in the region. Partners representing projects

from other relevant Interreg programmes, such as South Baltic, Central Baltic, North Sea Region, Central Europe, and Northern Periphery and Arctic, as well as BONUS Programme and other EU funding programmes are invited to join platforms. However, the platform leadership and core partnership should be based on Interreg Baltic Sea Region projects. External organisations should clearly demonstrate the benefits of their participation for Interreg Baltic Sea Region.

Furthermore, the platforms should strive to involve stakeholders from the partner countries. When establishing the platform partnership it is important to decide which groups of stakeholders are crucial for the platform consortium and which should be involved in the platform activities in other ways e.g. as associated organisations or as guests at the platform meetings.

**Inclusion of reserved partners**

The different timing of the regular calls for applications in the Programme leads to the necessity of adding further platform partners during the implementation of project~~s~~ platforms. Applicants may reserve a budget for new partners to join the platform later (e.g. from the third call projects of Interreg Baltic Sea Region). The inclusion of reserved partners follows the regular procedure for project changes in the Programme. During the implementation of a project platform, the lead partner has to apply for inclusion of the reserved partner by the deadline specified in the application. The request is evaluated and approved by the MA/JS based on the confirmation of the respective MC members on the eligibility (if not confirmed before) and budget of new partners. Where approved the new organisations officially become part of the project platform.

**Role of the MA/JS**

It is envisaged that the MA/JS will act as a platform facilitator providing support to the platform consortia e.g. in establishing links with key stakeholders in the area. The MA/JS will also aim at keeping track of the day to day developments in the project~~s~~ platforms.

### D.3.4 Duration of project platforms

The platform duration consists of three phases: a contracting phase, an implementation phase and a closure phase. The contracting phase lasts at least three months and starts on the day after the MC approval. The closure phases last three months (for more information on project phases consult chapter F.2.) The duration of the implementation phase may vary for each platform and can last up to 36 months, but end no later than September 2021.

### D.3.5 Budget and eligibility of costs

The total budget for a project platform can be up to EUR 1,000,000. Project partners have to provide their own contribution to receive Programme co-financing. The level of these contributions depends on the Programme co-financing rate which varies between the countries and the funds. The majority of the platform funding would be required to cover staff costs, travel and accommodation costs as well as costs related to organisation of events and other communication activities. External expertise may be included, if needed.

The Programme rules for eligibility of costs apply. Please consult chapter F for the detailed overview.

**Please note** however, that the costs of platform preparation and the costs of equipment and investments are not eligible for project platforms.

### D.3.6 State aid rules

For project platforms no State aid is granted by the Programme. State aid regulations which determine exemptions will not be applied. All project partners participating in the platform are expected to be familiar with the relevant State aid rules to ensure that their activities do not constitute State aid.

### D.3.7 Application, assessment and approval of project platforms

The Programme allocates its funding to platforms through **calls for applications**. The platforms are selected for funding in a one-step procedure where applicants are asked to submit an application in response to the call.

The MA/JS will actively promote the possibility to apply for platforms after the regular projects had sufficient time to establish their working structures and have delivered their first results.

The MA/JS will take an active role in the development of the project platforms by providing feedback to platform ideas and organising platform development events.

All applicants are required to consult their project platform idea with the MA/JS. For this, they should complete a platform idea form (available on the Programme website) and ask for feedback. This consultation (in the MA/JS premises in Rostock and Riga, via telephone and online meetings or during information events) is a prerequisite for obtaining access to the online application system (BAMOS).

A project platform application will have to be completed in BAMOS. Guidance for filling in the application is provided in the application package on the Programme website. The guidance outlines the Programme expectations regarding quality and amount of information to be provided in the project platform application.

The **assessment criteria** and the assessment procedure of project platform applications is the same as for regular projects (see chapter D.1.9 and Annex I). However, during the assessment particular attention is paid to the ability of the project platforms to capitalise knowledge and to organise communication on behalf of the regular projects as well as to the additionality to the existing coordination and cooperation among the running projects. These aspects will be reviewed when evaluating the project platform relevance, work plan and composition of the partnership. Please note that as the funding for project platforms will be committed within priorities 1-3 of the Programme each project platform has to clearly contribute to the Programme results in the selected priority.

The **approval process** for project platforms follows the same principles as the approval process of the regular projects (see chapter D.1.10).

# E Contracting of approved applications

## E.1 Contracting phase

The contracting phase lasts three months and starts the day after the Monitoring Committee (MC) approval. In general, the length of the contracting phase is the same for all projects. Within this phase the subsidy contract is expected to be concluded. The end of the contracting phase is directly followed by the start of the implementation phase even if a subsidy contract could not be signed by this time. Projects can start their activities even before the end of the contracting phase and before receiving the signed subsidy contract as costs occurred and related to project implementation during the contracting phase are eligible. However, in such cases the open questions regarding the applications should be carefully analysed and taken into account. The implementation of project activities before the subsidy contract is signed happens on the projects' own risk.

Costs of all project partners are eligible the day after the project has been approved by the Monitoring Committee.

## E.2 Clarification procedure

After the project has been selected by the MC the contracting phase starts. During this phase clarifications to the application are carried out. Successful completion of the clarification process is a precondition for the award of a subsidy contract.

The clarifications may be of four major types:

1. submission of missing documentation (e.g. originals of partner declarations);
2. technical clarifications to the information provided in the application (e.g. unclear description of a particular activity, minor budget adjustments/corrections);
3. recommendations (e.g. on inclusion of a particular target group, widening the coverage of outputs);
4. conditions set by the MC (e.g. removal of a particular activity, removal of a partner, decrease of budget).

The difference between recommendations and conditions is that the latter are compulsory and must be undertaken before the signing of the subsidy contract. Recommendations are normally carried out by projects during the implementation phase. However, at the stage of the contracting, projects have

to provide information to the MA/JS as to how and to what extent the recommendations will be addressed during the project implementation.

Please note that, as a result of clarifications, no substantial alteration of the approved projects is possible.

After clarification of conditions between the MA/JS and the lead partner, the chairperson of the MC checks whether the conditions have been fulfilled or not. If he/she detects that the conditions have not been fulfilled, he/she has to decide, depending on the specifics of the respective project application, either to initiate a decision-making process in writing (duration at least 3 weeks) or to put the case for final decision on the agenda of the next meeting of the MC (in general this takes place around 6 months after the selection by the MC was made).

### E.3 Subsidy contract

The subsidy contract is signed between Investitionsbank Schleswig-Holstein (the MA of the Programme) and the lead partner of the approved project. The contract sets out the obligations and rights of the contracting parties and constitutes the main agreement between the project and the Programme. The subsidy contract confirms the final commitment of the ERDF, Norwegian and ENI/Russian national co-financing to each project and forms a legal and financial framework for the implementation of project activities.

A sample of the subsidy contract for projects can be downloaded from the Programme's website.

# F Project budget and eligibility rules

## F.1 Horizontal rules applicable to all budget lines and types of instruments

The eligibility of project expenditure depends on the project phase. As a general principle costs for implementation become eligible in the contracting phase, i.e. the day following the approval the MC for the particular call. After this date expenditure under all budget lines is considered eligible and can be reported accordingly. Specific rules of eligibility for particular project phases (e.g. preparation and closure) are explained under chapters D.1.8.3 and F.2.

### F.1.1 Legal background and hierarchy of rules

The budget lines and related eligibility rules of the Programme are structured according to the requirements of the applicable EU regulations, in particular the REGULATION (EU) No 1299/2013 and the Commission Delegated REGULATION (EU) No 481/2014. This Delegated Act sets a common basis for all territorial cooperation programmes and aims to introduce simplification in the set-up and running of these programmes.

The eligibility rules presented below are applicable to all project partners under the priorities 1 -3. The specific eligibility rules of priority 4, specific objective 4.1 are explained under chapter J Seed money. The eligibility rules of Priority 4, specific objective 4.2 constitute a separate document.

The eligibility rules laid down in the Programme Manual cannot be overruled by the national or institutional legislation. Together with the REGULATION (EU) No 1303/2013, REGULATION (EU) No 1301/2013 and REGULATION (EU), No 1299/2013 they are the primary rules of eligibility and should be applied accordingly. Only for matters of eligibility not covered by the Programme Manual and the applicable EU regulations, the relevant national rules of the Programme country in which the expenditure is incurred shall apply.[21]

### F.1.2 General principles of eligibility

#### F.1.2.1 Main preconditions

The main preconditions for eligibility of all expenditure incurred by the projects are the following:

[21] See REGULATION (EU) No 1299/2013, Article 18.3

- All expenditure is essential for the project's implementation and would not have been incurred if the project had not been carried out (value added);
- All expenditure must comply with the principles of efficiency, economy and effectiveness;
- Expenditure must comply with the principle of real costs except specific cases such as in-kind contribution, simplified cost options and depreciation costs explained under the respective budget lines;
- All expenditure is generated and paid by the respective project partner during the eligible project phase, i.e. contracting, implementing and closure phase[22];
- Project partners are not allowed to contract each other to carry out project activities or any related services;
- All expenditure is supported by invoices or other equivalent accounting documents directly attributable to the project or project staff or by other documents specified under the relevant budget lines. In specific cases such as in-kind contribution or simplified cost options no proof of payment has to be provided.
- For goods, services and works, public procurement procedures set by the relevant legislation and the 'bid–at-three' rule are observed.

### F.1.2.2 Principles of economy, efficiency and effectiveness

The project budget has to be used in accordance with the principles of economy, efficiency and effectiveness.[23]

The principle of economy concerns minimising the costs of resources. The resources used by the institution for the pursuit of its activities should be made available in due time, in appropriate quantity and quality and at the best price.[24]

The principle of efficiency concerns getting the most from the available resources. It is concerned with the relationship between resources employed and outputs delivered in terms of quantity, quality and timing.[25]

[22] Specific rules regarding the reimbursement of preparation costs are explained in chapter D.1.8.3

[23] REGULATION (EU, EURATOM) No 966/2012, Article 30

[24] Ibid

[25] Ibid

The principle of effectiveness concerns meeting the objectives and achieving the intended results.[26]

#### F.1.2.3 Principle of real costs

The principle of real costs means that only those costs are eligible, which are **incurred** and **paid** by the project partners, accounted for and proved by delivery of works, services or supplies.

#### F.1.2.4 Foreign financing in Russia

Programme funds received under the financial contribution of the ENI and under the financial contribution of the Russian Federation by Russian project partners in the Russian Federation shall not be considered as foreign financing as defined in the national legislation of the Russian Federation.[27]

### F.1.3 Ineligible costs[28]

The following costs are not eligible for reimbursement by the Programme under all budget lines:

- Fines, financial penalties, and expenditure on legal disputes and litigation;
- Costs of gifts, except those not exceeding EUR 50 per gift and when related to the project promotion, communication, publicity or information; and
- Costs related to the fluctuation of foreign exchange rates.

### F.1.4 Procurement procedures for EU and Norwegian partners

#### F.1.4.1 General provisions

Public procurement is a process used by organisations and companies receiving public funds for choosing and contracting providers of goods, services and works in order to ensure transparency and equal treatment of the potential providers. Independent from their legal status, all project partners implementing projects in the framework of the Programme must **comply with the relevant procurement** rules:

[26] REGULATION (EU, EURATOM) No 966/2012, Article 30

[27] Financing Agreement, Article 8 (4)

[28] REGULATION (EU) No 481/2014, Article 2

- Project partners subject to public procurement legislation[29] must comply with the applicable rules on public procurement on the national[30] and EU levels.
- Project partners not subject to public procurement legislation[31] still have to observe the basic principles on which the procurement norms are based and ensure the best value for money or, if appropriate, the lowest price. Even if the organisation is not subject to public procurement legislation, there could still be national rules or guidelines that regulate the spending of public funds. Therefore, such partners have to carefully check whether there are any such national rules or guidelines, and if yes, to follow them. In case there are no national rules or guidelines that regulate the spending of public funds for partners not subject to procurement legislation, the Programme procedure outlined below has to be followed when procuring works, supplies or services.

The procurement procedures aim at a more efficient and transparent use of public funds as well as at increasing competitiveness. The main principles to be followed when procuring goods, services or works are the principles of **transparency**, **non-discrimination** and **equal treatment**. Compliance with the procurement requirements is vital for the projects, as it ensures the eligibility of the reported costs of the particular goods, services and works.

Besides the rules detailed in the Manual, project partners are advised to become familiar with the requirements for procurement set in DIRECTIVES 2014/24/EU[32] and 2014/25/EU[33] and the relevant legislation in their countries.

[29] In general, all project partners falling under the legal status categories a) to e) (as defined in chapter C.1.2 of this Manual) are subject to public procurement legislation. This is because, the definitions of these legal status categories are based on the EU public procurement directives.

[30] National level means all regulations/rules/guidance existing in a particular country (such regulations/rules/guidance could also exist exclusively on regional and/or local level)

[31] In general, all project partners falling under legal status categories f) to h).

[32] DIRECTIVE 2014/24/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 February 2014 on public procurement and repealing Directive 2004/18/EC

[33] DIRECTIVE 2014/25/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing DIRECTIVE 2004/17/EC

### F.1.4.2 Specific provisions for project partners subject to public procurement legislation

#### F.1.4.2.1 Applying the appropriate procurement rules

Choosing the appropriate procurement applicable for each individual case depends on the planned estimate of the **contract value** and the general **needs of the contractor**. The estimated value of the contract also determines the **range of the publicity required** for the respective procurement – an **EU wide tender**, a **national level tender** and/or a **smaller national/regional level tender**.

There are specific **value thresholds** set by the European Commission in Article 4 of DIRECTIVE 2014/24/EU and Article 15 of DIRECTIVE 2014/25/EU. For contracts where the estimated value is below the thresholds indicated in the regulations, a corresponding procedure set in national legislation or at the Programme level (e.g. “Bid-at-three” rule) should be used.

In order to ensure an appropriate **audit trail** as well as **transparency** of the **procurement process** and **decision making** the procurement procedure has to be **thoroughly documented.** Furthermore, records of the procurement procedures carried out have to be kept at least until the deadline set by the Programme in chapter G.5.2.

**Please note:** Always the strictest procurement procedure has to be applied of those specified in the Programme rules, EU directives or the national legislation.

Project **partners** are **not allowed to contract each other** to carry out project activities.

Figure 4 shows the main questions that need to be answered in order to choose the applicable procurement rule:

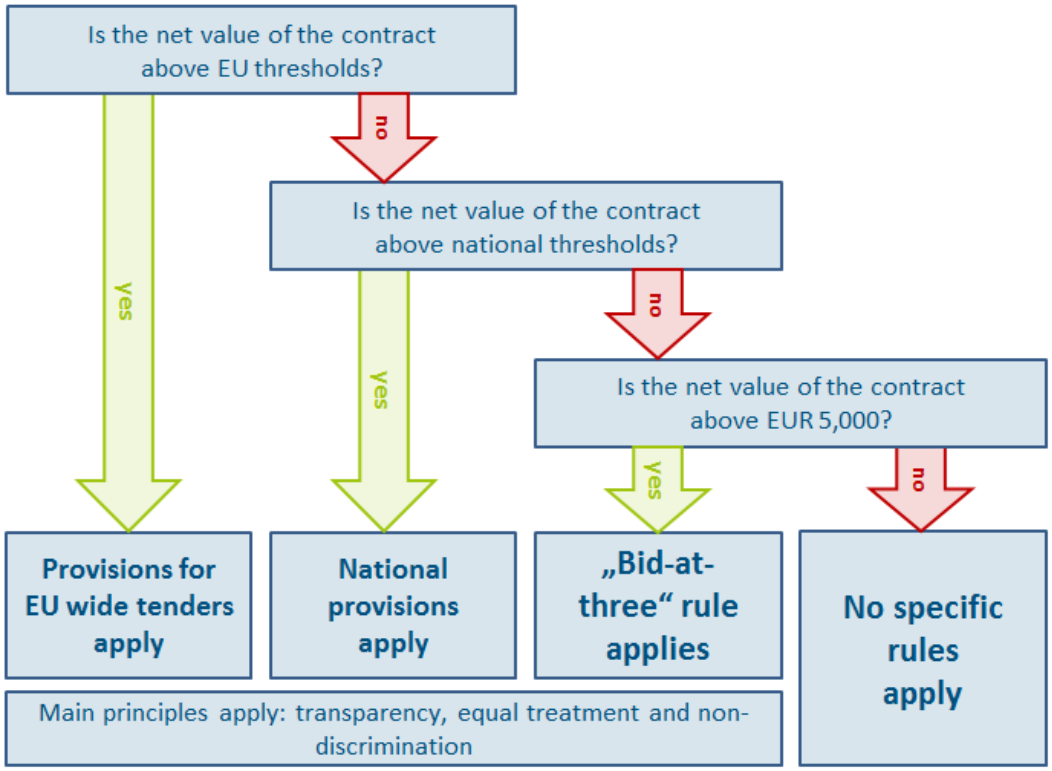


*Figure 4: Decision scheme regarding public procurement rules*

#### F.1.4.2.2 Steps and documentation of the procurement process

Depending on the estimated contract value and the applicable procurement procedure required by the relevant legislations, the following parts of the process are vital for successful contracting:

1) **Terms of reference** – All the information about the subject and the tendering process are included in this document. The terms of reference, based on the required procurement procedure, should include at least the following sections:

   a) ***General provisions*** – contains a brief description of the general framework;

   b) ***Subject of the procurement*** – consists of a detailed description of works, services and goods required and stating the complete list of the requirements for the subject. Based on the needs, a separate part – technical specification – can be included or attached as an annex to the Terms of Reference;

   c) ***Timeframe*** – sets out specific conditions on the timeline for delivery of the goods and/or providing the services and works;

d) ***Price and/or other limitations*** – describes all the specific limitations related to the contracting procedure (e.g. price, time limitations);

e) ***Eligibility criteria*** – sets out the specific requirements that companies have to fulfil in order to be eligible to submit an offer. The criteria have to be **objective, non-discriminating** and **relevant** to the particular subject of the procurement procedure;

f) ***Assessment criteria*** –in this part the criteria for assessment of the submitted offers are set out. The criteria have to be **objective, non-discriminating** and **relevant** to the particular subject of the procurement procedure;

g) ***Contracting and payment*** – contains details on the contracting procedures as well as payment details in the context of the contract to be signed;

h) ***Information/formal requirements*** – describes proceedings within the procurement procedure (e.g. details of the submission of the offers, formal requirements as regards the compilation of the offers).

2) **Publication of the notice** – depending on the procurement procedure, its size and location, as well as the level of publicity to be reached, specific requirements for the publication of a tender might apply. The specific requirements for the publication of the procurement notice have to be observed.

3) **Registrations of the offers – the offers received have** to be carefully documented to ensure the transparency and equal treatment of all the tenderers.

4) **Assessment and decision making** – the submitted offers have to be assessed according to the same criteria which were set out in the terms of reference, with no additional criteria being added to the assessment process. Furthermore, the assessment of the offers has to be well documented.

5) **Contracting** – at this stage a contract with the successful tenderer is signed.

The above described requirements represent the minimum necessary for a correct procurement procedure. However, they should be applied without prejudice to any other requirements specified in the EU or national legislations.

### F.1.4.3 Specific provisions for project partners not subject to public procurement legislation

#### F.1.4.3.1 Applying the appropriate procurement rules

Project partners not subject to public procurement legislation[34] have to observe the basic principles on which the procurement norms, i.e. transparency, non-discrimination and equal treatment. As a first step, such partners have to carefully check whether there are any national rules or guidelines that regulate the spending of public funds. If these exist, the partners are obliged to follow them. In case there are no such rules or guidelines, the Programme procedure outlined in this chapter has to be followed when procuring works, supplies or services.

Choosing the appropriate procurement for each case depends on the planned estimate of the contract value and the general needs of the contractor. The estimated value of the contract also determines the range of the publicity required for the respective procurement.

Specific value thresholds for EU wide tenders are set by the European Commission in Article 4 of DIRECTIVE 2014/24/EU and Article 15 of DIRECTIVE 2014/25/EU. For the national thresholds please carefully check national public procurement legislation.

- Contracts at or above the national/EU threshold: The Programme rules explained in chapter F.1.4.3.2 of this Manual have to be followed.
- Contracts at or above EUR 5,000 (excl. VAT) but below the national/EU threshold: Project partners are obliged to use the bid-at-three rule explained in chapter F.1.4.5 of this Manual.
- Contracts below EUR 5,000 (excl. VAT): No specific rules apply.

The flowchart shows the main questions that need to be answered in order to choose the appropriate procurement rule to apply:

[34] In general, all project partners falling under legal status categories f) to h).

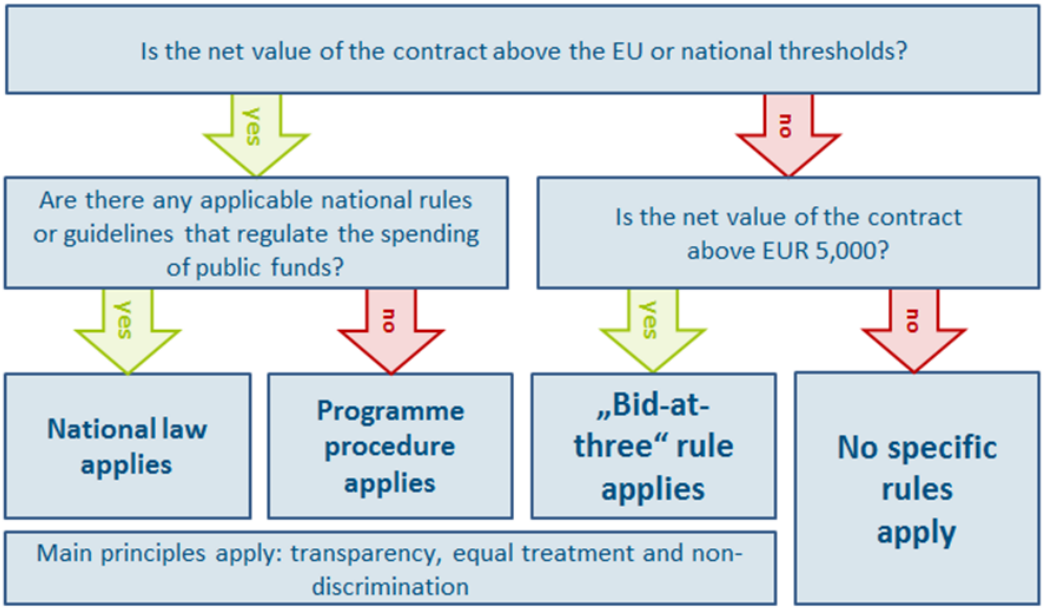


Figure 5: Decision *scheme* regarding procurement rules for project partners not subject to procurement law.

#### F.1.4.3.2 Procurement procedure for tenders above the EU or national thresholds (open tender)

1. **Preparation of the tender:** The project partner must define the needs of the tender, estimate its value and draft the terms of reference. The minimum requirements for successful terms of reference are stipulated in chapter F.1.1.4. In addition it is highly recommended to follow the schemes and requirements of the national/EU procurement norms (e.g. with regard to the minimum number of offers, formulation of selection/awarding criteria/ assessment, EUR exchange rate for the contract value, etc.).

2. **Publication of the tender:** The tender notice shall be published on websites or newspapers and contain an adequate degree of transparency regarding the subject matter of the contracts, their estimated values and the specifics of the sector concerned as well as the geographical location of the place of performance. Publications must be documented and kept for further control and audit.

   2.1 **Tenders at or above the national threshold:** It is recommended that the tender notice be published on the project partner's website (if one exists) and nationwide media (newspapers, web portals, etc.). The minimum recommended duration of the publication and the deadline for submission of offers are:

   - **7 calendar days** for delivery of goods and services, and
   - **14 calendar days** for works.

2.2 **Tenders at or above the EU threshold:** it is recommended that the tender notice is published on the project partner's website and EU-wide media. The minimum recommended duration of the publication and the deadline for submission of offers are:

- **14 calendar days** for delivery of goods and services, and
- **21 calendar days** for works.

If the contract specification combines multiple types of tender (e.g. delivery of goods and works) the stricter rule applies.

3. **Registration of the offers and assessment:** Submitted offers have to be registered and assessed according to the same criteria which were set out in the terms of reference, with no additional criteria being added to the assessment process.

4. **Documentation:** In order to support proper documentation of the process, the Programme developed a documentation protocol that is available on the Programme website www.interreg-baltic.eu. This protocol is designed to provide the minimum requirements for documentation of the tender and must be accompanied with other documents on request (such as terms of references, proof of publication, copies of offers, etc.). Should any other protocol already be in use by the project partner, the same may be still used here, provided that it includes all the details stipulated in the Programme template.

**Please note:** If there are no offers submitted in response to the tender notice or none of the offer fulfils the eligibility criteria set out in the terms of reference, the project partner is allowed to use the bid-at-three rule instead. However, the initial terms of reference must not be changed significantly. The MA/JS protocol template shall be used to document both the failed procurement procedure and the resulting bid-at three selection.

#### F.1.4.3.3 Procurement procedure for tenders below the EU or national thresholds

In case the contract value is below the EU or national thresholds, the "bid-at-three" rule of the Programme has to be followed (see below).

#### F.1.4.3.4 Exceptions

In case project partners not subject to the public procurement legislation have access to the necessary infrastructure – EU tender websites, legal documents, templates, etc. – it is also possible for them to follow the procurement procedures on national or EU level that are applicable for partners subject to

the public procurement legislation (see chapter F.1.4.2). In such cases, always the strictest procurement procedure has to be applied out of those specified in the Programme rules, EU directives or the national legislation.

### F.1.4.4 Principle of sustainability

The Programme encourages a green and sustainable approach of tendering, whenever legally possible. Further details regarding sustainability are provided under chapter C.4.2.

### F.1.4.5 "Bid-at-three" rule

When purchasing goods or services with a value below the EU and national thresholds the Programme requires the implementation of a "bid-at-three" procedure. This procedure was introduced to ensure transparent selection procedures, equal treatment and cost efficiency for goods and services.

For all contracting amounts at or above **EUR 5,000 (excl. VAT)** and below the national and EU thresholds project partners must perform and document the execution of adequate market research. The activities undertaken to perform market research have to be well documented in order to prove that prices for similar goods, services or works have been compared and the selection procedure is transparent, as well as the appropriate audit trail being followed. Market research could be performed by requesting no fewer than three quotes, using centralised e-procurement services, etc. The quotes can be requested and received in writing or electronically (e.g. by e-mail, fax, print-outs from the internet are also possible for comparatively small scale amounts).

**Please note:** should any other national or institutional rules exist these could be observed if they provide an adequate level of transparency, equal treatment and non-discrimination. In order to avoid any financial consequences project partners are strongly advised to consult with their first level controller on these rules in advance.

### F.1.4.6 Conflict of interest

As a general definition a conflict of interest exists where the impartial and objective exercise of the functions of a financial actor or other person, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a recipient. Each project partner is responsible to ensure that the appropriate measures are taken to minimise any risk of conflict of interest during the procurement process. Although the character of the conflict of interest is diverse depending on the parties, types of the relationships and interests involved the common matter to

be ensured is transparency of the decision making process and fair treatment for all tenderers. Special attention should be paid in cases where project staff is also involved in external companies participating in the tenders organised by the respective project partner. However, in all cases measures need to be carefully analysed to minimise any possible risks of conflict of interest. For specific requirements the national legislation should be consulted.

In case a conflict of interest is detected in the procurement procedure financial implications might be set.

**Please note**:
Project partners **are not allowed to contract each other** to carry out project activities.

### F.1.4.7 Consequences in case of shortcomings

**Failure to comply with the procurement requirements** and the use of an appropriate procurement procedure set on a national or Community level, as well as the "bid-at-three" rule set for the Programme, can have **financial consequences**. Based on the type and significance of the non-compliance, a financial correction can be applied according to the guidelines developed by European Commission with the Decision No C (2013) 9527[35].

### F.1.4.8 Exceptions

The Programme provides a list with minimum possible exceptions to the above rules. Nevertheless, each partner has to consult with the applicable national/EU regulations on whether they permit such exceptions. This section highlights the minimum requirements and recommendations relating to some of these exceptions. If a partner intends to use any of the exceptions listed below, the Programme highly recommends consulting the national and the EU regulations applicable in each particular case, and, if necessary, with the FLC.

- **"In-house" contracting** refers to the situations when a public authority contracts another organisation, which is fully owned and/or controlled by the contractor (e.g. inter-departmental arrangements) to provide certain goods, services or works. In such cases, the contractor might not decide to follow public procurement procedures provided that:

  a) there is no private ownership involved;

[35] Commission's Decision No C(2013) 9527 of 19.12.2013

b) the subsidiary company carries out 80% or more of its activities for the contracting authority; and

c) the parent company exercises control over the subsidiary company in a similar manner as to its own departments.

To ensure transparency and efficiency, the sub-contractors will follow the public procurement rules when procuring goods, services and works from the third parties.

- **Framework** contracts are umbrella agreements which set out all or some of the terms for which the parties of the agreement will enter into contracts ("call-offs") in the future. Where a project partner organisation has **already procured** a provider of goods and services **according to the relevant public procurement rules** outside the project, the goods and services provided within the framework contracts for the project's purposes can be eligible for Programme co-financing.

### F.1.5 Specific procurement procedures for Russian partners

#### F.1.5.1 General provisions

Public procurement is a process used by organisations and companies receiving public funds for choosing and contracting providers of goods, services and works in order to ensure transparency and equal treatment of the potential providers.

Independent of their legal status, all Russian project partners implementing project activities in the framework of the Programme must comply with the relevant procurement rules as set out in Articles 9 and 10 of the Agreement between the European Commission, the Government of the Russian Federation and the Government of the Federal Republic of Germany on the financial contribution of the European Union and the Russian Federation provided for the implementation of the Transnational Cooperation Programme "Interreg Baltic Sea Region 2014-2020" in the Russian Federation (hereafter referred to as Financing Agreement) and its annex.

- Procurement award procedures by project partners established in the Russian Federation other than public entities and other legal entities which are subject to public procurement legislation of the Russian Federation shall be subject to the rules in the annex to the Financing Agreement ("Award of procurement contracts by project partners established in the Russian Federation other than public entities and other legal entities which are subject to public procurement legislation of the Russian Federation"). This annex is available on the Programme website (https://www.interreg-baltic.eu/for-projects/public-procurement.html).

- Where the project partner is a public entity established in the Russian Federation or a legal entity which is subject to public procurement legislation of the Russian Federation, it shall apply the legislation of the Russian Federation provided that the following principles are observed:
    - The procurement contract shall be awarded to the tender offering best value for money or as appropriate to the tenderer offering the lowest price.
    - The project partner shall avoid any conflict of interest[36] and respect the principles of equal treatment, non-discrimination, fair competition and transparency.

**Please note**: "Public entity" in the Russian Federation means a federal, regional or local authority of the Russian Federation.

The Russian Federation ensures that services, works and goods that are not originating from the Russian Federation receive the same treatment as compared to its own services, works and goods in accordance with chapter F.1.5.2 Rules of nationality and origin.

**In addition to the provisions set by the Financing Agreement certain Programme provisions need to be taken into account (see chapter F.1.5.3).**

Failure to comply with the above shall render the related expenditure ineligible.

### F.1.5.2 Rules of nationality and origin

Participation in the award of procurement procedures referred to in chapter F.1.5.1 General provisions shall be open on equal terms to all natural persons who are nationals of and legal persons which are effectively established in all participating countries and in accordance with the applicable legislation of each participating country.

All supplies purchased under a procurement contract referred to in chapter F.1.5.1 General provisions shall originate from a participating country in accordance with the previous paragraph, except when the cost of these supplies is below EUR 100,000. In this case, supplies may originate from any country.

National preferences are prohibited except for procurement contracts with a value not exceeding EUR 20,000 in order to promote local capacities, markets

[36] See chapter F.1.4.6 Conflict of interest

and purchases. Failure to comply with this principle shall render the related expenditure ineligible.

#### F.1.5.3 Programme provisions

In addition to the provisions set by the Financing Agreement the Programme provisions need to be taken into account.

This is the "Bid-at-three" rule for all contracts with contracting amounts at or above EUR 5,000 (excl. VAT) and below the thresholds set by Russian national rules or the annex of the Financing Agreement. **The bid-at-three rule is detailed in chapter F.1.4.5**.

In order to ensure an appropriate **audit trail** as well as **transparency** of the **procurement process** and **decision making** the procurement procedure has to be **thoroughly documented.** Furthermore, records of the procurement procedures carried out have to be kept at least until the deadline set by the Programme in **chapter G.5.2**.

**Please note:** The strictest procurement procedure of those specified in the Programme rules, EU directives or the national legislation always has to be applied.

Project **partners** are **not allowed to contract each other** to carry out project activities.

The Programme also encourages a green and sustainable approach of tendering, whenever legally possible. Further details regarding sustainability are provided under chapter C.4.2.

In line with chapter F.1.4.6 any conflict of interest must be avoided.

As stipulated in chapter F.1.4.7 failure to comply with the procurement requirements will lead to financial consequences.

### F.1.6 State aid rules

#### F.1.6.1 Introduction

In the current funding period, the Programme will be open for private for-profit partners (e.g. SMEs) in order to involve relevant partners from all sectors and to better meet the objectives of the Programme. Increasing private sector involvement may also increase the likelihood of State aid. That said, the status of the recipient is not relevant to State aid considerations since public, charitable, not-for-profit organisations and universities, etc. may all be recipients of State aid, depending on the activity supported. Therefore, it has

been decided to allow State aid relevant activities under certain conditions. However, the general expectation is that, as in the past, due to their cooperation character, few projects in the Interreg Baltic Sea Region will be State aid relevant.

The Programme is bound to comply with the State aid rules which apply in the European Union (EU) and the European Economic Area (EEA). The EU/EEA rules generally prohibit State aid, but they allow for State aid to be compatible with the EU Treaty in closely-defined circumstances where it can contribute to certain policy objectives. State aid rules, defined by the Programme, are not applied to the Programme co-financing to the Russian partners.

The State aid rules of the Programme are outlined briefly in the following sub-chapters. Detailed fact-sheets as well as templates for self-declarations and related guidance will be provided on the Programme website.

### F.1.6.2 Steps to identify State aid relevant activities

**When to identify State aid relevant activities**

Applicants will be asked to check their activities for State aid relevance only when preparing a full application. The MA/JS supports the applicants in this process (e.g. during individual project consultations). Furthermore, applicants are encouraged to consult their national or regional State aid unit (a contact list of national State aid experts is provided on the Programme website).[37]

**How to identify State aid relevant activities**

As a general principle, all project activities will have to be assessed at partner level to determine whether they are State aid relevant or not.

The following questions have to be answered to establish whether funding for the applicant will involve State aid and, therefore, what compliance steps are required:

**Identification of "undertaking" and "economic activity"**

[37] National State aid experts will be able to provide basic information on State aid, support in the understanding of "economic activities" and may provide specific national information, documents and contacts in the area of concern. However, national State aid experts will not answer questions related to State aid in the programme. Such information is provided by the MA/JS. And, the national State aid experts will not carry out a detailed assessment of State aid in the project and/or establish a State aid solution for the applicant. The final decision and responsibility for identifying State aid relevant activities and the suitable State aid instrument remains with the concerned project partner.

In order for State aid to be present, the recipient must be an "undertaking". **Undertakings** are entities engaged in an "economic activity", regardless of their legal status (they can be public bodies, non-governmental organisations or universities, as well as private firms) and regardless of whether they aim to make a profit or not. Accordingly, a first step concerns information about the nature of the activity to be undertaken within the project, and, specifically, whether this involves an economic activity. If the activity is not economic, the applicant is not an undertaking for State aid purposes and it can be concluded that there is no State aid.

**Economic activity** is broadly defined as 'offering goods or services on a given market'. The key question is whether, in principle, the activity could be carried out by a private body in order to make a profit. If so, the activity will most likely be considered "economic" and thus, the partner will be considered an "undertaking".

**Identification of State aid relevant activities**

As a second step, the project activities which are identified as being "economic" (the non-economic activities of a given partner in the project are not considered further in this context), have to be assessed for their State aid relevance.

The most crucial question is whether there is a selective advantage involved in supporting a certain activity, i.e. whether there is a benefit that the undertaking (partner) would not gain under 'normal market conditions' or whether it is relieved of costs that it would normally have to meet. If there is no selective advantage or benefit to the applicant, then there is no State aid.

Where the activity is economic and support is regarded as constituting an advantage, support from the Programme is likely to be State aid relevant. Consideration should then be given to whether any State aid element can readily be eliminated.

In case the planned activities meet at least one of the conditions below, this might be an indication for project partners that these activities are (most likely) not state aid relevant:

- **The observation of procurement rules**

  The economic activities are not carried out by the project partner but by an external service provider that has been selected in accordance with the applicable procurement rules (see chapter F.1.4 of this Programme Manual).

**Please note:** Exceptions to the public procurement rules (chapter F.1.4.8) are not possible as it can otherwise not be concluded that the planned activities are most likely considered not to be State aid relevant.

or

- **The respect of the open-access principle**

  All outputs resulting from economic activities are open-source and widely disseminated on a non-exclusive and non-discriminatory basis to ensure the most transparent and the widest possible access to all interested stakeholders including potential competitors. The publications on the project outcomes have to be in the form of "defensive publications", so that all innovations and inventions arising from the project are made available in the public domain and become state of art. In this way no intellectual property rights can afterwards be claimed on any of the project outcomes neither by the project's participants nor other actors outside the project.

Partners would have to check compliance with these conditions before concluding that there is no State aid involved in the project. In case of doubt whether these conditions can be realistically fulfilled it is not recommended to apply them. State aid relevant activities can still be covered by the State aid instruments (as outlined in the sub-chapter below).

**Specification of State aid relevant activities in the application**

In case an applicant identified State aid relevant activities, more details have to be provided in the application. This means that in the work plan the corresponding group of activity has to be marked as State aid relevant and the State aid relevant activities have to be described. Furthermore, the related budget has to be declared in a separate budget table as part of the application. Only this part of the activities and budget will be subject to the State aid instruments described below.

**Submission of State aid self-declaration**

Each applicant has to provide a State aid self-declaration along with the application which has to provide a detailed overview of its individual activities in the project.[38] The overview has to cover all activities (not State aid relevant and

[38] A template is provided with the call documents and also available under http://www.interreg-baltic.eu/for-projects/state-aid.html

State aid relevant) planned for the applicant, as it is the main basis on which the MA/JS concludes on the State aid relevance of each applicant's activities.

### F.1.6.3 Application of State aid instruments

Where support to a project is identified as being State aid relevant, there are two options for compliance provided for in the Interreg Baltic Sea Region: **de minimis** support and State aid compatible with the **General Block Exemption Regulation (GBER)**[39].

**De minimis Regulation**

Where possible, State aid relevant projects will be supported on the basis of the de minimis Regulation[40]**.** This allows support of up to EUR 200,000 in a three-year period to fall outside the scope of State aid. The EUR 200,000 ceiling applies to all types of support whether from national or EU-sources. Besides grants, all other forms of support, such as loans and guarantees, are also taken into consideration. The three-year period refers to the fiscal year concerned plus the previous two fiscal years. There is a lower limit for road freight transport (EUR 100,000).

The fisheries and aquaculture sector (EUR 30,000) and the primary production of agricultural products (EUR 15,000) are subject to different de minimis Regulations, which are not applied in the Programme. Therefore, the support to activities of applicants active in these sectors can only be framed within the General Block Exemption Regulation (GBER).

In case the State aid relevant activities shall be covered by this instrument, the submission of a de minimis declaration[41] will be required during contracting of the project (i.e. before the subsidy contract is signed between the lead partner and the MA/JS).

**General Block Exemption Regulation (GBER)**

Where an applicant has already used up the de minimis 'quota' and for applicants active in the fishery and aquaculture sector or primary production of

[39] COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJEU L 187/1 of 26 June 2014

[40] COMMISSION REGULATION (EU) No 1407/2013 on de minimis aid, OJEU L 352/1 of 24 December 2013

[41] A template is available on the Programme website (http://www.interreg-baltic.eu/for-projects/state-aid.html).

agricultural products, consideration will be given to framing support within the General Block Exemption Regulation. The MA/JS has set up the following aid schemes for the GBER articles that are most relevant for the Programme:

1) Interreg Baltic Sea Region SME aid scheme 2014-2020 (Reference No. SA.42813);
2) Interreg Baltic Sea Region research and development and innovation aid scheme 2014-2020 (Reference No. SA.44437);
3) Interreg Baltic Sea Region training aid scheme 2014-2020 (Reference No. SA.42812);
4) Interreg Baltic Sea Region environmental aid scheme 2014-2020 (Reference No. SA.44537).

The full text of the schemes is available in the State aid section on the Programme website.[42] The aid schemes set specific eligibility rules and aid intensities. The eligibility requirements of the aid schemes apply to specific State aid relevant activities and must be strictly adhered to. The aid intensities set the maximum rates at which the State aid relevant activities can be financed within the GBER. These rates can be equal or lower, but never higher than the maximum co-financing rates laid down in chapter B.5 of this Programme Manual.

In case the State aid relevant activities shall be framed within the GBER, the submission of a GBER declaration or a GBER and SME declaration[43] will be required during contracting of the project (i.e. before the subsidy contract is signed between the lead partner and the MA/JS).

The decision on whether to apply the de minimis Regulation or the GBER will be taken by the applicants themselves. As outlined above, both instruments specify certain limits on the maximum amount of aid and/or the aid rate (percentage) applicable. Project partners should consider carefully the implications before opting for one of the two instruments.

**Please note:** State aid granted for the same eligible costs cannot be accumulated, i.e. a project partner cannot receive State aid for the same eligible costs from this Programme and from any other public funding source.

In case neither de minimis nor the GBER can be applied, the applicant has to remove the State aid relevant activities from the application.

[42] http://www.interreg-baltic.eu/for-projects/state-aid.html

[43] The MA/JS will inform the lead partner about the document required. The templates are also available on the Programme website (http://www.interreg-baltic.eu/for-projects/state-aid.html).

### F.1.6.4 Assessment of State aid relevance and application of State aid instruments

As part of the quality assessment[44] the MA/JS concludes on the State aid relevance of the project activities. For this purpose it considers the statements made in the application and the State aid self-declarations.

If State aid is present, the MA/JS will investigate which State aid instrument can be applied and present the options in the assessment sheet that summarises the outcome of the quality assessment. When selecting the projects for funding, the Monitoring Committee will consider the assessment of the MA/JS and, if needed, approve the project with certain requirements[45] that have to be clarified during the contracting phase of the project and before signature of the subsidy contract. During this phase, the MA/JS might also require further documents (e.g. de minimis declaration, GBER declaration).

Figure 6 summarises the State aid procedure that was described in chapters F.1.6.2 to F.1.6.4:

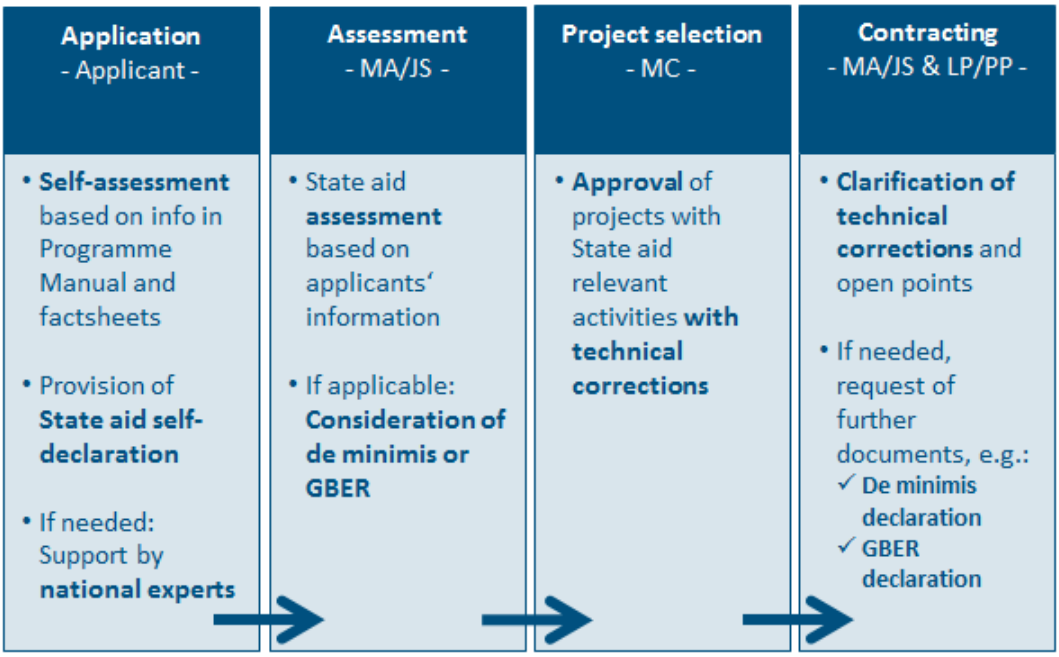


*Figure 6:* State *aid procedure*

[44] See chapter D.1.9.2 for more details on the quality assessment procedure.

[45] See chapter D.1.10 for more details on the MC selection of applications.

### F.1.6.5 Monitoring and reporting of State aid relevant activities

Applicants receiving aid under the above State aid instruments have to follow specific monitoring and reporting requirements.

As described in chapter F.1.6.2, the group of activities containing State aid relevant activities are marked in the application form and the corresponding budgets are set out separately.

Accordingly, project partners receiving aid under the above listed State aid instruments have to separate the State aid relevant activities as well as related expenditure and revenues in their accounting system so that a cross-subsidisation of the State aid relevant activities is effectively avoided.

Reporting of State aid relevant activities and their budgets to the MA/JS is also done separately in the reports (i.e. partner report and project progress report).

Further details concerning reporting and first level control can be found in chapters G.3 and I.5 of this Programme Manual.

### F.1.6.6 State aid to third parties

It may also be that project partners grant State aid to third parties outside the project partnership. This is because other undertakings (i.e. entities engaged in economic activities) not included as project partners in the project partnership (e.g. associated organisations, target groups, etc.) could receive an advantage through the project's activities that they would not have received under normal market conditions. And this implies that they could be recipient of State aid.

Examples are:

- Consultancy or other subsidised services provided to SMEs
- Training courses provided to SMEs
- Access to research facilities for companies

It is worth mentioning, that even though the project partner does not perform State aid relevant activities in the project, its activities could mean an advantage for third parties outside the project partnership.

Therefore, when preparing the full application and completing the State aid self-declaration, each applicant must also consider whether its activities will give rise to State aid to third parties.

Where a partner provides State aid to end users, it will be necessary for the project partner providing the advantage to calculate the value of the supportive activities.

Then consideration may be given to eliminating any State aid element, for instance, by charging a market price for the training. Alternatively, it may be possible to frame such support within the de minimis Regulation. In this case, the partner is responsible for ensuring that the terms of the de minimis Regulation are met, including the monitoring and administrative arrangements (e.g. collection of de minimis self-declarations, informing the third party in writing of the prospective amount of de minimis aid, informing central registers for de minimis, if existing, maintaining records regarding individual de minimis aid, etc.).

Partners that intend to frame State aid within the de minimis Regulation are encouraged to get familiar with that regulation and, if needed, seek further information at national level.[46] If national rules allow, the Programme template for the de minimis self-declaration may also be used.

### F.1.7 Use of Euro and exchange rate

All expenditure reported in the progress reports must be denominated in Euro.

All project partners whose national currency is not Euro must convert the expenditure, which was incurred and paid in the national currency, into Euro. The conversion will be done by the project partner using the monthly exchange rate of the European Commission **in the month during which the partner report will be submitted to the first level controller.** The conversion will be verified by the controller of the participating country in which the project partner is located. Thus, the same exchange rate will be applied for a complete reporting period to all expenditure regardless of their payment or invoice dates.

[46] A contact list of national State aid experts will be provided on the Programme website. These experts provide general information on State aid and support in the understanding of "economic activities". If needed, the national State aid experts also provide specific national information and documents (e.g. national template for de minimis certificates/confirmation letters) and national contacts in the area of concern (e.g. contact to national State aid registers). However, the national State aid experts will not provide information on State aid in the programme. And, the experts will not carry out a detailed assessment of State aid in the project and/or establish a State aid solution. The final decision and responsibility for identifying activities providing State aid to third parties and the suitable State aid solution remains with the concerned project partner.

***Example:*** *A reporting period runs during January – June 2016. The partner submits the report to the FLC in July 2016. As a consequence the exchange rate of July 2016 will be used to convert the costs of the progress report from national currency into Euro.*

The European Commission publishes the monthly exchange rates on the first day of the month under:

http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm

Any exchange risk and loss has to be borne by the project partners.

### F.1.8 Value added tax and other financial charges

Value added tax (VAT) which is recoverable, by whatever means, is not eligible.

Only non-recoverable VAT borne by the project partners that may not be refunded or offset by the tax authorities, or by any other means, may be included in the progress reports.[47]

Furthermore, debit interests are ineligible and have to be borne by the project partners.

### F.1.9 Cash inflows

#### F.1.9.1 Revenues and other cash inflows

The Programme differentiates between two types of cash inflows:

- **Revenues** are cash inflows directly paid by users for the goods or services provided by a project, such as charges borne directly by users for the use of infrastructure, sale or rent of buildings, or payments for services.
- **Net revenues are understood as revenues above** minus any operating costs and replacement costs of short-life equipment incurred during the corresponding period. Operating cost-savings generated by the project shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies;[48]

[47] REGULATION (EU) No 1303/2013, Article 69.3

[48] REGULATION (EU) No 1303/2013, Article 61

**Other cash inflows** are private and public contributions and/or financial gains that do not stem from tariffs, tolls, fees, rents or any other form of charge directly borne by the users.

***Examples**:*

*Revenues:*

- *Sales price or rent, e.g. prices or rents paid for using rooms of a technology park, which was established by a project, rents for holding exhibitions in a cultural building that was renovated within a project.*
- *Service fees, e.g. fees paid by users of training curricula and material, which were developed within a project, attendance fees for project workshops, sales revenue of project brochures.*

*Other cash inflows:*

- *Government contributions towards construction and/or operating costs, etc.*
- *Contribution of public bodies or private donors, e.g. to the construction and/or operating costs of a building.*
- *Contribution of private equity to the development and/or implementation of training courses.*

### F.1.9.2 Treatment of revenues

If a project is identified as revenue generating the revenues have to be deducted from its total eligible expenditure fully or on a pro-rata basis and shall consequently reduce the ERDF contribution to it.[49]

Revenues do not have to be deducted if they are generated by State aid relevant activities that are framed within the de minimis Regulation or the General Block Exemption Regulation (GBER).[50] If a project partner carries out both, State aid relevant activities and other activities, the exception only applies to the State aid relevant activities. To the other activities the regular rules for revenues apply.

Revenues generated by the project are monitored and treated by the Programme as follows:

[49] REGULATION (EU) No 1303/2013, Article 61

[50] REGULATION (EU) No 1303/2013, Articles 61(8) and 65(8)

**Project application stage**

Projects which expect their activities to generate revenues have to plan their budgets accordingly and the revenues must be offset with the planned expenditure.

**Project implementation phase**

Project partners are responsible for keeping account of all the revenues and to have the required documentation available (e.g. for control purposes).

The revenues, if not deducted at the application stage, must be stated in the progress report and must be deducted from the eligible expenditure (i.e. the reported amounts cannot include any revenues). Project partners have to provide their first level controller with information on the revenues generated in the reporting period and to support this with the accounting or equivalent documents.

When compiling the project progress reports, the lead partners have to indicate the expenditure and revenues as confirmed by the partners' FLC. The MA/JS carries out a plausibility check of these indications during the clarification of the progress reports.

**After the project closure**

If a project generates net revenues within three years after the project closure the respective net revenues have to be reported to the MA/JS, will be recovered from the project and will be deducted from the expenditure to be reported to the European Commission no later than within the final payment request of the Programme submitted to the European Commission.

Consequently, the total expenditure declared to the European Commission by the closure of the Programme has to have all revenues offset.

### F.1.9.3 Treatment of other cash inflows

**Treatment of public cash inflows**

Costs which were already co-financed from other EU funds, or were fully covered by other international, national, regional and/or local funds are not eligible for co-financing from the Programme.

Co-financing received from international (e.g. UNESCO), national, regional and/or local funds are only eligible provided that

- the international, national, regional or and/or local subsidy does not exceed the partner's own financial contribution (15%-50%, depending on the location of the project partner and the Programme funding source), **and**
- National, regional and/or local funds come from the project partner's country.

**Treatment of private cash inflows**

Private cash inflows are regarded as donations and sponsoring, and thus are not-eligible for co-financing from the Programme

***Example:*** *a business partner pays a contribution (donation/sponsoring) for an event which was organised by the project.*

### F.1.10 Visibility rules

#### F.1.10.1 General provisions

Projects usually arrange various information and communication activities, such as events (e.g. conferences, seminars, press conferences, briefings, training), websites, documents (presentations, invitations), publications (e.g. brochures, flyers), promotional materials (e.g. T-shirts, bags, cups, umbrellas), press releases, newsletters, billboards, posters, commemorative plaques, vehicle panels, and others.

All information and communication activities have to refer to the support from the Programme funds as follows:

a) the **European Union emblem** ("EU flag") in accordance with the technical characteristics specified in the European Commission Implementation Regulation No. 821/2014[51], together with a reference to the European Union;

b) A **reference to the EU funding source(s).** The reference shall read as follows: European Union (European Regional Development Fund) in English or respective national language;

[51] COMMISSION IMPLEMENTING REGULATION (EU) 821/2014 of 28 July 2014 laying down rules for the application of REGULATION (EU) No 1303/2013 of the European Parliament and of the Council as regards detailed arrangements for the transfer and management of programme contributions, the reporting on financial instruments, technical characteristics of information and communication measures for operations and the system to record and store data. Available online at http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0821&from=EN.

c) The **Programme logo**, in accordance with the technical characteristics in the Corporate Design Manual for Interreg Baltic Sea Region or the Programme logo with an integrated project acronym ("adapted project logo") as described in the project design guide;

d) Applicable to **Russian partners only**: **The flag of the Russian Federation and a reference to the Russian national fund**. The reference shall read as follows: "With the financial support of the Russian Federation" in English or in Russian.

Misuse of the visibility requirements mentioned above may result in ineligibility of items produced for the project, i.e. the costs may not be refunded (see chapter F.1.10.3).

**MA/JS service: Templates, logos and other downloads**

The MA/JS provides support services concerning visibility such as a project design guide, templates for office applications and design files (map, related logos and a combined Programme logo with the EU emblem and the flag of the Russian Federation applicable to the Russian project partners only) on the Programme website in the section "For projects" under http://www.interreg-baltic.eu/visibility_rules/visibility-downloads.html. Project coordinators and communication managers should check frequently for new offers.

**Relevant regulations**

In order to comply with the technical requirements of the information and communication measures, we recommend to project lead partners to familiarise themselves with the following regulations:

**REGULATION (EU) No 1303/2013**[52]**:** This regulation describes the legal basis and more general rules on visibility (i.e. towards beneficiaries/project partners). Project lead partners are strongly recommended to get acquainted with chapter 2.2 of Annex XII of the document.

**IMPLEMENTING REGULATION (EU) No. 821/2014:** Here, the European Commission has defined the use of the EU emblem ("EU flag") in great detail. In this regulation, the positioning and size of the EU Emblem and the reference to the fund are specified, e.g. for different media and in different contexts (such as combination with other logos). All project partners must be aware of Art (3), (4), (5), in particular.

[52] REGULATION (EU) No 1303/2013 Annex XII for download at http://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex%3A32013R1303.

### F.1.10.2 Special provisions and exceptions

**Project poster in partner's premises**

Each project partner should place at least one poster with information about the project (minimum size A3) at a location visible to the public, such as the entrance area of a building/office. The poster has to display the objective of the project and the amount of EU financial support. For Russian project partners, the poster should include the financial support received from the Russian Federation as well.

**Project note**

When a project partner (i.e. institution, organisation) or a project maintains a website, this website should include a short description of the project, proportionate to the level of support, including its aims and results, and highlighting the financial support from the Programme/European Union. If a Russian project partner runs a website, it should include information on the financial support received from the Russian Federation as well.

The same rule applies for printed and digital publications.

**Small promotional objects**

For small promotional objects (e.g. pens), the same rules apply as set out in the general provisions (see F.1.10.1). However, the obligation to make reference to the fund (i.e. naming "European Regional Development Fund") does not apply. Russian project partners have to add the flag of the Russian Federation but they may shorten the written reference to "Russian Federation".

**Equipment**

Every equipment item, which is **part of a project's investment(s)** and which is partially or fully financed by the Programme has to be marked with a label containing the following elements:

- the European Union emblem,
- a reference to the EU funding source(s);
- the Programme logo;
- applicable to **Russian partners only**: The flag of the Russian Federation and the reference to the financial support received from the Russian Federation**.**

The label must not be removed even after the finalisation of the project.

**Infrastructure and construction**

At each investment location, in case the total public support to **the infrastructure or construction** within the project exceeds EUR 500,000, project partners have to put up a temporary billboard, which has to be visible to the public.

Regardless of the total public support to the project, no later than three months after the completion of the infrastructure or construction, partners have to put up a permanent plaque or a billboard, which is visible to the public.

The plaque/billboard must contain the following visibility elements:

- the name and the main objective of the project;
- the European Union emblem;
- a reference to the EU funding source(s);
- the Programme logo;
- applicable to **Russian partners only**: The flag of the Russian Federation and the reference to the financial support received from the Russian Federation.

**Seed money projects only**

In addition to the requirements detailed above seed money projects have to apply/include the logo of the EUSBSR, which can be downloaded via http://www.interreg-baltic.eu/visibility_rules/visibility-downloads.html.

#### F.1.10.3 Compliance and financial corrections

All projects have to ensure compliance with the visibility rules. Projects should keep samples of promotional items (e.g. USB sticks, pens). These should be sent on request to the FLC and the MA/JS. In cases of posters, exhibition stands, and in particular when the event is organised by third parties, and where only a few items of each kind are produced, a digital picture is considered a sufficient proof.

Failure to comply with the visibility requirements set out in this Programme Manual can have financial consequences, such as cutting of costs. However, such financial cuts would be balanced by taking the successful achievements of the project objectives into account.

### F.2 Overview on project phases and related costs

The project duration is divided into several phases depending on the project type (i.e. regular project, extension stage project, project platform or project

under priority 4). During these phases, project partners and the lead partner have a number of obligations. Moreover, the eligibility of costs depends on the project phase. Below you will find a summary of what has to be done and observed before, during and after the project implementation phase.

Expenditure related to the project preparation before the MC approval can be reimbursed as a lump sum under the conditions described in chapter D.1.8.3. “Reimbursement of preparation costs”.

The contracting phase starts on the day following the date of the project approval by the MC and lasts three full months. The project may start implementation during the contracting phase once the contract is concluded.

The project implementation phase will always start on the first day of a calendar month and finishes on the last day of a calendar month.

In addition, projects have three months reserved under what is known as the closure period for the preparation and certification of the final report.

Project related expenditure generated and paid during the contracting, implementation and closure phases are eligible for co-financing. However, projects have to finalise the implementation of activities and outputs before the end of the implementation period.

The closure phase is reserved for compiling and certifying the final progress report only and no content implementation can take place during this period. Experience shows that the final administrative duties related to reporting and certification take up the full three months of closure. Therefore, projects should plan carefully to make sure that there is sufficient time for the compilation of the final progress reports. The last day of the closure period is the submission dead-line of the final report.

Project costs generated or paid after the end of the closure period are not eligible for Programme co-financing.

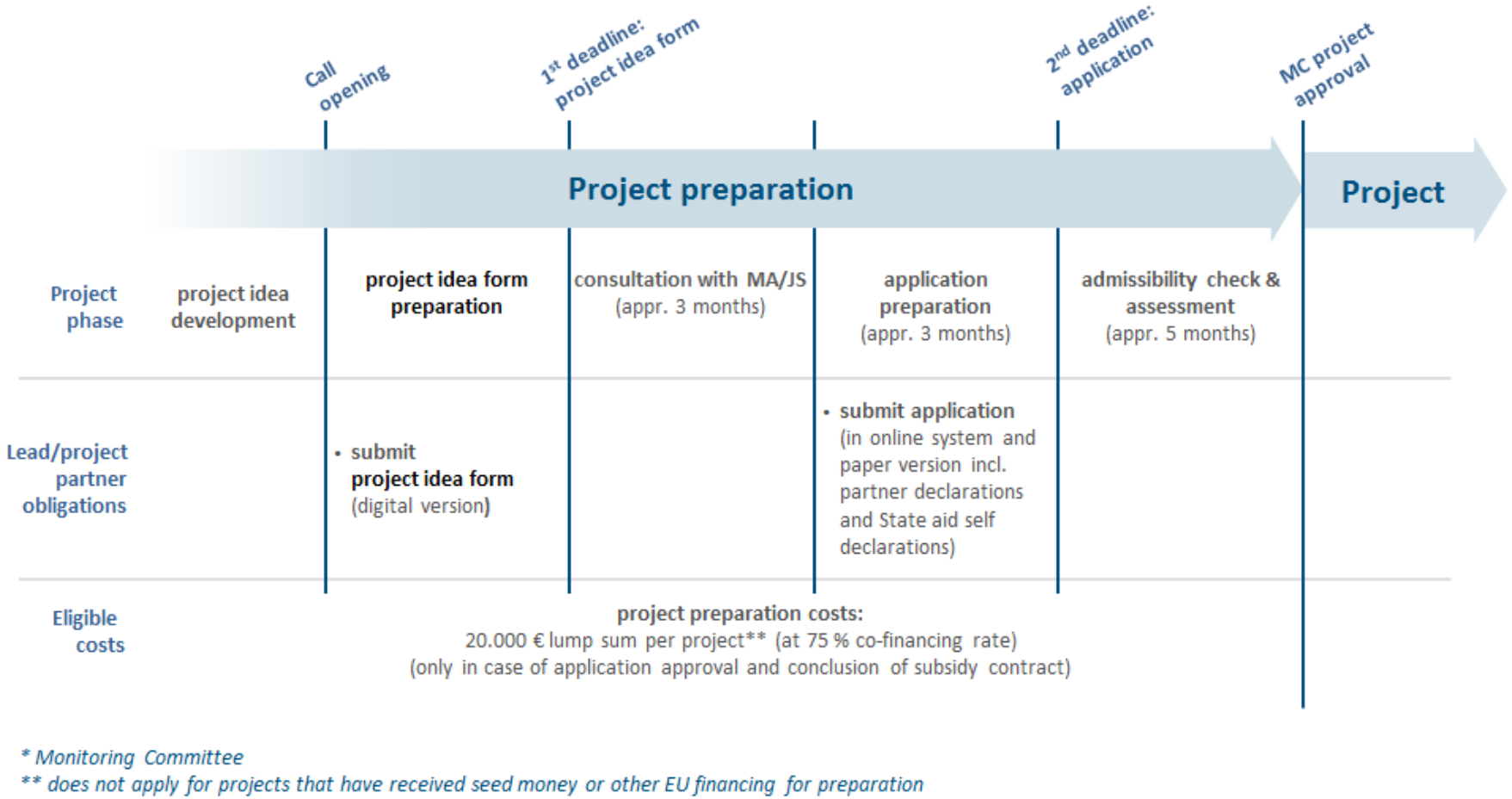


*Figure 7a:* Overview on project phases – project preparation

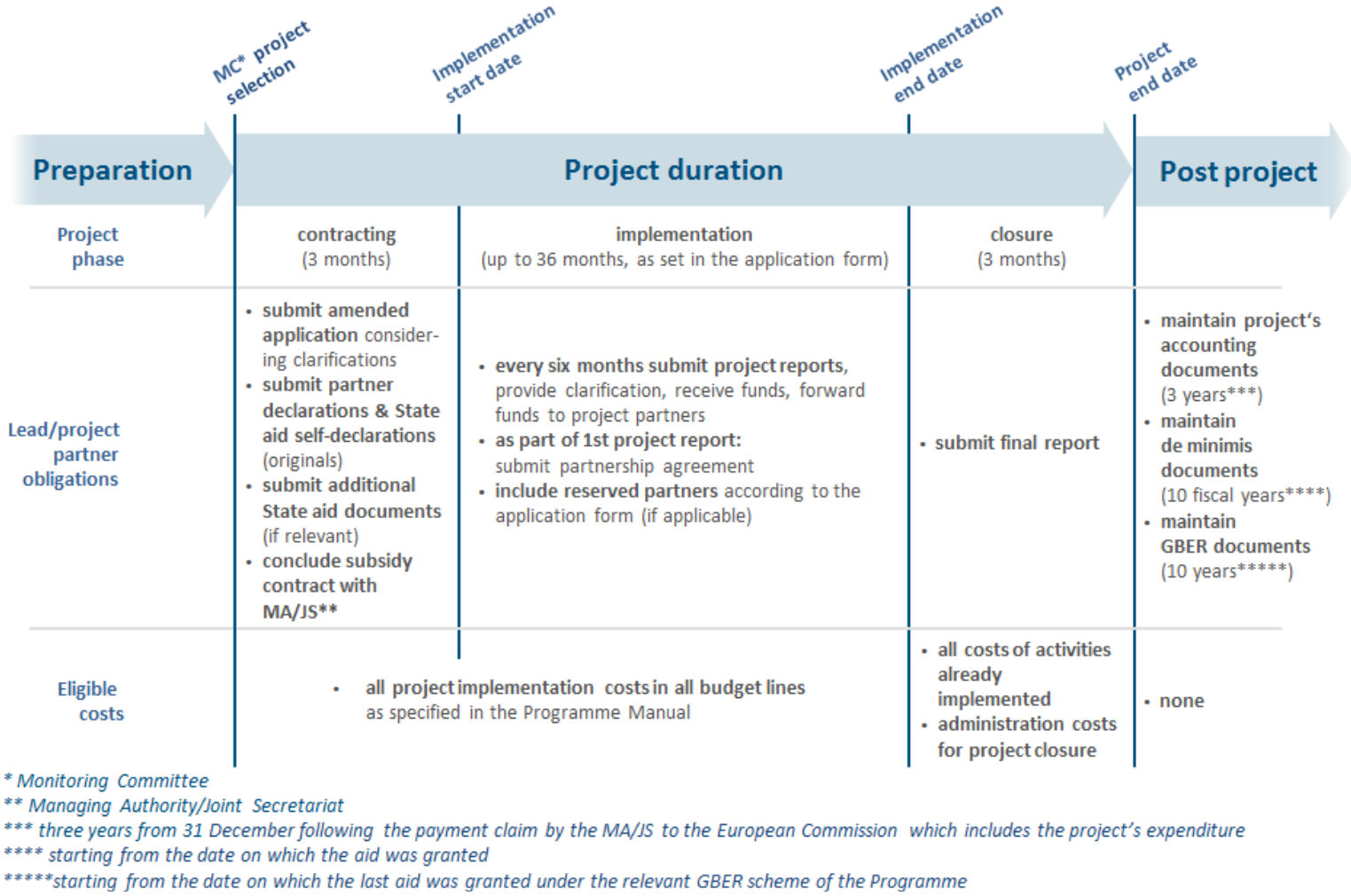


*Figure 7b: Overview on project phases – project duration*

## F.3 Budget lines

The Programme has set up the following budget lines for expenditure generated by projects:

- Budget line 1 – Staff costs,
- Budget line 2 – Office and administrative expenditure,
- Budget line 3 – Travel and accommodation costs,
- Budget line 4 – External expertise and service costs and
- Budget line 5 – Equipment expenditure.

The five budget lines above and the related rules are based on the requirements of the COMMISSION DELEGATED REGULATION (EU) No 481/2014. In addition, and concerning specific types of project activities the expenditure of which cannot be incorporated under any of the pre-defined budget lines and other eligibility rules set by the EU regulations, the Member States can develop supplementary eligibility rules.

In this respect the Member States of the Programme have set up Programme specific rules and separate budget lines for:

- Budget line 6 – Infrastructure and works;
- Budget line 7 – Expenditure for specific project activities (e.g. expenditure for large research activities at sea etc.).

These additional Programme rules have the same primary character as the provisions of the COMMISSION DELEGATED REGULATION and are to be applied in full.

### F.3.1 Budget line 1 – Staff costs

Under this budget line the eligible costs are the gross employment costs of staff, who are employed by the project partner organisations and are formally engaged in the project activities.

Project staff can be hired by the project partners in one of the following ways:

- Full time – an individual dedicates 100% of his/her working time to the project. [53]
- Part time – only a part of the contractual hours is spent on the project activities:
    - with a fixed percentage of time worked per month;
    - with a flexible number of hours worked per month;
    - on an hourly basis.

Below you will find a description of the general principles of eligibility for this budget line, the eligible staff cost components as well as the calculation methods.

#### F.3.1.1 General principles of eligibility

Expenditure on staff costs is eligible under the following conditions:

- salary payments are related to the project activities which the entity would not carry out if the operation concerned was not undertaken;
- salaries are fixed in an employment/work contract, an appointment decision (both hereinafter referred to as 'employment document') or by law, relating to responsibilities specified in the job description of the staff member concerned.

Payments to natural persons working for the project partner under a contract other than an employment/work contract but which is equivalent to such a contract may be reported as salary payments. The conditions under which a natural person can work under such a contract should be clarified by the project partners and communicated to the first level controllers. Taking into account that the national regulation regarding this issue might be different from country to country the Programme does not provide a generally applicable definition of the term. Instead, project partners are required to clarify this on the level of national law and their institutional regulations as well as with their first level controllers.

[53] The understanding of the Programme of a full time employee is one who dedicates all his/her contracted hours to the project activities. In this sense, the number of hours contracted can be less than the maximum legal monthly threshold of the respective country. As long as all worked hours are allocated to the project, the employee is considered to be a full time worker.

**Please note** that all contracts not being equivalent to the employment contract must follow the rules of public procurement and should be included under the relevant budget line.

#### F.3.1.2 Eligible staff cost components

The following gross employment costs of project staff are eligible:

- Salary payments fixed in the employment/work contract, an appointment decision[54] or by law, relating to responsibilities specified in the job description of the staff member concerned;
- Any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered by the REGULATION (EC) No 883/2004 of the European Parliament and of the Council provided that they are:
  - Fixed in an employment document or by law;
  - In accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where a staff member is employed; and
  - Not recoverable by the employer.

#### F.3.1.3 Calculation of staff costs

Full time employees will allocate 100% of their gross employment costs to the project. No additional calculation is necessary.

Staff costs of the part-time employees, who are dedicating only a part of their total working time to the project, have to be calculated according to either of the following methods:

1) A fixed percentage of the gross employment cost, in line with a fixed percentage of time worked on the project, with no obligation to establish a separate working time registration system; or
2) A flexible share of the gross employment cost, in line with the number of hours, which can vary from one month to the other, on the project, based on a time registration system covering 100% of the total working time of the employee.

[54] With regard to natural persons working for the partner organisation under a contract other than an employment/work contract, their payment may be assimilated to salary payments with such a contract being considered as an employment document.

For part-time assignments under point 1) the employer has to issue a document for each employee setting out the percentage of time to be worked for the project.

For part-time assignments under point 2) the reimbursement of staff costs has to be calculated on an hourly rate basis determined either by:

a) dividing the monthly gross employment costs by the monthly working time fixed in the employment document expressed in hours; or

b) Dividing the latest documented annual gross employment costs by 1,720 hours[55].

The hourly rates calculated under points a) and b) have to be multiplied by the number of hours actually worked for the project.

Staff costs relating to individuals who, according to the employment document, work on an hourly rate basis, will be eligible by applying the number of hours actually worked for the project and based on a working time registration system to the hourly rate agreed in the employment document.

#### F.3.1.4 Registration of working time

Employees working on a part-time basis, using any of the flexible shares of the gross employment schemes referred to under point 2) of chapter F.3.1.3 have to register the working hours spent on the project.

Full time working staff and staff with a fixed percentage of hours spent on projects do not need to register their working time spent on the project.

Where required, the hours worked by employees on various project activities should be well documented and available for the first level control and desk checks carried out by the MA/JS or the second level audit.

To support the project partners in this administrative task the MA/JS developed a staff cost tool. This mandatory tool will support the project partner in the proper calculation of staff costs. For methods, where timesheets are required, this tool offers an option to use a timesheet template developed by the Programme. Alternatively, only the total amount of hours worked and the total amount of hours worked for the project according an own internal time registration system are added into the staff cost tool. In this second case where

[55] REGULATION (EU) No 1303/2013, Article 68(2)

project partners have their own system for registering the working hours of employees, this system may be used for project purposes, as long as the following minimum requirements are fulfilled:

Time sheets or equivalent documents:

- Are completed for each employee individually;
- Contain the amount of hours worked for the project on a daily basis; and
- Are signed by the employee and his/her supervisor.
- The time registration must cover 100% of the working time of the employee (including activities outside the project under the same employment contract).

More details about the staff costs tool can be found in the chapter G.3.4 Management toolkit.

### F.3.1.5 Overview: Calculation and documentation of staff costs

*Table 8* Calculation *and documentation of staff costs*

| *Type* | *Calculation* | *Registration of working hours* | *Documentation of staff costs* |
|---|---|---|---|
| **(A) Full Time employment** | | | |
| | 100% of the gross employment costs are allocated to the project (for details see above). | No obligation regarding the use of time sheets. | 1. Employment/work contract or other equivalent document for each employee;<br>2. Job description specifying the project tasks;<br>3. Proof of payment of the gross employment costs on a monthly basis. |
| **(B) Part time employment** | | | |
| **(B.1) With a fixed percentage of time worked per month** | | | |
| | The percentage fixed in the employment/work contract or other equivalent document is multiplied by the monthly gross employment costs of the employee. | No obligation regarding the use of time sheets. | 1. Employment/work contract or other equivalent document for each employee. The ***employment document*** has to ***specify*** the ***tasks*** and ***the percentage*** of the time worked per month for ***the project***. Alternatively, a specific document can be issued by the employer for each employee setting out the percentage of time to be worked on the project (e.g. Job description);<br>2. Document stating the gross employment costs in the respective working month;<br>3. Overview on the monthly calculations for each reporting period;<br>4. Proof of payment of the gross employment costs. |

| | | | |
|---|---|---|---|
| **(B.2) With a flexible number of hours worked per month, such as:** | | | |
| **(B.2.1.) On a contracted hourly rate basis** | Number of hours actually worked for the project multiplied by the hourly rate set in the employment contract. | Time sheets signed by the employee and his/her supervisor indicating the hours worked for the project and the related tasks on a daily basis. The time registration system must cover 100% of the working time of the employee *(including activities outside the project under the same employment contract)*. | 1. Employment/work contract or other equivalent document indicating the involvement of the employee in the project as well as the hourly rate;<br>2. Job description specifying the project tasks (can be included in the employment/work contract);<br>3. Calculation of the monthly gross employment costs based on the hours registered in the time sheet and the contracted hourly rate;<br>4. Proof of payment of the gross employment costs. |
| **(B.2.2) Calculated with a monthly hourly rate** | Number of ***hours actually worked for the project*** multiplied by the ***pre-calculated monthly hourly rate.***<br>The monthly hourly rate is calculated by dividing the monthly gross employment cost by the monthly working time fixed in the employment/work document expressed in hours. | Time sheets signed by the employee and his/her supervisor indicating the hours worked for the project and the related tasks on a daily basis. The time registration system must cover 100% of the working time of the employee *(including activities outside the project under the same employment contract)*. | 1. Employment/work contract or other equivalent document indicating the involvement of the employee in the project;<br>2. Job description specifying the project tasks (can be included in the employment/work contract);<br>3. Calculation of the monthly gross employment costs of the project based on the hours registered in the time sheet and the pre-calculated hourly rate;<br>4. Accounting document stating the gross total salary in the respective working month. |

| | | | |
|---|---|---|---|
| | *Example calculation:*<br>*- total monthly working hours according to the contract: 168h,*<br>*- gross total salary of January: EUR 5,000; divided by 168 hours → monthly hourly rate EUR 29.76 (=5000/168)*<br>*- total monthly hours worked for the project: 100h*<br>*- total project costs → 100h * EUR 29.76 = EUR 2,976* | | |
| **(B.2.3) Calculated with a yearly hourly rate** | Number of hours actually worked for the project multiplied by the pre-calculated yearly hourly rate. This hourly rate is calculated by dividing the latest documented annual gross employment costs by 1,720 hours in accordance with Article 68(2) of REGULATION (EU) No 1303/2013. | Time sheets signed by the employee and his/her supervisor indicating the hours worked for the project and the related tasks on a daily basis. The time registration system must cover 100 % of the working time of the employee *(including activities outside the project under the same employment contract)*. | 1. Employment/work contract or other equivalent document indicating the involvement of the employee in the project;<br>2. Job description specifying the project tasks (can be included in the employment/work contract);<br>3. Calculation of the monthly gross employment costs of the project based on the hours registered in the time sheet and the pre-calculated hourly rate;<br>4. Accounting document stating the latest total annual gross employment costs of the previous year. |
| | *Example calculation:*<br>*- gross annual employment costs of the previous year EUR 45,000; divided by 1,720 hours*<br>*→ hourly rate EUR 26.16 (= 45,000 / 1,720)*<br>*- total monthly hours worked for the project: 100h*<br>*- total project costs → 100h * EUR 26.16 = EUR 2,616* | | |

Project organisations should decide upon the calculation of staff costs for each employee before the project implementation starts. If considered necessary, employees within the same organisation can follow different calculation methods. As soon as the project partners have decided upon one or the other calculation method, it is recommended that this approach be followed throughout the whole project implementation. A single calculation method for each employee makes the audit trail, as well as the documentation and monitoring of the relevant costs, more transparent and easier to follow.

**Reimbursement of staff costs**

Staff costs are only reimbursed according to one of the above listed calculation methods.

#### F.3.1.6 Contribution in kind: unpaid voluntary work

Unpaid voluntary work is the only type of in-kind[56] contribution accepted within the Programme.

Unpaid voluntary work is defined as work which is carried out for the benefit of the project, carried out on the basis of the volunteer's own will and without receiving any financial compensation for it. Voluntary work cannot be part of the paid assignments of the volunteers and should not be assigned to employees receiving remuneration from a project partner or any other organisation. Additionally, unpaid work cannot be assigned for statutory tasks of institutions and neither for project nor financial management. Instead, unpaid work should have a specific purpose, contribute to the content of the project and should be limited to a certain time period. The results of the unpaid work should be of added value to the project and contribute to the successful delivery of the project outputs.

***Examples:***

- *A student carrying out research activities for a study to be published by the project – in this case it only needs to be clarified whether the student receives remuneration (e.g. in the form of a scholarship from the university or other organisations); if yes, his/her contribution to the project cannot be accounted for as unpaid work.*

[56] REGULATION (EU) No. 1303/2013, Article 69

- *Activities of volunteers of an NGO carried out for the benefit of the project without receiving any remuneration for it.*

**Documentation of unpaid voluntary work**

Unpaid workers must have the following documentation available:

- A signed agreement between the volunteer and the organisation specifying the duration and conditions of the unpaid work;
- Signed time sheets indicating the hours undertaken by the volunteer to the project.

**Calculation and reporting of unpaid voluntary work**

When it comes to the calculation of unpaid voluntary work, project partners have to make sure that these have been objectively valued and that the hourly rates are similar but under no circumstances higher than the remuneration for equivalent work carried out in the region/country.

Furthermore, unpaid voluntary work can only be reported up to the amount of the individual partner contribution of each project partner, and is monitored with every progress report.

Additional costs of the host organisation that are essential and are incurred during the implementation of the activities and are carried out by unpaid workers can be assigned to the project (e.g. travel costs, insurances, material costs).

### F.3.1.7 Ineligible costs under budget line 1

The following costs are not eligible:

- Voluntary payments which were not agreed in the employment or equivalent documents (e.g. unspecified bonuses);
- Overheads and any other office and administration costs cannot be included under this budget line;
- Per diems and any other travel and accommodation costs cannot be included under this budget line.

**Please note** project partners, which do not have any own employees and/or cannot contract employees due to their legal status, are not allowed to plan or report any costs in BL1 as well as in BL2 and BL3 which directly attribute to the personnel of the project partner.

### F.3.2 Budget line 2 – Office and administration costs

Office and administration costs related to the project implementation will be calculated on a flat rate basis of 15% of the eligible direct staff costs.[57] Being covered by the flat rate, the expenditure categories listed below should not be included under any other budget line. Furthermore, and to avoid any double-financing, partners cannot report any cost item listed below in any other form than the flat rate set by the Programme (e.g. direct costs).

The following expenditure categories can be budgeted under this budget line:

- Office rent;
- Insurance and taxes related to the buildings where the staff are located and to the equipment of the office (e.g. fire, theft insurances);
- Utilities (e.g. electricity, heating, water);
- Office supplies;
- General accounting provided in the beneficiary/project partner organisation;
- Archives;
- Maintenance, cleaning and repairs;
- Security;
- IT systems;
- Communication (e.g. telephone, fax, internet, postal services, business cards);
- Bank charges for opening and administering the account or accounts where the implementation of a project requires a separate account to be opened; and
- Transnational financial transaction charges.

**Please note** that any IT system support purchased or leased by the partner organisation to support the delivery of general project activities is eligible under the budget line 2 – Office and administration costs.

In situations where an external expert is contracted to carry out specific content related tasks concerning the development, modifications or updates of

[57] REGULATION (EU) No. 1303/2013, Article 68 (b)

a specific project IT system or a website, such costs will be accepted under the budget line External expertise and services. The cost of IT software/hardware is eligible under the budget line Equipment.

**Calculation and documentation**

The calculations based on the flat rate for office and administrative costs will be done automatically in every progress report taking into account the amount of direct staff costs that have been reported. The expenditure covered under budget line 2 will not require any documentation from the project partners (i.e. invoices, payment proofs), and the expenditure items should not be included in the cost itemisation lists of the progress reports. Any difference to the real costs is neither checked nor monitored. Furthermore, over or under-compensation of project partners resulting from the calculations are accepted and do not have to be balanced with real costs.

### F.3.3 Budget line 3 – Travel and accommodation costs

Under this budget line only the travel and accommodation costs of project partners' employees should be included. The travel and accommodation expenses of external experts, guests and service providers must be budgeted under the budget line 4 – External expertise and services costs.

As a general rule, travel must be relevant for the project activities, have a valuable contribution to the implementation of the project activities and the delivery of the project outputs.

List of eligible expenditure:

- Travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll and parking fees);
- Costs of meals (other than catering);
- Accommodation costs;
- Visa costs; and
- Daily allowances.

Where travel, meals, accommodation and visa costs are covered by the daily allowance, they will not be reimbursed as an addition but should be covered by the daily allowance.

When travel costs are directly paid by an employee of the project partner, the expenditure will be supported by proof of reimbursement to that employee.

As a **general principle**, the **most economical way of transport** will be used (e.g. using economy class instead of business class). Furthermore, and when possible, eco-friendliness of the method of transport should also be considered (e.g. if feasible, train travel could be chosen over flights).

Travel costs outside the Union part of the Programme area are eligible according to DELEGATED REGULATION (EU) No 481/2014, Article 5. Detailed information regarding the requirements of such costs is presented in chapter F.4.

**Documentation:**

- Invoices or equivalent accounting documents of travel costs;
- Payment proof; and
- Proof of reimbursement of costs to the employees where the employees made a direct payment for travel.

**Please note** in case project partners do not have any own employees and/or cannot contract employees due to their legal status, costs in this budget line cannot be planned or reported.

### F.3.4 Budget line 4 – External expertise and services costs

Under this budget line, the costs of an external service provider, an expert or a consultant have to be budgeted.

Costs of works (see definition under BL6) related to investments and infrastructure must be budgeted under BL6.

The expenditure of external expertise and service will be limited to the services and expertise provided by public or private law bodies other than project partner organisations, or by natural persons other than employees of the project partner organisation.

The following external expenditure is eligible under this budget line:

- Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- Training;

- Translations;
- IT systems and website development, modifications and updates;
- Promotion, communication, publicity or information linked to an operation or to a cooperation programme as such;
- Financial management;
- Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- Participation in events (e.g. registration fees);
- Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- Intellectual property rights;
- Verifications (e.g. first level control costs)[58];
- Certification and audit costs on programme level[59] ;
- 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;
- Travel and accommodation for external experts, external speakers, external chairpersons of meetings, representatives of Associated organisations and service providers and in case their participation is justified and contributing to the project content and activities; and
- Other specific expertise and services needed for the projects.

To be accepted for reimbursement by the Programme, the expenditure listed above has to fulfil the following conditions:

- The task is essential for the project;
- The price of the external service or expertise has been calculated reasonably and according to the standard rates of the country where the project partner concluding the contract is located;
- The Programme, relevant national legislation or community rules regarding public procurement have been applied; and

[58] REGULATION (EU) No 1303/2013, Article 125(4)(a), and REGULATION (EU) No 1299/2013, Article 23(4)

[59] REGULATION (EU) No 1303/2013, Articles (126), (127)

- The basic principles of transparency, non-discrimination and equal treatment laid down in the EC Treaty have been respected for all contracts.

**Documentation:**

- Procurement documentation;
- Invoices;
- Proof of delivery of services or goods;
- Payment proof.

**Ineligible costs:**

- Basic courses (e.g. language, accounting, use of MS Office);
- External expertise or services of staff employed by the project partner (e.g. freelancers in parallel to employment); and
- External expertise or services provided by other project partners.

### F.3.5 Budget line 5 – Equipment costs

Equipment under budget line 5 can fall under two categories. The Programme differentiates between **equipment needed and used for carrying out project activities** and **equipment as an integral part of an investment** hence **project output**. The difference between the two categories is as follows:

- **Project equipment** are tools and devices purchased or already in the possession of a project partner which are necessary for the daily work of the project staff and/or needed for carrying out certain specific project activities (e.g. IT hard and software items, office furniture).
- **Equipment which is part of an investment** (e.g. technical equipment or solution etc.) is defined in chapter D.1.3. Equipment which is part of an investment is defined as goods in the understanding of the Programme and should not be confused with other cost items, such as works related to investments which belong to BL6.

The purchase, rent or lease of the following items is eligible under this budget line:

- Office equipment,
- IT hardware and software,
- Furniture and fittings,

- Laboratory equipment,
- Machines and instruments,
- Tools or devices,
- Vehicles,
- Other specific equipment needed for the projects.

Additionally, the purchase of consumables necessary for the operating of laboratory equipment or other tools or devices (e.g. chemicals, reagents, fuel etc.) used for the implementation of content related activities and where directly attributable to the project, is eligible under this budget line.

**Please note** that consumables related to office equipment used to carry out the daily work of the project staff (e.g. paper, toners etc.) cannot be included under this budget line and must be covered by the flat rate under budget line 2. Also mobile phones and other devices purchased as part of a subscription contract for communication services must be included in budget line 2.

Purchase costs of second-hand equipment can be eligible provided that:

- No other assistance has been received for it from ESI Funds;
- Its price does not exceed the generally accepted price on the market;
- It has the technical characteristics necessary for the project and complies with applicable norms and standards.

**General principles of eligibility:**

- Not financed from any other financial instrument (e.g. EU, national, international);
- The related equipment was not fully depreciated;
- Is not included under any other budget line;
- The related equipment was not purchased from another project partner;
- Was incurred during the eligible project duration (e.g. for equipment that was purchased before the project start, not fully depreciated before and used for the project purposes, only the depreciation for the relevant project period is eligible);
- Purchased respecting the relevant public procurement procedures; and

- Are essential for the project and their features and functions are in line with the project needs.

### F.3.5.1 Eligible costs of project equipment

As a general principle, for all project equipment (purchased before or during the project lifetime) only depreciation costs should be allocated to the project. For equipment rented or leased for certain period during the project lifetime rental or lasing costs for the respective period are eligible.

The calculation of depreciation or equivalent division of shares of equipment should be done according to a justified and equitable method and be in line with the national or institutional regulations. Depreciation costs of equipment should be allocated to the time period when the equipment was used for the project purposes.

***Example:***

*An equipment item was used from mid-January to mid-May. This would mean that the equipment was used throughout 5 calendar months for a period adding up to 4 months. The price was EUR 3,600, with annual depreciation of EUR 1,200. By dividing this annual depreciation further by 12 months, the monthly depreciation would equal EUR 100. Although the project has effectively used the equipment for 4 months the depreciation costs should cover the full calendar months regardless of when the equipment was put in use in the respective month. In our example the project could report EUR 500 (= 5 calendar months x EUR 100).*

If according to the national legislation the equipment is not depreciable (e.g. low-value asset), the full costs of purchase, lease or rent could be allocated to the project.

Equipment under this category does not have to be used for project purposes after the end of the project. Moreover, after use the equipment does not have to remain in the ownership of the project partner that had reported the related costs.

### F.3.5.2 Eligible costs of equipment which is part of investment

If equipment is part of or fully represents an investment item which was planned and approved by the Programme, the full cost of this equipment is eligible, i.e. full depreciation.

If equipment belongs to this category, the following rules have to be observed:

- The equipment must be a part of an investment output as specified in the application;
- The equipment should be solely used for the project purposes during the project life. The purpose and ownership of the equipment cannot be changed for at least 5 years after the project end date.

Equipment co-financed by the Programme must comply with the visibility rules set by the REGULATION (EU) No 1303/2013, Article 115 and the COMMISSION IMPLEMENTING REGULATION (EU) 821/2014. Detailed guidance regarding the requirements is provided under chapter F.1.10.

Projects partners who are planning to purchase equipment which will be part of an investment output must become familiar with the special requirements on ownership and durability described in chapter G.5.1.

**Documentation:**

- Procurement documents;
- Invoices;
- Where relevant, depreciation costs calculation(s);
- Proof of delivery and installation of the equipment/investment; and
- Payment proof.

### F.3.6 Budget line 6 - Infrastructure and works

This budget line covers costs related to investments having the nature of infrastructure or works that are not included in other budget lines.

In line with the definition provided in DIRECTIVE 2014/24/EU, Article 2, the Programme defines “work” as the outcome of building or civil engineering works taken as a whole which is sufficient in itself to fulfil an economic or technical function.

Therefore, the execution, or both design and execution of works as well as costs for site preparation, delivery, handling, installation, renovation should be included under this budget line.

**General principles of eligibility**

Costs of infrastructure and works are eligible provided that the following general requirements are fulfilled:

- They have been approved by the Programme;
- No other EU funds have contributed towards financing of the same expenditure item (i.e. no double funding is permissible)[60]
- They are subject to applicable public procurement rules and each partner organisation is responsible for ensuring that these rules have been respected; and
- They comply with the applicable EU and Programme visibility rules.

The purpose and ownership of the infrastructure has to follow the requirements described in chapter G.5.1.

### F.3.6.1 Specific rules applicable to this budget line

Expenditure under this budget line is eligible according to the following principles:

- Full costs of infrastructure and construction works that are implemented within the project are eligible, i.e. no depreciation is necessary.
- Documents specifying the ownership of land and/or buildings where the works will be carried out must be provided. (i.e. land or buildings must be in the ownership of a project partner).
- 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).

**Documentation:**

- Procurement documents;
- Contracts (with a 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);
- Invoices; and
- Payment proof.

[60] REGULATION (EU) No 1303/2013, Article 65.11

### F.3.7 Budget line 7 – Expenditure for specific project activities (e.g. expenditure for large research activities at sea etc.)

The majority of the project costs can be allocated to the previously described six budget lines. However, in exceptional cases there might be project relevant costs, which cannot be included in any of the main budget lines (e.g. they cannot be reported on the direct cost basis or they are not covered by the flat rate for office and administration costs). For these exceptional cases projects could request reporting of specific costs on the basis of simplified cost options i.e. standard scales of unit costs[61].

Application of standard scales of unit costs would mean to define cost unit(s) for certain specific project activity/activities. The value of such a unit would be established e.g. based on verified historical data of the relevant project partner. The maximum amount of units needed would have to be defined and justified. The amount per unit would have to be calculated and justified. Relevant calculations and documentation have to be submitted together with the application.

In general, it is important to document that costs covered by budget line 7 will not be reported in any other budget line.

If a project assumes that some costs have to be budgeted in budget line 7, a formal request has to be submitted to the MA/JS. The MA/JS will assess the request and, if the costs qualify for this category, the respective section will be unlocked for the lead applicant. The lead applicant is obliged to follow the guidance by the MA/JS when planning costs in this budget line.

**Please note** that budget line 7 can only be unlocked for projects preparing the original application. Unlocking after submission of the original application is not possible.

***Example:***

*A project partner owns a research ship, which will be needed for a couple of days for a specific project activity. The partner organisation has documentation of the historical costs related to the ship (e.g. costs of the previous year related to operating, maintenance). By dividing the annual costs by the number of operation days in the*

[61] REGULATION (EU) No 1303/2013, Article 67.1b

*previous year, an amount of average daily costs in the previous year can be calculated. In this case the specification of the unit in the application could be "research day on a ship", the number of units would be the maximum expected days of use and the amount per unit would be the average daily costs in the previous year.*

**Ineligible costs under budget line 7:**

- Costs eligible as direct costs under any of the other budget lines (e.g. costs exclusively outsourced etc.); and
- Costs covered by budget line 2 flat rate;

**Please note** that after signing the subsidy contract the amount per unit specified in budget line 7 cannot be amended.

## F.4 Activities implemented outside the Programme area

### F.4.1 General principles

Project activities co-financed by the ERDF shall be located in the part of the Programme area comprising European Union territory (**EU part of the Programme area**)[62].

Project activities co-financed by the Norwegian and ENI/Russian national funds shall be located in the Programme area.

However, MA/JS can accept that project partners can, in justified cases, implement all or part of Programme co-financed activities (i.e. participating in events, organisation of seminars, events or workshops) in third countries or in Member States not taking part in the Programme (outside the EU part of the Programme area).

If such activities fall under this category, MA/JS will, in particular verify, if the following requirements are fulfilled:

- The activity is for the benefit of the Programme area;
- The activity is essential for the project implementation.

[62] REGULATION (EU) No 1299/2013, Article 20(1)

### F.4.2 Location of the activity

The location of the activity is the decisive factor when determining whether the implementation of an activity is outside the (Union part of) the Programme area. Establishing the location of an activity is relatively simple, for example:

- For investments or infrastructure the determining factor is the location of the infrastructure;
- For event related activities (organisation of events, accommodation, etc.) the determining factor is whether the event is organised inside or outside the EU part of the Programme area;
- For travel and accommodation cost the determining factor is the travel destination;
- For other activities, which are of non-material nature, the determining factor is the location of the project partner that incurred the costs.

### F.4.3 Activities not requiring prior approval by MA/JS

Activities within the Programme area or within the European Union as well as in Moscow (Russian Federation) do not require prior approval by MA/JS. However, it will be checked by MA/JS during project implementation if the requirements described in F.4.1 are respected.

### F.4.4 Activities requiring prior approval by MA/JS

For activities outside the European Union, outside the Programme area and outside Moscow (Russian Federation), the lead partner has to provide the MA/JS a separate description of the planned activities via the programme monitoring system before the activity takes place. Based on the provided description MA/JS will assess whether:

- The activities are relevant/essential for the programme/project;
- The activities are for the benefit of the Programme area;
- Threshold on the programme level were not exceeded.

As result of this assessment the MA/JS will approve or reject the planned activities or a part of them.

### F.4.5 Financial threshold and monitoring

The MA/JS is monitoring the use of ERDF spent outside the Union part of the Programme area in order to ensure that the maximal threshold at Programme

level is not exceeded. Therefore, all such activities (it doesn't matter if the prior approval is needed or not) have to be thoroughly reported by project partners separately in the progress report.[63]

As it is mainly for statistical purpose, the categorisation of activities does not need to be verified during FLC check.

**Please note** that subsection F.4.5 **does not** concern partners from Norway, Belarus and Russia (as they are financed from different funds) but these partners are **still subject to** the rules described in F.4.4.

## F.5 Cost sharing

Every partner is expected to contribute with individual activities to the joint work plan of a project. The costs of the activities are budgeted and after certification reported as expenditure of each partner. Therefore, a well-planned division of tasks and budget among the partnership is essential when setting up the project.

Under these circumstances, **cost sharing**, which is by definition a pro rata allocation of certain project expenditure incurred by a partner and allocated to various other project partners, **is not allowed** in the Programme period 2014-2020. As this is a significant difference compared to the previous Programme period, project partners should pay special attention to the new rule and make their project and budget planning accordingly.

## F.6 Financial planning and de-commitment

### F.6.1 General planning

Projects have to plan their budgets and spending plans carefully since underspending may result in de-commitment. If ERDF/ENI funds are not spent according to the defined schedule (known as the "N+3 rule") the European Commission will de-commit the unspent funds from the Programme[64]. In such a situation, and if the de-commitment cannot be secured by other means, the commitments granted to projects will have to be reduced.

[63] It does not concern the project partners located outside the Programme area as their entire budget is automatically classified as ERDF spent outside the EU part of the Programme area.

[64] REGULATION (EU) No 1303/2013, Article 86-88

In order to avoid or to reduce the underspending of projects the MA/JA recommends the following:

- The spending rate of a project is usually lower at the beginning of the implementation phase. Therefore, projects are not recommended to plan too ambitious spending rates for the beginning of the project, unless they can assure a swift start; and
- The spending target of the overall project should derive from the targets on the partner level. Therefore, it is essential that every partner has its own realistic spending plan.

### F.6.2 De-commitment: What projects might be affected?

The decision on which projects are affected by the de-commitment will be based on an assessment of the project's spending plan as fixed in the subsidy contract and the actual spending rate of the projects.

Experience shows that project spending is delayed in the first months and that an underspending of 10% can be tolerated. Taking this into account, de-commitment will – in the first instance – only concern **projects whose implementation phase is half finished and their underspending equals or exceeds 10%** compared to the spending plan in the subsidy contract. In case the Programme's de-commitment amount in question cannot be compensated by the project budget cuts as outlined in the procedure above, the 10% threshold will be lowered and additional projects will be included in the de-commitment procedure.

### F.6.3 Calculation of the de-commitment

The reference period for the calculation of the project funds to be de-committed starts with the project's first reporting period and ends with the most recent reporting period of the year, which is affected by the de-commitment.

For the reference period, the difference between the project's target (sum of planned payment requests (ERDF/ENI only)) and actual requests for payments (sum of eligible payment requests and payments (ERDF/ENI only)) – both cumulated until the end of the latest reporting period – is calculated in % and EUR.

The amount in excess of the 10% threshold is the maximum amount to be de-committed from the project's ERDF/ENI funding.

After official information is provided from the European Commission about the amount to be de-committed from Programme funds of year N, the MA/JS calculates the amount to be de-committed from the project funds.

The assessment and calculation by the MA/JS is approved by the Monitoring Committee. As a result, the affected projects must lower the ERDF/ENI co-financing of the planned payment requests of the past reporting periods, starting with the first one. After reduction, the budget allocated to each reporting period must not be lower than the amount of the ERDF/ENI actually paid in that reporting period. The respective procedures will be communicated to the partners by the MA/JS, should such a situation occur.

# G Project implementation and progress reports

## G.1 Programme support to project implementation

The Programme provides various tools and organises events to support project implementation. The MA/JS in the Rostock and Riga offices provides services to the lead partners[65]. Project officers, finance officers and communication officers help you with questions related to the implementation of the project as well as in reporting on project activities and expenditure. The Programme recommends that projects make use of the support offered by the MA/JS for successful implementation.

**Lead partner seminars**

Approximately three months after project approval, the MA/JS invites projects to a lead partner seminar. Here, project coordinators and financial managers can familiarise themselves with practical information about the implementation and management of the projects. The seminars cover rules on eligibility of expenditure, monitoring and reporting procedures, first level control and payments. In addition, the MA/JS outlines the Programme's expectations towards project communication. These seminars provide a platform to discuss topical issues with the MA/JS as well as among project representatives.

**Financial seminars**

Towards the end of the first reporting period, the MA/JS invites projects to a financial seminar. During the seminar the financial managers of the lead partners and the first level controllers receive further and more specific information on eligibility rules, reporting procedures, control and audit. The financial seminars also provide an opportunity to discuss topical issues with the MA/JS and with other project representatives.

**Communication seminars**

Communication seminars are organised to support the information managers in communicating better with the target audiences of their projects. The participants receive training in key fields of communication such as communication planning, storytelling and use of social media.

[65] The lead partner principle is explained in chapter C.2 of the Programme Manual.

**Quality workshops**

The MA/JS organises quality workshops devoted to relevant topical issues: e.g. a content related theme or a certain phase in the project implementation. An important aim of the workshops is to create a platform for exchange of experiences between the project lead partners and the MA/JS on implementation issues and reporting procedures and requirements.

**Advice to projects and consultations**

The lead partners of the projects are encouraged to contact the MA/JS for advice regarding project implementation by e-mail or telephone. Relevant contact information is available on the Programme website. In addition, the MA/JS can arrange individual consultations upon request during events (e.g. lead partner seminars), in the MA/JS offices in Rostock or Riga or online (e.g. via Skype).

**Project visits**

The MA/JS may visit selected events of the projects (e.g. kick-off, media trip, mid-term or final conference) or project meetings when necessary. The MA/JS has, however, limited resources for project visits. Participation of the MA/JS in online-meetings of the projects may also be considered.

**Information on the website**

All the Programme documents necessary for project implementation are available on the Programme website (www.interreg-baltic.eu).

The project and financial managers can find templates for project implementation e.g. for partner reports, staff costs documentation/timesheets and other relevant documents. In addition, the visibility rules section includes an information toolkit containing templates for press releases, Programme messages and logo as well as basic information about the Programme such as fact sheets, presentations, and flyers.

- **Questions and answers (Q&A)**

A section on **questions and answers (Q&A)** provides answers and examples about the rules and requirements for the project implementation.

- **National information**

The website also contains country-specific sections with information in national languages or specific only for one country (e.g. national authorities, information on the first level control systems), available in the section “Apply for funds”.

- **Programme and project events**

In addition, all the Programme events and many project events are announced in the Programme calendar on the website.

## G.2 Getting started

### G.2.1 Partnership Agreement

The project partners should give full support to the lead partner to ensure the successful implementation of the project. In order to ensure the high quality and fulfilment of objectives, **a contract between the lead partner and project partners has to be concluded.** The partnership agreement formalises the division of mutual responsibilities and rights of partners. It must contain, inter alia, provisions guaranteeing a sound financial management of the funds allocated to the project, including the arrangements for recovering amounts unduly paid[66].

The partnership agreements have to be concluded by the lead partner with all project partners.

Project partners will only receive Programme co-financing of their costs after they have signed the partnership agreement. Therefore, the partnership agreement has to be signed before the lead partner can include a project partner’s first payment request into the progress report. In case a partner has not signed the partnership agreement by the time the second progress report is due, it will be removed from the project partnership. In such case the lead partner has to follow the project change procedure for a partner drop out. For further details see chapter G.4.

The first level controller of the lead partner has to verify that a partnership agreement has been signed by all project partners and that this agreement contains clauses which regulate the minimum requirements stipulated below.

[66] REGULATION (EU) No 1299/2013, Article 13.2 (a)

When requested the partnership agreement has to be sent to the MA/JS together with the progress report.

An example of a partnership agreement is available on www.interreg-baltic.eu. It is not compulsory for the lead partner and its project partners to adopt all the example clauses. Issues that are to be stipulated in the partnership agreement depend on the specific needs of each project. Therefore, the lead partner can negotiate the example of the partnership agreement with its project partners.

However, every partnership agreement has to fulfil the following **minimum requirements:**

- Definition of the joint objectives of the project;
- Definition of roles and responsibilities of the project partners (including the lead partner) and their mutual obligations, especially regarding:
  - implementation of the project activities and delivery of project outputs,
  - establishment of a sound financial management structure,
  - reporting obligations and related deadlines to be met,
  - retention of documents,
  - observance of information and publicity measures (see chapter F.1.10);
- Detailed work plan, including the operational structure and responsibility for the different work packages and their administration, as well as the duration of the individual partner activities (in line with the MC approval and subsidy contract) and handling of potential changes in the project set-up;
- Detailed project budget, including the co-financing for and contribution of each project partner (including the lead partner) and handling of potential changes in the project budget;
- Detailed spending plan for all project partners (including the lead partner);
- Provisions regulating partner liability and the consequences of non-fulfilment of obligations;
- Arrangements for recovering funds unduly paid to the project partners;
- Procedures for solving disputes and imposing penalties;
- Handling of potential changes in the project partnership; and

- Ownership of investments.

If a project change as described in chapter G.4 affects the content of the partnership agreement this should be amended accordingly. An addendum to the partnership agreement has to be signed by the lead partner and relevant project partners by the end date of the closure phase of the project, at the latest. With the final progress report the first level controller of the lead partner has to verify that the addendum has been signed by the lead partner and all project partners.

### G.2.2 Communication plan

Projects are recommended to prepare a project communication plan. The purpose of the communication plan should be to:

- Agree and coordinate communication aims, target groups and approaches between the work packages; and
- Plan targeted communication activities.

The communication plan may include:

- Communication aims, target groups and approaches;
- Main messages of the project and/or work package;
- Responsibilities; and
- Indicative budget.

### G.2.3 Accounting system of the projects

The lead partner and all project partners must maintain:

- A separate accounting system for the project expenditure, or
- An adequate accounting code.

All partners are obliged to maintain a cost itemisation list including all project expenditure and transactions in English (incl. invoice number, payment day, VAT specification and a brief description of the cost item) without prejudice to the national accounting rules. For easier identification, the MA/JS also recommends using a special stamp with the project name or other adequate method for marking the invoices related to the project. In this way all project related expenditure and receipts should be clearly identified.

It is strongly recommended that the lead partner and all project partners maintain a separate bank account or a sub-account for receiving the ERDF, Norwegian national co-financing, and/or ENI/Russian national co-financing.

## G.3 Reporting

### G.3.1 General provisions

This chapter describes the main principles of the reporting[67]. The information detailed below is complemented by guidance in the reporting forms.

According to the subsidy contract concluded between the lead partner and the MA/JS one of the LP's obligations is to regularly report on the progress of the project to the MA/JS.

Reporting to the MA/JS is done through progress reports. The progress report is to be completed in the electronic Monitoring System. The submission of the progress report as well as the signature by the lead partner and the first level controller[68] will be done electronically via the Monitoring System only.

The MA/JS monitors the progress and achievements of the project described in the progress report based on the subsidy contract and the information provided in the application.

The progress report consists of:

- an activity report that provides information on the achievement of activities and outputs (see also chapter G.3.2), and
- a financial report which provides information on the project's expenditure (see also chapter G.3.3).

The progress reports must be submitted twice a year, usually in six-months reporting periods. The first report covers the contracting phase and the first six months of the implementation period. The last report covers the last months of the implementation period and the closure period.

All progress reports except the final progress report have to be submitted three months after the end of the respective reporting period, at the latest. The final

[67] Preparation costs are exempt from the reporting rules. The specific rules are described in chapter D.1.8.3. Reimbursement of preparation costs.

[68] For details regarding the first level control please see chapter I. Audit and control.

progress report has to be submitted by the end of the closure phase of the respective project.

Data provided in a progress report is based on individual partner reports. The Programme will provide obligatory partner report forms.

### G.3.2 Reporting on activities and outputs

In the progress reports the project has to describe the progress made with regard to the implementation of **activities** and the development of **outputs** within the respective reporting period. The tasks carried out by different partners have to be clearly detailed. In addition, the project has to emphasise the involvement of **target groups** and other stakeholders and their contribution to the project.

When the main **outputs** are finalised, the project has to describe the target groups and the way these will be further used. In addition, the partnership will have to describe the **changes** that the main outputs will bring to those who will take them over and use them (e.g. the established service offer will increase the capacity of an innovation infrastructure to collaborate with SMEs).

In case minor **deviations** or delays in the timeline or work plan occur, the project has to explain them to the MA/JS via progress reports and amend the future timeline in the electronic Monitoring System, if necessary. For more information on how to deal with changes in the project, please consult chapter G.4.

The partnership also has to report on the achievement of **output indicators.** The progress made towards their achievement has to be provided in every report.

In the final report the partnership is expected to provide an overall description of the achievement of the project **results** in relation to the increased institutional capacities.

In order to ensure effective and efficient management of the project, the lead partner should set up a proper system for the monitoring of project progress towards achieving the project results and ensure quality of outputs. In this respect, it is expected that the LP, together with the partners, establishes a monitoring and **quality assurance** system as a part of project management, and reports on the system in the progress reports.

### G.3.3 Reporting on finances

The expenditures of all project partners are compiled in the joint financial report. All costs included in the financial report must be allocated under the correct budget line.

When filling in the data, the forms will alert the lead partner if any budget or budget flexibility limits were exceeded[69].

The compilation of the reported expenditure is done by the lead partner based on partner reports. The obligatory templates for the partner reports will, among others, contain a full list of all partner expenditure and a certificate of the partner first level controller.[70]

The financial report will be checked by the MA/JS. Apart from the obligatory checks done for every report the MA/JS will also carry out what is known as desk checks. During these desk checks projects might be asked to deliver samples of documents, which were previously checked by the first level control.

As soon as the progress report is accepted by the MA/JS the co-financing funds can be reimbursed.

### G.3.4 Management toolkit

Besides the mandatory online forms for applications and progress reports the MA/JS provides further off-line tools for project management. Some of these templates, in particular the partner report and the staff costs tool, are obligatory mandatory and must be used by all project partners, including the lead partner. Others are voluntary and the projects may use their own templates instead. The templates, as well as the related requirements, are or will be provided on the Programme website in the section “For projects” http://www.interreg-baltic.eu/for-projects/visibility-rules.html.

## G.4 Changes in the project set-up

The partnership may introduce changes to the approved project set-up. This chapter describes categories of project changes and procedures on how to introduce them in the project set-up.

[69] Regarding budget flexibility rules please see chapter G.4.1. Minor changes

[70] For details regarding first level control please see chapter I. Audit and Control

**Types of changes**

Depending on the impact on the project set-up, changes are divided into minor and major types. Furthermore, depending on their focus changes are categorised as follows:

- Changes in the project partnership;
- Changes in the budget;
- Changes in the work-plan; and
- Changes in the duration.

### G.4.1 Minor changes and budget flexibility

Minor changes are adjustments of the project set-up which do not have a significant impact on the project implementation. As they are more of a technical character, they do not require prior approval by the MA/JS. Therefore, projects would merely inform the MA/JS about the minor changes, e.g. via progress reports.

A list of all the changes that can be introduced within the project without consultation with the MA/JS is detailed below:

*Table 9: Minor changes in the project*

| Type of change | To do list | Restrictions |
|---|---|---|
| **1. Contact data change of the lead partner or of the project partners** | | |
| e.g. name or contact details of a contact person has changed | • Collect needs for changes and inform the MA/JS via the progress report. Update the contact list in the project data after it is made available by the MA/JS;<br>• Update the progress report with the new contact data of the lead partner. | None |
| **2. Change of the bank account of the LP** | | |
| e.g. the lead partner changes the project's bank account during the implementation | Update the progress report with the new bank account information. | None |

| Type of change | To do list | Restrictions |
|---|---|---|
| **3. Change of the VAT status** | | |
| During implementation the VAT status of a project partner-changes. | Update the relevant sections of the project data. | None |
| **4. Work plan adjustments** | | |
| Projects may introduce minor adjustments in the work plan.<br>These may be related to a change of format of an activity, to the implementation timeline of a single activity activities and /or (main) output delivery, or to the involvement of project partners in a work package or activity. | The projects have to communicate the adjustments to the MA/JS, e.g. via progress reports. The adjustments can be submitted to the MA/JS before or after they have taken place. Nevertheless, projects are encouraged to report in advance on any upcoming adjustments and their impact. | • The project aim cannot be changed<br>• Projects cannot modify the strategic approach of delivering the main outputs.<br>• Projects cannot alter the planned nature and use of the main outputs or to decrease their quality.<br>• For partners where only part of the Programme co-financing is State aid or where State aid is framed within the GBER, the character of State aid relevant activities cannot be modified.<br>• Projects can only alter the involvement of project partners carrying out State aid relevant activities after approval of the MA/JS, which has to ensure that the conditions for the State aid instruments applied to the partners are still met. |
| • *Example 1: Instead of carrying out a stakeholder workshop in the project implementation month 8, the partnership sees it more relevant to organise a back-to-back event during a large scale international forum (e.g. fair) in month 10. As a result an output that includes stakeholder conclusions will be delivered at the end of month 10.*<br>• *Example 2: instead of collecting stakeholder opinions via questionnaires it was decided to hold two stakeholder workshops instead. The implementation timeline is unaffected.* | | |

| Type of change | To do list | Restrictions |
|---|---|---|
| **5. Budget flexibility** | | |
| Budget flexibility allows projects to exceed their planned total budget lines by 20% or EUR 40,000, whichever is higher. | • The lead partner has to follow the flexibility on a project level in every progress report.<br>• Expenditure will be reported under the budget lines with the possibility of over-reporting by 20% or EUR 40,000.<br>• The calculation in the progress report form is automatic. Whenever the flexibility is used, this will be reflected by the remaining minus amounts under each budget line.<br>• Exceeding the flexibility will result in an error notification. In such cases the progress reports have to be corrected before submission to the MA/JS. | • The total budgets of the project partners cannot be exceeded<br>• The total budget of the project cannot be exceeded.<br>• The nature and use of the planned investment items and outputs cannot be changed.<br>• The budget for State aid relevant activities (covered by the de minimis Regulation or the GBER) cannot be exceeded, neither at partner nor at project level.<br>• For projects approved without BL7 "Expenditure for project specific activities": This budget line cannot be used.<br>• For projects approved with BL7: The amounts per unit cannot be changed.<br>• The spending plan cannot be changed.<br>• In case a project partner already received Programme co-financing for re-imbursement of preparation costs and/or expenditure incurred and paid during the project duration, this part of the preparation costs and/or project partner budget has to be kept. |

*Example:*

| *Budget line (planned value)* | *Budget line (reported value)* | *Difference* |
|---|---|---|
| *BL1 – EUR 600,000* | *EUR 540,000* | *EUR – 60,000* |
| *BL3 – EUR 300,000* | *EUR 360,000* | *EUR +60,000 (20%)* |
| | *Total budget difference planned vs. reported* | *EUR 0* |

### G.4.2 Major changes

Depending on their type, major changes can be approved either directly by the MA/JS or by the MA/JS based on an MC confirmation. The tables below provide descriptions of the requirements regarding the submission of the requests for change as well as the approval procedure.

Table 10: Major changes

| **1. Changes in the partnership** | |
|---|---|
| **1.1 Partner drop-out without any replacement** | |
| **Description of change:**<br>A project partner is dropping out and no other organisation is taking over the implementation of its activities or its budget.<br><br>**Restrictions:**<br>1. When such changes occur the lead partner has to make sure that the activities which have been eliminated from the work plan, as well as the role of the partner, are not crucial for the implementation and the project results can be still delivered as initially planned. Otherwise, the activities have to be taken over either by an existing partner or by inviting a new organisation to join the partnership.<br>2. In case the project partner already received Programme co-financing for re-imbursement of preparation costs and/or expenditure incurred and paid during the project duration, this part of the preparation costs and/or project partner budget has to be kept.<br>3. The budget decrease must also be reflected in the spending plan. However, only those periods of the spending plan that follow the period during which the MA/JS received the official change request from the lead partner can be changed. | **To do list:**<br>1) Submit a request for change form via the e-monitoring system;<br>2) Submit the updated project data via the e-monitoring system. |
| **Approval** | **MA/JS** |
| **1.2 Partner drop-out with replacement** | |
| **Description of change:**<br>A project partner is dropping out and another organisation is taking over the implementation of the activities and the budget.<br><br>The drop-out can happen under the following circumstances: | **To do list:**<br>1) Submit a request for change form via the e-monitoring system; |

| | |
|---|---|
| • The partner has not started the implementation of the respective activities therefore these, as well as the budget, will be fully taken over;<br>• The partner has carried out partial delivery, but cannot continue the project work. In this case only the remaining tasks and budget will be taken over.<br><br>**Restrictions:**<br>1. In both cases the pre-condition of the change is that the partner dropping out is not continuing its participation in the project.<br>2. The replacement can be done either by:<br>a) a new organisation, or<br>b) an existing project partner.<br>3. In case the partner dropping-out carried out State aid relevant activities, these can only be taken over before their implementation has started. They cannot be taken over once they have been started.<br>4. In case the project partner already received Programme co-financing for re-imbursement of preparation costs and/or expenditure incurred and paid during the project duration, this part of the preparation costs and/or project partner budget has to be kept.<br>5. In case the total project budget is changed: Only those periods of the spending plan that follow the period during which the MA/JS received the official change request from the lead partner can be changed.<br>6. The replacement can only be done by partners receiving funding from the same source as the partner dropping out (e.g. ERDF to ERDF). No reallocation between different funds is allowed. | 2) Submit the updated project data via the e-monitoring system;<br>3) Submit a partner declaration for:<br>a) a new organization<br>OR<br>b) an existing partner, updated and reflecting the increased budge<br>4) Submit a State aid self-declaration for:<br>a) a new organization<br>OR<br>b) an existing partner: updated and considering the activities taken over |
| **Approval** | **a) MA/JS based on the confirmation of the respective MC members on the eligibility of the new partner**<br>**b) MA/JS based on the confirmation of the higher partner budget from the respective MC members** |

| 1.3 Inclusion of reserved partners | |
|---|---|
| **Description of change:**<br>The project application lists a reserved partner. During implementation of the project the lead partner found a suitable partner to join the partnership and take over the role and budget intended for the reserved partner.<br><br>**Restrictions:**<br>1. The lead partner has to apply for inclusion of the reserved partner by the deadline specified in the application for that partner.<br>2. In case the total project budget is changed: Only those periods of the spending plan that follow the period during which the MA/JS received the official change request from the lead partner can be changed. | **To do list:**<br>1) Submit a request for change form via the e-monitoring system;<br>2) Submit the updated project data via the e-monitoring system;<br>3) Submit a partner declaration for the new organisation<br>4) Submit a State aid self-declaration for the new organisation |
| **Approval** | **MA/JS based on the confirmation of the respective MC members on the eligibility and budget of the new partner** |
| **2. Changes in the project partner organisations (name, legal status, legal successor etc.)** | |
| **Description of change:**<br>Structural or legal changes, such as a name change or legal status change, or the designation of a legal successor, which might occur in the project partner organisations during the implementation phase. | **To do list:**<br>1) Submit a request for change form via the e-monitoring system<br>2) Submit the updated project data via the e-monitoring system<br>3) Submit an updated or a new partner declaration for the legal successor<br>4) Submit a copy of the official document stating the structural, legal etc. change<br>5) If needed, submit a copy of the document proving that the name/legal statues/old organisation ceases to exist |

| | |
|---|---|
| **Approval** | **MA/JS** Or<br>**MA/JS based on the confirmation of the respective MC members on the eligibility of the partner** |
| **3. Changes in the budget** | |
| **3.1 Reallocation between budget lines above the flexibility level** | |
| **Description of change:**<br>The change comprises a budget reallocation between the budget lines which goes above the level of the flexibility rule.<br><br>**Restrictions:**<br>1. Only one budget change allowed during the project implementation.<br>2. The budget for State aid relevant activities (covered by the de minimis Regulation or the GBER) cannot be exceeded.<br>3. Preparation costs in section 7 of the application cannot be changed.<br>4. In case a project partner already received Programme co-financing for re-imbursement of preparation costs and/or expenditure incurred and paid during the project duration, this part of the preparation costs and/or project partner budget has to be kept.<br>5. For projects approved without BL7 “Expenditure for project specific activities”: This budget line cannot be used.<br>6. For projects approved with BL7: The amounts per unit cannot be changed.<br>7. Only those periods of the spending plan that follow the period during which the MA/JS received the official change request from the lead partner can be changed and only if the total project budget was changed. | **To do list:**<br>1) Submit a request for change form via the e-monitoring system;<br>2) Submit the updated project data via the e-monitoring system. |
| **Approval** | **MA/JS** |

| 3.2 Reallocation between project partners (and budget lines) | |
|---|---|
| **Description of change:**<br>The change comprises a budget reallocation between project partners. The budget reallocation between partners can also be combined with a budget reallocation between the budget lines.<br><br>**Restrictions:**<br>1. Only one budget change allowed during the project implementation.<br>2. The budget for State aid relevant activities (covered by the de minimis Regulation or the GBER) cannot be exceeded, neither at partner nor at project level.<br>3. Preparation costs in section 7 of the application cannot be changed.<br>4. In case a project partner already received Programme co-financing for re-imbursement of preparation costs and/or expenditure incurred and paid during the project duration, this part of the preparation costs and/or project partner budget has to be kept.<br>5. For projects approved without BL7 “Expenditure for project specific activities”: This budget line cannot be used.<br>6. For projects approved with BL7: The amounts per unit cannot be changed.<br>7. Only those periods of the spending plan that follow the period during which the MA/JS received the official change request from the lead partner can be changed and only if the total project budget was changed.<br>8. Reallocation between partners is only possible if they are receiving funding from the same source (e.g. from ERDF to ERDF only etc.). No reallocation between different funds is allowed. | **To do list:**<br>1) Submit a request for change form via the e-monitoring system;<br>2) Submit the updated project data via the e-monitoring system;<br>3) Submit the updated partner declarations of the partners with increased budgets. |
| **Approval** | **MA/JS based on the confirmation of the higher partner budget from the respective MC members** |

## 4. Changes in the work plan

### 4.1 Work plan change

| | |
|---|---|
| **Description of change:**<br>A project is allowed to change its approach without altering the main outputs and results or with minor influences on the major outputs and their use.<br>The change may concern the following aspects:<br>• A project needs to re-structure its approach of delivering the set main outputs,<br>• A project needs to change a format, content and/or use of a main output.<br><br>**Restrictions:**<br>Projects cannot substantially alter the planned nature and use of the main outputs, or decrease their quality.<br>The request for change has to be submitted a **minimum of one month** before it is scheduled to take place. If submitted later, the MA/JS reserves the right not to approve it.<br>In case State aid relevant activities are concerned: The change of these activities must be approved before they are implemented. | **To do list:**<br>1) Submit a request for change via the e-monitoring system;<br>2) Submit the updated project data via the e-monitoring system<br>3) Submit a State aid self-declaration for project partners affected by the work plan change: updated and considering the changed activities |
| **Approval** | **MA/JS** |

***Example 1:*** *Initially the project planned to develop a match-making ICT platform focused on SMEs dealing with aquaculture. However, during the discussions with relevant stakeholders it transpired that a* ***more effective way*** *would be to join an already existing network of almost the same nature that covers a wider region than the Baltic Sea region, and establish a Baltic Sea region branch. Thus, not only would the reach of the output be widened, but it would also benefit from contacts and structures offered by an already existing network.*

***Example 2:*** *Due to changes in national legislation in a partner country the initially planned investment is no longer possible. The investment is important for project results as it allowed the carrying out of large scale tests of exhaust gas control solutions in the transnational context. Consequently, the project decided to work with smaller scale laboratory tests instead. The change in the approach also triggers a change in outputs as tests would not be run in real-life conditions.*

| 4.2 Reallocation of responsibilities within the partnership | |
|---|---|
| **Description of change:**<br>The change comprises a reallocation of tasks within the partnership when one or more partners can take over tasks from other partners. This change may also include a partial reallocation of costs.<br><br>**Restrictions:**<br>All partners must continue their participation in the project.<br>In case tasks related to State aid relevant activities are reallocated, these must be taken over before their implementation has started.<br>The reallocation between different funding sources is not allowed. | **To do list:**<br>1) Submit a request for change via the e-monitoring system;<br>2) Submit the revised project data via the e-monitoring system;<br>3) Submit the updated partner declarations of the partners with increased budgets.<br>4) If State aid relevant activities are altered: Submit updated State aid self-declarations considering the activities taken over |
| **Approval** | **MA/JS based on the confirmation of the higher partner budget from the respective MC members** |
| **5. Prolongation of the project duration** | |
| **Description of change:**<br>In well justified cases partnerships can apply for a prolongation of the project duration.<br><br>**Restrictions:**<br>The maximum duration of the implementation phase (36 months) cannot be exceeded.<br>The request for change has to be submitted a **minimum of three months** before the end of the **implementation phase** of the project. If submitted later, the MA/JS reserves the right not to approve it.<br>Only those periods of the spending plan that follow the period during which the MA/JS received the official change request from the lead partner can be changed. | **To do list:**<br>1) Submit a request for change via the e-monitoring system;<br>2) Submit the updated project data via the e-monitoring system. |
| **Approval** | **MA/JS** |

**Approval procedure**

The MA/JS carries out an assessment of the requested change and its impact on the project. The assessment may result in one of the following outcomes:

a) A positive assessment and the approval of the change request;

b) Insufficient/unclear information to carry out an assessment. In this case the MA/JS launches a clarification process with the lead partner. If the clarification process is concluded with a positive outcome, the change is approved;

c) A negative assessment and the rejection of the change request.

After the approval and where required the MA/JS will issue an addendum to the subsidy contract.

The following chart gives a summary of the general steps required for the submission and approval of a change:

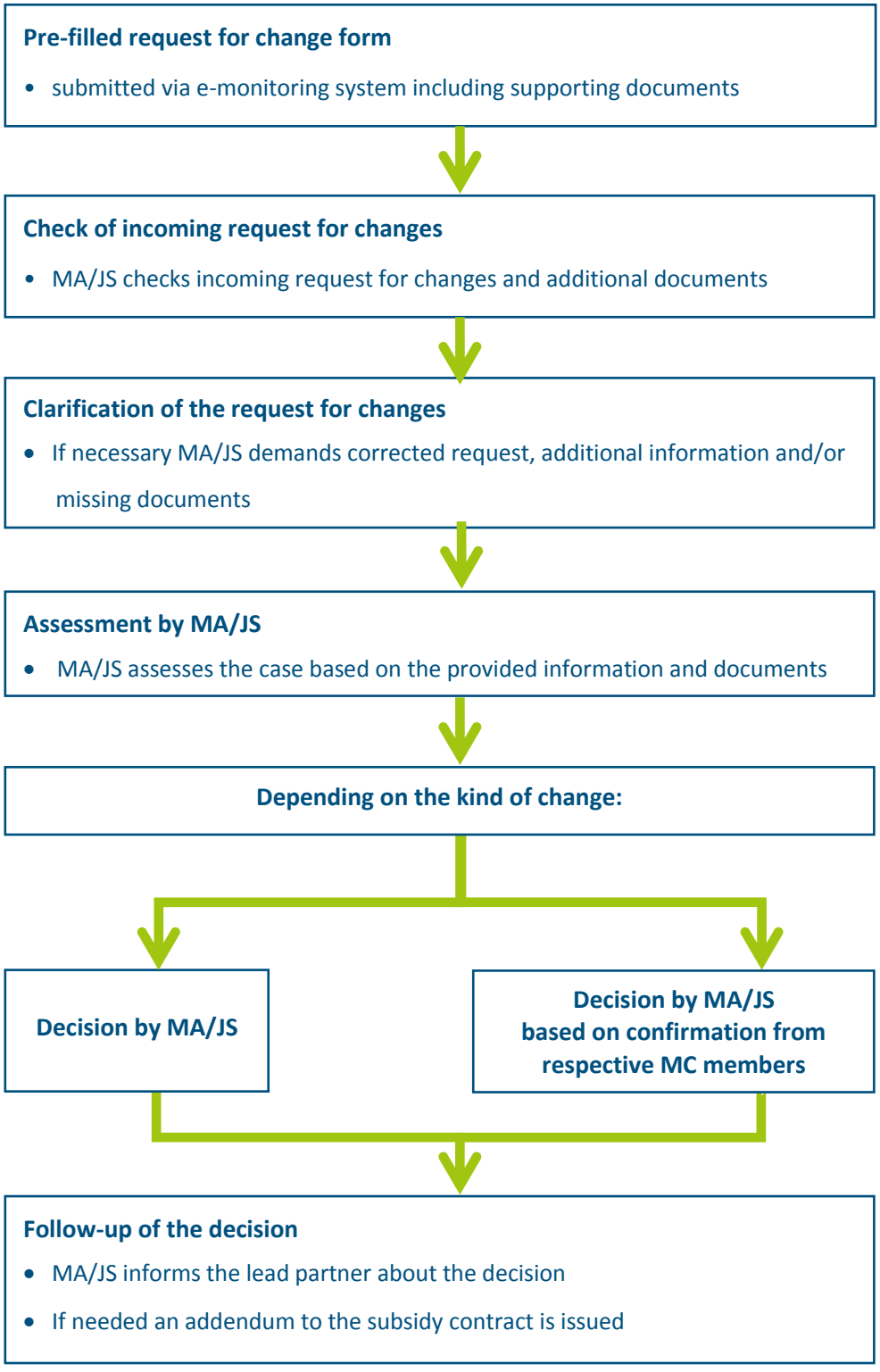


*Figure 8: Project* change *procedure*

## G.5 Responsibilities after the project closure

Certain responsibilities of the project partners do not stop with the finalisation of a project but they also continue after the project closure. In particular, project partners should be familiar with the specific requirements regarding ownership modifications, revenue generating and record keeping after completion of projects and the submission of the final progress report. This chapter provides guidance and sets out the Programme requirements regarding these specific issues.

### G.5.1 Durability and ownership of the project outputs

Main outputs having the character of investments as defined in chapter D.1.3~~,~~ that were produced during the project implementation must remain in the ownership of the lead partner or project partners for at least **five years** after the project end date.

Any substantial modification of the investment outputs within five years after the project closure date must be avoided. In this regards, the projects must avoid:

- a cessation or relocation of an investment output outside the Programme area;
- a change in ownership of the investment output giving to a firm or a public body an undue advantage;
- a substantial change affecting the nature of the investment output which would result in the undermining of its original objective.

These conditions only apply to those main outputs that have a character of investment.

Outputs such as training material, etc. are not affected by the requirements of the retention of ownership.

Should any of the above conditions not be met by any of the project partners the MA/JS must be informed. This might well imply a recovery of the funds paid.

**Please note** that the project's webpage, if developed during project implementation and part-financed by the Programme, has to be maintained for at least five years after the project end date, even in cases where it was not part of an investment output.

### G.5.2 Availability of documents and accounting records

All accounting and supporting documents, as well as data about the project (e.g. subsidy contract, partnership agreement, project data, service contracts, public procurement documentation, rental agreements/contracts, important communications with project partners/MA/JS etc.), documents related to the expenditure, controls and audits, and documents required to ensure an adequate audit trail must be accessible.

All documents related to aid granted under the de minimis Regulation (e.g. de minimis declaration) must be kept and be available for a period of 10 fiscal years from the date on which the aid was granted (e.g. from the date when the last party signed the subsidy contract or the addendum to the subsidy contract). The exact starting date is stated in the de minimis award letter issued to the project partners concerned. Other possibly longer statutory retention periods as might be stated by national law remain unaffected.

All documents related to aid granted under the General Block Exemption Regulation (GBER) must be kept and be available for 10 years from the date on which the last aid was granted under the relevant GBER scheme of the Programme. The MA/JS will inform each lead partner individually about the exact starting date. Other possibly longer statutory retention periods as might be stated by national law remain unaffected.

All other documents should be kept and be available for a period of three years from 31 December following the submission of the payment claim by the MA/JS to the European Commission including the expenditure of the completed project. The MA/JS will inform each lead partner individually about the exact starting date. This period is interrupted either in case of legal proceedings or by the duly justified request of the European Commission. Other possibly longer statutory retention periods as might be stated by national law remain unaffected.

These documents must be grouped together and archived. The accounting and supporting documents related to the project partners must be kept at the project partners' premises for equal periods of time. The documents can be kept either in the form of originals or in versions to be in conformity with the original on 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 have to 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 MA/JS, Audit Authority, Group of Auditors, intermediate bodies, auditing bodies of the relevant participating countries, authorised officials of the European Community and their authorised representatives, European Commission and the European Court of Auditors are entitled to examine the project, all relevant documentation and accounts of the project even after its closure.

For revenues earned after the project closure, please refer to chapter F.1.9.

# H Payment of subsidies

## H.1 Reimbursement principle

The Programme's payment scheme is based on the principle of reimbursement. Each project partner needs to pre-finance their project expenditure and request reimbursement for project related costs from the lead partner by compiling a partner progress report. Prior to submission, the progress report has to undergo a specific certification procedure, what is known as a first level control (for details see chapter I Audit and control). Based on the partner reports the lead partner compiles the project progress report. Once the project progress report has been checked and approved, the MA/JS will pay out the Programme co-financing to the lead partner. The lead partner will then reimburse the costs to the individual project partners.

**Please note**: The Programme does not pay any advance payment of ERDF and Norwegian national co-financing.

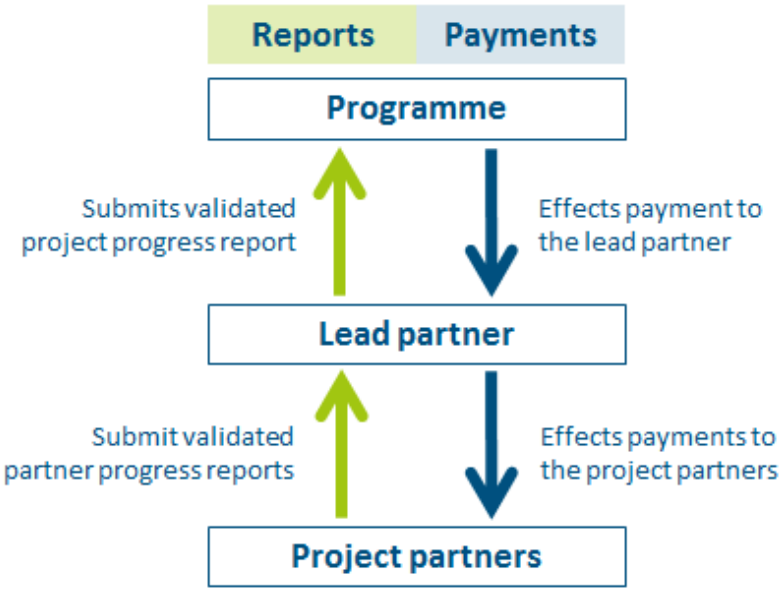


*Figure 9: The* reimbursement *principle*

As an exception from this general principle advance payments will be available for Russian project partners. Applicable rules are detailed in chapter H.3.2.

## H.2 Payment rules

### H.2.1 Role and responsibility of the MA/JS in payment

The MA/JS is responsible for monitoring and transferring the payments of the progress reports within a reasonable time. In principle the MA/JS has to ensure that a lead partner receives the total amount of expenditure requested no later than 90 days from the date of submission of the progress report by the lead partner to the MA/JS, provided that the Programme has sufficient funds available.

**Please note**: Project partners need to ensure efficient financial liquidity since several months can pass between the expenditure, the report submission and the actual receipt of funds

### H.2.2 Postponement of payment deadlines

The payment deadline may be postponed by the MA/JS in case the amounts indicated in the progress report are not correct and/or the appropriate supporting documents including the documents necessary for management verifications have not been provided (i.e. clarification procedure of a progress report).

An interruption can also occur if an investigation has been initiated by the relevant national or European institutions in relation to a possible irregularity. In such cases the lead partner will be informed in writing of the interruption and the reasons for it.[71]

### H.2.3 Payment transfer

After the approval of the progress report, the MA/JS informs the lead partner about the payment in a payment notification letter. In case there is any difference between the amounts requested in the progress report and the amounts paid, the payment notification letter informs the lead partner about the reasons for this.

The MA/JS transfers the requested co-financing directly to the account indicated by the lead partner in Euros. The payment arrives on the project account usually within in one to two weeks. The lead partner will receive

[71] REGULATION (EU) No 1303/2013, Article 132

payments from different accounts if he or she receives reimbursement from more than one funding source (ERDF, Norwegian and ENI/Russian funds).

The lead partner is responsible for internal allocation and further disbursement of funds to the project partners after receiving the payment from the Programme. This should be done without delay and as quickly as possible. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied.

## H.3 Specific payments rules for Russian partners

### H.3.1 General pre-conditions for all payments for Russian partners

The disbursement of the co-financing is subject to the following conditions:

- the European Commission and the Russian Federation made sufficient amount of funds available to the MA/JS;
- the Financing Agreement has been concluded between the European Commission, Russian Federation and the Federal Republic of Germany;
- the Subsidy Contract has been signed by the lead partner and by the MA/JS.

All details of these conditions can be found in the subsidy contract.

### H.3.2 Advance payment procedure

The advance payment amounts to 30% of the total approved ENI/Russian co-financing as indicated in the application valid by the payment date. The transfer will be done automatically by the MA/JS upon fulfilment of all afore-mentioned pre-conditions. The advance payment will be paid to the lead partner's bank account indicated in the online monitoring system (BAMOS). The lead partner should ensure the timely transfer of the individual advance payments to the respective Russian project partners.

### H.3.3 Regular payments

The advance payment is paid only once at the beginning of the project. Later interim payments follow the re-imbursement principle established for ERDF and Norwegian funds (see chapter H.1). These payments are referred to as regular payments.

### H.3.4 Offsetting advance payments with certified payment requests

Payments of ENI/Russian co-financing are carried out as described above until the sum of the advance payment and all submitted certified payment requests

(including the report due) reaches 80% of the respective partner's ENI/Russian co-financing as indicated in the latest version of the application. The MA/JS is entitled to lower this threshold if the Russian partners are significantly underspending and if the MA/JS has justified doubts that they will be able to spend its total ENI/Russian co-financing. When reaching the threshold, the MA/JS will start to offset the advance payment with the certified project payment requests.

### H.3.5 Final balance

After receipt and approval of the final progress report, the final balance will be calculated by offsetting the total of the advance and all regular payments made with the sum of all certified payment requests (including the final payment request). If the total balance is positive, the difference will be paid out to the project. If the total balance is negative, the project has to pay it back to the Programme.

In the event of significant project changes (e.g. drop-out of a project partner from Russia) the MA/JS is entitled to calculate the final balance and to request the unspent advance payment immediately after being informed about the project change.

# I Audit and control

## I.1 Terminology

The terms 'audit' and 'control' (and thus auditor and controller) are not interchangeable since they have two different meanings.

The term "first level control" (FLC) refers to the checks performed by the controllers in compliance with REGULATION (EU) No 1299/2013, Article 23(4-5) and REGULATION (EU) No 1303/2013, Article 125 (4-6) and the Programme. The duty of the controllers is to validate the legality and regularity of expenditure declared by the project partners for Programme co-financing. The term "second level audit" (SLA) means the checks performed by the auditors in compliance with REGULATION (EU) No 1299/2013, Article 25 and with REGULATION (EU) No 1303/2013, Article 127. The duty of the second level auditors is to carry out the audits on projects/project partners selected in samples by the Audit Authority to verify the expenditure declared to the European Commission.

## I.2 The FLC system

Participating countries of the Programme have to set up their systems for the FLC. A detailed description of the national FLC systems, including the requirements upon the controllers, is available on the Programme website.

There are two different FLC systems applied by the countries in the framework of the Programme:

- Centralised FLC system
- Decentralised FLC system

### I.2.1 Centralised FLC system

In centralised FLC systems a central body is appointed by the respective country to carry out the FLC. This body can be approbated at a federal, national, regional level or a combination of those levels.

The controllers are civil servants or employees working within the approbated organisation or might also be external controllers appointed for this specific mission by the given country.

The controllers possess the qualifications required by the respective country. In performance of their duties the controllers are obliged to fulfil the

requirements for the FLC laid down in the EU regulatory framework and in the national legal framework.

The countries with a centralised FLC system keep a list of the controllers that are entitled to validate the expenditure in the framework of the Programme. The list is available for the public and is regularly submitted to the MA/JS. Only controllers on the list can certify the expenditure and sign the FLC certificate and other FLC documentation required for each project and partner progress report. It is the participating country that monitors the performance of the first level controllers on its territory and thus checks that the first level controllers are acting in compliance with the EU regulatory framework and in accordance with the national legal framework for the validation of expenditure of the project partners.

The following countries participating in the Programme have decided to implement a centralised FLC system: **Estonia**, **Latvia, and Poland, Sweden** and **Åland (Finland)**.

### I.2.2 Decentralised FLC system

In decentralised FLC systems, the controlled project partner is free to appoint its controller. The controller must in all cases:

- be independent from the controlled project partner;
- hold the qualifications set by the respective country; and
- fulfil the requirements for the FLC laid down in the EU regulatory framework and in the national legal framework.

In this system it is the respective country that approbates the controllers in accordance with REGULATION (EU) No 1299/2013, Article 23 (4). The approbation bodies in the countries with a decentralised FLC system keep a list of the controllers that are entitled to validate the expenditure in the framework of the Programme. The list is available for the public and is regularly submitted to the MA/JS. Only controllers on the list can certify the expenditure and sign the FLC certificate and other FLC documentation required for each project and partner progress report for which they were approbated. It is the participating country that monitors the performance of the first level controllers on its territory and thus checks that the first level controllers are acting in compliance with the EU regulatory framework and in accordance with the national legal framework for the validation of expenditure of the project partners.

The following countries participating in the Programme have decided to implement a decentralised control system: **Denmark, Germany, Finland, Lithuania, Norway** and **Russia**.

## I.3 Important aspects of the FLC

In the framework of the Programme the FLC plays a key role and consequently deserves special attention in the whole reporting system. This should be understood both from the FLC system's preparation and description point of view as well as via its implementation throughout the whole Programme period.

A well-functioning control system ensures lower risks for the projects, the project partners and the whole Programme. Such a reliable FLC system should cover the following important aspects:

- FLC system description
- FLC independence
- FLC quality
- FLC competence
- FLC capacity
- FLC harmonisation and cooperation

### I.3.1 FLC system description

The FLC system description defines the institutional set-up with clear responsibilities, procedures, allocation of resources (human and financial) and on setting key and standard (minimum) requirements upon the system and controllers. This is a prerequisite for a secure and well-functioning first level control which, in turn, ensures quality and timely validation of project expenditure.

A specific role in the national FLC system, mainly in the decentralised control systems, is played by, what is known as the approbation body. This is an institution responsible for the FLC system on the territory of its country. The approbation body approbates independent and qualified controllers for the project partners in its country (see chapter I.4). Furthermore, it is responsible for guidance and quality assurance of the first level control on its territory throughout the whole implementation period of the Programme.

### I.3.2 FLC independence

In every FLC system the controller must be independent from the controlled project partner. This independence must be ensured both from the project's finances as well as the activities. For example:

- Internal controllers: in the systems where it is applicable, the controller must be placed in a clearly independent position from the project within the organisational structure, e.g. under the responsibility of a different director.
- External controllers: in the systems where it is applicable, the controller should not be involved in providing other services to the respective project partner, e.g. as a tax advisor.

Although ISRS 4400 provides that independence is not a requirement for engagements, the Programme requires that the controller also complies with the independence requirements of the 'Code of Ethics for Professional Accountants'.

The controller must also be independent from other levels of controls as SLA and bodies of the Programme structure and decision making. Independency must be ensured in the terms of reference indicated by the European Commission[72].

### I.3.3 FLC quality

On the one hand quality means the quality of validation of expenditure as such, i.e. checking of project partner's declared expenditure and the elimination of ineligible costs. On the other hand it also means the quality of documentation of the FLC work, e.g. in the FLC report and checklist. The documentation and description of the FLC carried out should be traceable and understandable including for third parties being involved in the system, for example lead partners, MA/JS, SLA, and European Commission.

The FLC is more than a regular audit of accounts. The quality of the controls has a direct impact on the Programme and the project implementation. It may also have an effect on other projects and project partners. A good quality validation

[72] European Commission recommendation on statutory auditors' independence in the EU: a set of fundamental principles according to 2002/590/EC; International standard on quality control N°1 (International Federation of Accountants); Code of ethics of the INTOSAI, Auditing standards chapter II-2.2. Standards with Ethical significance

implies, among other things, the verification of the delivery of products and services, soundness of expenditure and compliance with the rules (EC, national and Programme rules) and contracts (e.g. subsidy contract incl. project data and service contracts).

### I.3.4 FLC competence

There are different control systems complying with specific national requirements in place. The competence of each particular controller must be ensured in each participating country.

The controllers have to meet distinct requirements. Controllers should have, among other things, knowledge of EU regulations, Programme rules and the national rules and accounting principles. The description of the national control system summarises the requirements to be met by controllers in terms of experience, knowledge of the above mentioned rules and certainly a good command of the English language. As the validation concerns public funds, the requirements also concentrate on knowledge of public procurement rules, the calculation of personnel costs and other Programme specific rules (e.g. bid-at-three rule).

The controller's competence is crucial for a sound FLC system. Therefore, the requirements set have to be met before controllers are appointed to validate expenditure. In addition, the competence should be ensured and updated via targeted training during the Programme implementation period (e.g. specific training on public procurement, seminars on Programme rules and reporting, exchange of experience with other controllers and the MA/JS).

### I.3.5 FLC capacity

There are a high number of project partners submitting their expenditure to the MA/JS. From the reporting point of view project partners depend on each other. The lead partner collects all validated partner reports in order to submit the validated project progress report for the Programme's co-financing. Consequently, in order to ensure timely validation, the capacity of the FLC is very important. A reporting delay of one project partner delays the reporting of the whole project and consequently, the payment of funds to the project.

### I.3.6 FLC harmonisation and cooperation

In the framework of transnational cooperation programmes the harmonisation and standardisation of the work of controllers within one country and between

countries is highly relevant. In order to establish such a system controllers are obliged to use the standardised tools and criteria for verification of expenditure to ensure equal quality over the whole Programme area. Using standardised tools (e.g. standardised FLC report template and checklist) ensures, besides coherence among controllers, transparency of the work performed for third parties involved in audit and control.

In addition, controllers are encouraged to cooperate and communicate with each other. In general, the MA/JS highly recommends that controllers attend seminars, workshops or other meetings organised for them on specific topics on:

- The Programme level (seminars/workshops mainly for lead partners and their controllers),
- National level (seminars for project partners and their controllers of the particular country),
- EU level (events organised for example by Interact or European Commission services).

### I.4 Approbation of the controller

The progress report is only admissible if it has been validated by an approbated controller.

In the centralised FLC system the given participating country has already approbated the controllers in the description of their FLC system. Therefore, project partners do not need to obtain any further approbation of their controller before the submission of the progress reports.

In the decentralised FLC systems an individual approbation of a controller is needed. Therefore, project partners from such a country have to obtain an approbation of their controllers from the approbation body before the first expenditure is validated and the progress report submitted to the MA/JS.

Any controller from the country with a decentralised FLC system who was accepted by the approbation body will receive an official approbation certificate. Only approved controllers are entitled to validate project partner expenditure.

In the decentralised FLC systems the approbation process of controllers is organised as follows:

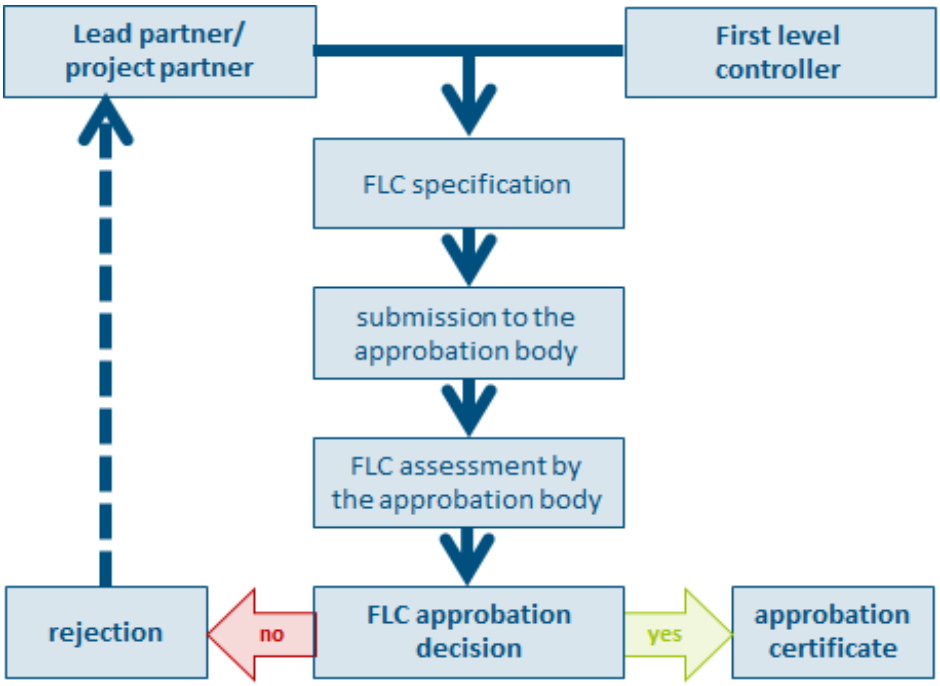


*Figure 10:* First *Level Control approbation process*

Each project partner and its controller fill in and sign the first level controller(s) specification (the template is available from the approbation body)(stage 1).

Each project partner submits the first level controller's specification to the approbation body of the respective participating country. For the contact address of the approbation body please see the Programme website (www.interreg-baltic.eu/for-projects/first-level-control.html).

The relevant approbation body checks the information provided and evaluates whether the proposed controller is sufficiently independent and qualified to carry out the FLC of the project partner and the project. During the assessment process of the proposed controller the approbation body may ask for further clarification and documentation proving the required qualification.

The approbation body sends the decision (approval or rejection) on the FLC in the form of an approbation certificate to the respective project partner (see the Programme website for an example).

Upon approval, project partners submit copies of the approbation certificates to the lead partner of the project. If for any reason the approbation body rejects the proposed controller the respective project partner has to select a new controller and start the approbation procedure again from stage 1.

Should the controller change, the whole approbation procedure has to be followed from stage 1 for all controllers that are not certified by the approbation body.

The certificate issued by the approbation body for the controller and the specific project is valid for the whole duration of the given project. It has to remain with the controller, who has to present it to any interested institution. However, the approbation procedure cannot be initiated by a controller, but only by a project partner of an approved project of the Programme.

For more details and applicable templates please refer to the approbation body of the respective country.

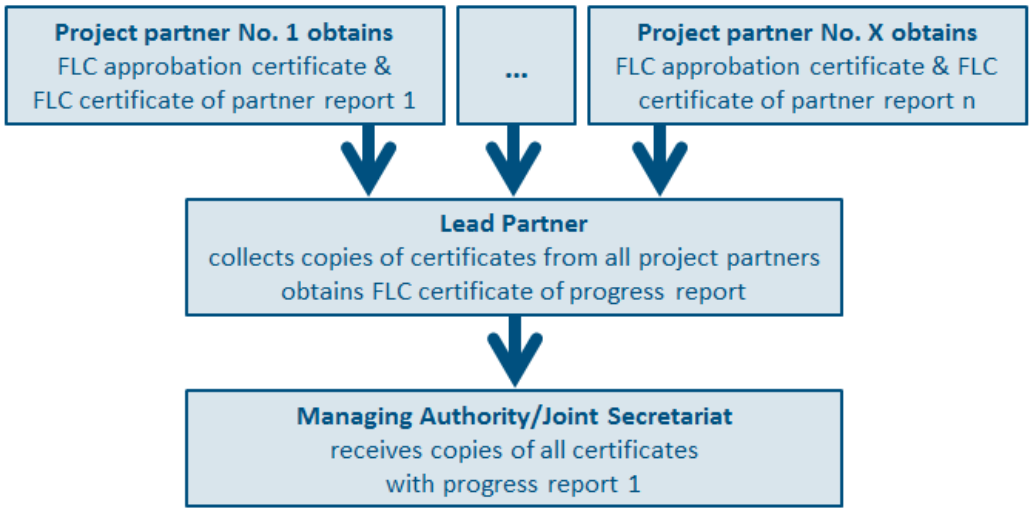


*Figure 11:* FLC *certificates to be submitted with the first project progress report*

**Responsibilities of the lead partner**

For each progress report the lead partner has to check that the FLC certificate (part of the project and partner progress reports) is submitted by each project partner reporting its expenditure. The progress report has to be signed by the project partner's controller who is officially authorised by the approbation certificate or by the respective approbated FLC institution (in the cases of centralised systems).

In addition the lead partner is requested to attach to the first project progress report that will be submitted to the MA/JS:

- A copy of the FLC certificate of each partner progress report

- A copy of the approbation certificate of all project partners from countries with a decentralised FLC system.

## I.5 Validation by the controllers

### I.5.1 Scope of and standard tools for validation

The validation by the controller follows a two-step approach:

- At **partner level**: validation of expenditure and of compliance of activities carried out in the framework of the project as declared by the project partner in individual partner reports;
- At **project level**: validation of the entire expenditure and activities declared by the project via the lead partner in the respective project's progress report.

The MA/JS in cooperation with other ETC Programmes and Interact have developed standardised **tools for the validation of expenditure**. The following tools shall be used for the validation of progress reports:

- FLC certificate; and
- FLC report and checklist.

Templates for these documents can be downloaded from the Programme website. The standard parts of these documents cannot be modified.

### I.5.2 Validation at partner level

The project partners must get all the expenditure and activities that are declared in their partner report validated by the approbated controller in their country.

The FLC validates the activities of the project partner in the sense of them being related to the project and, in general, compliance with the activities and aims of the project. For example, if the business trips to the events were related to the project. The FLC does not however, evaluate the quality of the project activities. In case of any doubts or questions the FLC can approach the MA/JS.

The controllers validate the compliance of project partner expenditure in conjunction with:

- The eligibility and other Programme rules defined in this Programme Manual,

- The applicable EU and national regulations (for example on public procurement) and transparent selection procedures for external services (service contracts), and
- The approved application/project data and with the rationale of the project (see subsidy contract contract).

The controllers will also verify the expenditure in accordance with applicable standards and ethics of the International Federation of Accountants (IFAC), in particular:

- In accordance with the ISRS 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC; and
- In compliance with the 'Code of Ethics for Professional Accountants' issued by the IFAC.

All first level controllers at the project partner level are required to:

- Validate the **expenditure incurred and paid** by the **controlled project partner**;
- Validate the contents of both the activity and financial component of the partner progress report;
- Draft an FLC report and checklist on the control performed;
- Sign the first level control certificate of the partner progress report;
- **Submit** an original of the **FLC certificate** together with the **FLC report and checklist** (at least as a copy) to the project partner together with the validated partner report.

To allow a transparent work flow within the audit trail all FLC results and related documentation have to be made available for cross-checks at project level, for checks by the MA/JS, the AA and other members of the Group of Auditors, as well as for audits by the European Commission or on its behalf.

Project partners should take into consideration possible costs of the FLC when planning their project partner budgets. Provided it is in line with the national rules the FLC costs resulting from the validation of the project partner's expenditure can be reported as eligible project expenditure. It depends on the FLC system of a country (e.g. centralised or decentralised) as to whether project partners have to pay for the FLC. The following table summarises this issue:

Table 11: *Does* the project partner have to pay for the FLC?

| | DE | DK | EE | FI | LT | LV | NO | PL | RU | SE |
|---|---|---|---|---|---|---|---|---|---|---|
| **PP has to pay FLC** | Yes | Yes | No | Yes | Yes | No | Yes | No | Yes | No |

However, project partners are asked to check with their responsible national authorities, if further requirements apply.

### I.5.3 Validation at project level

In addition to the validation of activities and expenditure on the partner level **the controller of the lead partner has to validate the progress report of the entire project**. For that purpose the lead partner collects from the other project partners as a minimum:

- The partner reports,
- FLC certificates of the partner reports,
- FLC reports and checklists of the project partners' controllers.

This does not include an additional control of the partner reports but is more a plausibility check. In case of inconsistencies and doubts reasonable additional checks and clarification can be carried out.

In addition, the controller of the lead partner has to check that the partnership agreement and, if applicable, an addendum to the partnership agreement has been signed and all minimum requirements were met.

Based on the above mentioned documents and, if applicable, other relevant supporting documents, the controllers of the lead partner validate the **project progress reports**. The FLC shall be documented in the FLC report and checklist. The validation of the project progress report is confirmed in the FLC certificate.

## I.6 Audit Authority and Group of Auditors

### I.6.1 Tasks

The participating countries of the Programme have appointed a joint Audit Authority as well as institutions responsible for the SLA in each participating country.

The Ministry of Justice, European Affairs, Consumer Protection and Equality of Land Schleswig-Holstein has been appointed as the AA of the Programme.

In compliance with REGULATION (EU) No 1303/2013, Article 127, the AA is especially responsible for:

- Ensuring the effective functioning of the management and control system in the Programme, by performing audits on the MA/JS and on the first level controllers;
- Ensuring that audits are carried out on the operations on the basis of a sample, in order to verify the expenditure that has been declared.

In these tasks, the AA is supported by the Group of Auditors (see REGULATION (EU) No. 1299/2013, Article 25). This group comprises a representative of each participating country and carries out the duties of the SLA. In order to harmonise the audit work of the Group of Auditors across the Programme, the AA is responsible for providing guidance to the Group of Auditors and unified templates of the SLA reports and checklist. The MA/JS supports the AA and the Group of Auditors in carrying out their tasks from the Programme level.

The auditors must be independent from the projects co-financed under the Programme as well as from other Programme bodies and the FLC system implemented in compliance with REGULATION (EU) No 1299/2013, Article 23 (4-5) and Article 25(3).

### I.6.2 Second level audit

The provisions of REGULATION (EU) No 1299/2013, Article 25 and of REGULATION (EU) No 1303/2013, Article 127 imply that projects undergo a SLA in case they are selected in a sample.

The sample of projects will consist of both the lead partners and project partners to be checked by the national auditors appointed by the participating countries for that purpose.

The general schedule of the audits at lead partner and project partner levels is agreed between the AA, and auditors of the lead/project partners. Each national auditor will be responsible for audits of partners located on its territory, unless otherwise agreed by the Group of Auditors.

The audits start when the national auditors launch the audit and inform the lead/project partners about the aim and schedule of the checks. The audit implies both desk checks and on-the-spot checks, unless agreed upon differently with the AA.

It is the duty of the lead partner and of all the project partners involved in the sampled project to facilitate the audit activities and to provide requested documentation and access to locations and premises.

The auditors check:

- Compliance with rules of the EU regulatory framework, the national legislation and the Programme rules;
- Soundness of the management and control system implemented at project level; and
- Soundness of the first level controls performed.

The SLA work is documented in the SLA reports and checklists and in the overall summary report. To allow for a transparent work flow within the audit trail all audit results and related documentation have to be made available to the MA/JS, the AA and other members of the Group of Auditors, as well as to the European Commission or its behalf.

After finalising the desk checks and on-the-spot checks each audited project partner will receive a report and will have a defined period of time to give comments and clarification to the audit findings. This procedure is named “contradictory procedure”. Its length depends on the rules set by the AA for the Group of Auditors and/or may depend on national rules for auditing.

Comments from the audited project partners will be reported in the auditor reports. Once all the contradictory procedures have been closed, the AA will compile an overall audit report based on the national SLA reports. Thereupon, the AA will inform the MA/JS about the outcomes and suggested follow-up actions, if relevant.

The MA/JS will inform the MC members of the country concerned about the findings detected during the second level audits as well as about the follow-up actions of the MA/JS.

The MA/JS will relate directly to the lead partner in the follow-up process. The lead partner remains, at all stages, the counterpart of the MA/JS, as well as in case of recovery of funds (see chapter K.3.3).

Project partner costs incurred and related to the SLA may be declared to the MA/JS and considered eligible for the Programme’s co-financing. This is only possible if the project is not yet finalised and closed, within the thresholds set

by the budget of the project and if complying with the eligibility rules set out in this Manual.

### I.6.3 Other controls

Checks might also be performed on the project by other auditing bodies of the European Union or of the participating countries. The MA/JS and the AA are also entitled to perform checks at project level to ensure that a sound management and control system has been implemented or to check the eligibility of expenditure declared and the activities carried out.

# J Seed money for the EUSBSR

## J.1 Scope of seed money projects

Seed money enables the preparation of project applications in line with the Action Plan for the European Union Strategy for the Baltic Sea Region (EUSBSR). The projects will be prepared to apply for funding from any EU, national or other funding sources. The preparation phase funded by the Programme seed money covers the planning of "main project" activities, partnership and budget as well as investigation of the thematic field and potential funding sources. Furthermore, it enables networking activities aiming at building strategic partnerships and exchange with responsible Policy Area Coordinators (PACs) and Horizontal Action Coordinators (HACs) of the EUSBSR Action Plan.

## J.2 Thematic focus of seed money projects

Seed money supports the preparation of projects that contribute to the actions under policy areas and horizontal actions listed in the EUSBSR Action Plan, available at www.balticsea-region-strategy.eu. The Strategy and its Action Plan are structured around three objectives: saving the sea, connecting the region and increasing prosperity. Seed money projects may address any topic that is listed in the Action Plan of the Strategy regardless of the thematic focus of priorities 1-3 of Interreg Baltic Sea Region. Please note that the Action Plan is updated regularly.

Before applying for seed money funding (potential) lead applicants need to obtain support from the relevant PAC or HAC of the EUSBSR. By supporting seed money applications the PACs and HACs confirm the relevance of project ideas to the EUSBSR (see also chapter J.8.1).

## J.3 Outputs of seed money projects

Seed money projects should contain activities for preparing a project proposal that will help tackle challenges listed in the Action Plan for the EUSBSR. The projects will deliver three outputs as a result of their activities as described in figure 12.

Projects have to deliver the following outputs:

Output 1: Report on the state of play in the field addressed, including inter alia:

- Description of the situation in the field and countries concerned including:

- Overview of past and current activities in the field and of complementary projects that were/are implemented;
- Description of the existing gaps, which will be addressed by the new initiative.

- Description of the target groups addressed by the future project and their needs.

Output 2: Main project work plan,[73] containing:

- A work plan, describing activities and outputs of the main project;
- The composition of a potential project partnership;
- An indicative budget plan for the main project.

Output 3: Report on funding possibilities, presenting:

- The analysis of funding sources for the main project;
- A road map defining steps to be taken after the seed money project is finalised.

An important part of the main project development is a continued dialogue with the relevant PAC or HAC of the Action Plan for the EUSBSR and other stakeholders in the field addressed by the project.

[73] Output 2 may include more than one main project work plan (e.g. when several funding sources will be targeted). For reasons of simplification the chapter only refers to the singular.

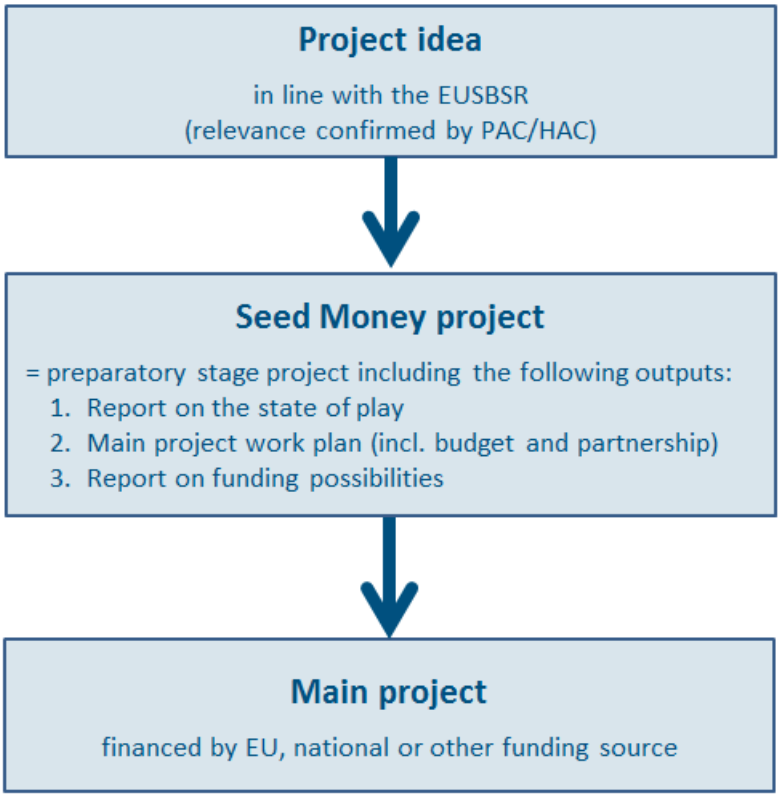


*Figure 12: Seed money – from an idea to a main project*

## J.4 Eligible project partners

The following legal entities from the eight EU Member States located in the Baltic Sea region, Norway and Russia can qualify for the Programme co-financing as project partners:

a) National (governmental), regional and local public authorities

b) 'Bodies governed by public law' as defined in Article 2(1) of DIRECTIVE 2014/24/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 February 2014 on public procurement and repealing DIRECTIVE 2004/18/EC (OJ L 94, 28.3.2014)

   All organisations applying for funding in category b) must fulfil criteria i) ii) and iii). This means the organisation must:

   i. Be established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character; and

   ii. having legal personality; and

iii. be financed, for the most part, by the State, regional or local authorities, or by other bodies governed by public law; or subject to management supervision by those authorities or bodies; or have 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.

c) Associations formed by one or several regional or local authorities as defined under a).

d) Associations formed by one or several bodies governed by public law as defined under b).

e) European Grouping of Territorial Cooperation (EGTC) as defined in the REGULATION (EC) No 1082/2006 as amended by REGULATION (EU) No 1302/2013[74].

Only if the partner does not fulfil the criteria of any of the categories a)-e), the following category can be selected

f) Bodies having legal personality, but not fulfilling criteria i and/or iii under category b) and not being private for-profit entities.

Expenditure of legal entities belonging to the categories a) to e) is regarded as public expenditure, whereas expenditure of legal entities belonging to category f) is regarded as private expenditure. **Only legal entities belonging to categories a) to e) can be lead partners of seed money projects.**

Legal entities applying for funding cannot be undertakings in difficulty within the meaning of point 24 (in conjunction with point 20) of the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (OJ C 249, 31.7.2014, p. 1). Undertakings in difficulty are not eligible to receive funding from the ERDF according to Article 1(3) of the REGULATION (EU) No. 1299/2013 in conjunction with Article 3(3)(d) of the REGULATION (EU) No. 1301/2013.

[74] The European Grouping of Territorial Cooperation (EGTC) is a cooperation instrument at the Community level established for the creation of cooperative groups in Community territory, invested with legal personality, in order to overcome the obstacles hindering territorial cooperation. Recourse to an EGTC is optional. For more information, refer to REGULATION (EU) No 1302/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 amending REGULATION (EC) No 1082/2006 on a European Grouping of territorial cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and functioning of such groupings.

In the partner declaration legal entities applying for funding from the Programme, are obliged to declare that:

1. they fulfil the criteria as defined in the respective legal status category
2. they are not undertakings in difficulty as defined in the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty

A model partner declaration has been prepared by the MA/JS and is a part of the application package. Every applicant has to fill in and sign a partner declaration. The responsible authorities of the EU Member States participating in the Programme as well as Norway, Belarus and Russia will verify the accuracy of the statements of the legal status before an application is approved by the Monitoring Committee. In case of uncertainty about their eligibility, potential lead partners and project partners should make enquiries to the Monitoring Committee members of their country.

Private for profit entities are not eligible for seed money funding. However, if beneficial for the preparation of the main project, private for profit entities can be involved in the preparation of the main project as external participants (e.g. involved in the preparatory meetings).

Funding modalities for partners from Belarus are to be defined later.

## J.5 Composition of seed money project partnership

Each project has to involve at least three project partners from three different countries of the Programme area: a lead partner and at least two project partners. **Lead partners must be legal entities in categories a) to e) and located in the territory of a Member State in the Programme area or in Norway.** At least one of the partners has to be located in the territory of an EU Member State in the Programme area. An organisation can only be considered as a project partner if it has a clearly defined role in the partnership and a budget (co-financing from Programme funds and own financial contribution).

## J.6 Duration of seed money projects

The maximum duration of a seed money project is 18 months. The project duration consists of three phases: a contracting phase, an implementation phase and a project closure phase. The contracting phase lasts three months and starts on the day after selection of the project by the Monitoring

Committee (MC) (see figure 13). The implementation phase lasts up to 12 months. The closure phase lasts up to three months.

| Project duration<br>- Up to 18 months - | | |
|---|---|---|
| **Contracting phase** | **Implementation phase** | **Closure phase** |
| 3 months | Up to 12 months | 3 months |

*Figure 13: Project phases*

## J.7 Seed money project budget and eligibility rules

### J.7.1 Project budget and co-financing rate

The total budget of a seed money project is EUR 50,000. The maximum Programme co-financing amount is up to 85% of the total budget. This co-financing rate applies to all seed money project partners, including partner organisations from Norway.

In order to receive Programme co-financing project partners have to provide an own contribution amounting to at least 15% of the total budget. These contributions must not come from other EU sources. In the application the project partners have to indicate their planned budget share per partner and output.

The budget is based on lump sums and linked to the delivery of three predefined outputs (see also chapter J.3). The outputs will be checked by the MA/JS. Upon fulfilment of the pre-defined quality requirements for outputs the payment will be made (see also chapter J.13).

Divided into the three outputs a project may receive 85% of the following lump sums:

1. EUR 18,000 for delivery of output 1 (report on the state of play in the field addressed);
2. EUR 28,000 for delivery of output 2 (work plan of the main project);
3. EUR 4,000 for delivery of output 3 (report on funding possibilities for the main project and a road map defining steps to be taken after the seed money project is finalised).

### J.7.2 Application of lump sums and partner obligations

As the activities are paid based on lump sums and the control is done by the MA/JS no check by first level controllers is necessary. It is inherent in lump sums that they, by definition, may overcompensate or 'undercompensate' the real costs incurred for the implementation of the seed money project.

Despite the fact that MA/JS will not verify the real costs (underlying categories of expenditure calculated by lump sum), seed money projects are obliged "to fully observe all applicable Union and national rules, such as publicity, public procurement, equal opportunities, sustainable environment, state aids, etc."[75]

### J.7.3 Provision for procurement in seed money projects

The project partners have to implement the core activities of the seed money project themselves, meaning they keep the full control of the management and implementation of the project. This means outsourcing of the entire implementation of an output through public procurement contracts is strictly forbidden. Nevertheless, it is possible to procure certain categories of costs within the project (e.g. external expertise, purchase of equipment etc.) if the aforementioned condition is ensured.

### J.7.4 State aid rules

In terms of seed money no State aid is granted by the Programme and State aid regulations which determine exemptions will not be applied. All project partners are expected to be familiar with the relevant State aid rules to ensure that their activities do not constitute State aid.

### J.7.5 Visibility rules

The organisations taking part in the seed money project are obliged to ensure that suitable publicity is given to inform the public about the funding source. When arranging the information and communication measures, the projects have to display the support from the Programme and the EU funds. Further details are provided in chapter F.1.10.

[75] European Commission (2014): Guidance on Simplified Cost Options (SCOs) (p.32)

## J.8 Application procedure

The seed money application procedure consists of two steps. First, applicants have to obtain support from the relevant PAC/HAC, who will assess the strategic relevance of the planned main project. The second step is the submission of the application to the MA/JS after the applicant has been pre-selected by the PAC/HAC.

### J.8.1 Pre-selection of applications by PACs/HACs

As the seed money funding aims at supporting development of strategic projects contributing to the implementation of the Action Plan for the EUSBSR, the strategic relevance assessment of the main project idea is undertaken by the responsible PACs/HACs.

By a given deadline, defined in the announcement note of the call and announced on the Programme's website, the draft seed money application including the planned main project idea have to be presented to the responsible PAC/HAC. The PAC/HAC carries out an assessment of the relevance of the main project idea and its potential to contribute to the objectives of the respective policy area/horizontal action of the EU Strategy for Baltic Sea Region.

The pre-selection by PACs/HACs is based on the following general criteria:

- The draft application demonstrates potential for a high macro-regional impact;
- The draft application contributes to fulfilling the objectives, indicators and targets of the EUSBSR;
- The draft application is related to the implementation of one or more actions of the policy area/horizontal action concerned;
- The draft application has a clear transnational dimension;
- The draft application demonstrates added value to already implemented activities/initiatives in the region.

In addition to these general criteria, PAC/HAC may set additional pre-selection criteria reflecting specific needs and targets of the policy area/horizontal action in question (e.g. need for potential flagship projects in a specific thematic field etc.). If so, these specific criteria can be found on the relevant PAC/HAC website and direct links to these pages will be published on the Programme website.

The PACs/HACs will document the project pre-selection process and involve the policy areas'/horizontal actions' steering groups or equivalent bodies (if available).

The pre-selection results will be communicated to applicants and the MA/JS. Only a limited number of draft seed money applications may be pre-selected (e.g., maximum 5 draft applications can be recommended per policy area/horizontal action). The limitation will be set in the call announcement note.

The contact details of PACs and HACs are available here http://www.balticsea-region-strategy.eu/contacts.

### J.8.2 Submission of applications

All applicants whose draft applications have been pre-selected will receive access to the online application system (BAMOS).

The applicants will fill in and submit an application via the online system. In addition, the signed application and the partner declarations for all partners participating in the project (including lead partner) have to be sent to MA/JS. The templates and supporting documents will be available on the website of the Programme before the call for proposals is opened.

The call deadlines will be specified in the call announcements and will be announced on the Programme's website.

### J.8.3 Support to generation and development of the seed money application

The MA/JS organises various events and offers consultations (via e-mail, phone and face-to-face meetings in its premises in Rostock and Riga) to facilitate the generation of seed money project applications and to support the applicants in the seed project development process.

## J.9 Assessment of applications

All submitted applications undergo a standard assessment procedure composed of:

- Admissibility check – checking whether the applications fulfil the formal admissibility criteria
- Quality assessment – evaluation of the content of the application according to the quality assessment criteria.

The **admissibility check** will be performed according to the following criteria:

Table 12: *Admissibility* criteria for seed money applications

| No | Admissibility criteria – seed money applications |
|---|---|
| 1 | Digital application form submitted via the online system before the deadline |
| 2 | Digital application form submitted in English |
| 3 | Application is complete |
| 4 | Minimum requirements regarding transnational approach met |
| 5 | Legal status of the project partners incl. the lead applicant in line with the Programme requirements |
| 6 | Geographical eligibility of lead applicant in line with the Programme requirements |
| 7 | All partner declarations submitted and correct |

If a proposal does not fulfil the admissibility criteria, the applicant will be informed about the deficiencies by email. The applicant may clarify the open points and, e.g. send missing documents. Only applications that have passed the admissibility check will proceed to the quality assessment.

The **quality assessment** will be performed by the MA/JS against the following criteria:

Table 13: *Quality* assessment criteria

| Criteria | Guiding questions |
|---|---|
| **I. Relevance of the application** | |
| 1. The application is in line with the thematic focus of the given call (if applicable).<br>2. The proposal demonstrates additional value to already accomplished/ running projects value. | Is the application in line with the thematic focus of the given call as specified in the announcement note of the call?<br>Is the proposal's added value to already accomplished or running projects sufficiently demonstrated? |
| **II. Coherence of the application and quality of approach** | |
| 3. There is coherence between the planned main project objectives, activities and expected results. | Are objectives and planned activities of the main project clearly described and logically inter-related?<br>Can the estimated outcomes of the main project be achieved through the proposed approach?<br>Is the work plan clearly described and realistic and leads to the pre-defined outputs? |

| Criteria | Guiding questions |
|---|---|
| 4. Quality of the proposed seed money project work plan | Is the seed money project clearly a preparatory stage for the described main project? |
| **III. Partnership** | |
| 5. The seed money partnership has sufficient potential to develop the planned main project.<br>6. The involvement of the partners is in line with transnational approach required by the Programme and partners have clear roles in the seed money project. | Is the composition of the partnership appropriate to carry out the planned activities and to deliver the expected outputs (develop the planned main project)?<br>Does the project justify the need for transnational cooperation and are the roles of all project partners clearly described? |
| **IV. Budget** | |
| 7. The project budget meets the financial requirements of the Programme. | Is the planned budget in line with the financial requirements of the Programme? |

The outcome of the quality assessment will be presented to the Monitoring Committee.

## J.10 Approval of applications

The Monitoring Committee makes the selection of seed money applications to be funded based on the quality assessment.

The Monitoring Committee may set certain requirements which should be addressed by the lead partner during the contracting process or together with the final report if not otherwise specified.

The Monitoring Committee has three options when it comes to the approval of projects:

- To approve the application;
- To approve the application with certain requirements, or
- To reject the application.

After the approval of the Monitoring Committee the contracting phase starts.

**The contracting procedure is described in chapter E (Contracting of approved applications) of the Programme Manual.**

## J.11 Project implementation

### J.11.1 Getting started

The implementation phase directly follows the contracting phase that lasts at least three months and starts at the day after the Monitoring Committee (MC) selection (see also chapter J.6 figure 13). Within the contracting phase the subsidy contract is expected to be concluded (see chapter E). Projects have to be ready to start the implementation of project activities as soon as possible after the selection of the MC. In any case, the implementation has to be started by the end of the contracting phase even if the subsidy contract is not yet signed by this time. Seed money project partners are required to prepare and sign a partnership agreement, which formalises the division of mutual responsibilities and rights of partners. Projects are recommended to develop the partnership agreements as soon as possible (e.g. during the first three months of the implementation) to secure a smooth cooperation between the partners and to avoid misunderstandings at a later stage. The MA/JS provides a sample partnership agreement to lead partners of seed money projects individually after the respective subsidy contract is signed.

For detailed information about the minimum requirements of a partnership agreement, please see chapter G.2.1. The copy of the signed partnership agreement has to be presented to the MA/JS, at the latest when submitting the final report. Project partners that have not signed the partnership agreement by the end date of the seed money project cannot receive their part of the lump sum as indicated in the application form.

### J.11.2 Reporting on activities and delivery of compulsory outputs

Seed money projects are requested to submit a final report after the implementation of the project is finalised, accompanied with the three obligatory outputs. After the end of the implementation phase projects have up to three months to fulfil this obligation, i.e. prepare and submit their final report.

The report is to be completed in the electronic monitoring system. The submission of the report as well as the signature by the lead partner will be done electronically via the monitoring system only.

**Please note:** No individual cost items (e.g. invoices) will be reported as the Programme co-financing will be paid to projects based on the lump sum principle

described above. Furthermore, no control by third bodies (e.g. by first level controllers) of final reports are required before report submission. All documents are checked directly by the MA/JS

### J.11.3 Criteria for checking the quality of outputs

The MA/JS will check the reports of seed money projects in order to verify that the planned activities leading to outputs have been implemented in line with the approved application. The MA/JS will also verify the quality of the delivered compulsory outputs. The following criteria will guide the check on the outputs:

Table 14: Quality criteria for outputs

| Quality criteria | Definition | |
|---|---|---|
| **Output 1: Report on the state of play in the field addressed** | | **Lump sum: EUR 18,000** |
| *The project has delivered output 1 of sufficient quality covering the following aspects:* | | |
| 1. The report describes the situation in the field addressed. | The situation in the field addressed becomes clear (including e.g. general political and strategic background of the main project, overall regulatory framework and country specific information). | |
| 2. The report describes gaps and/or challenges that exist in this field. | The existing gaps and challenges in the field are analysed (it becomes clear which gaps/challenges will be addressed by the main project and why). | |
| 3. The report describes the needs of the relevant target groups. | The report defines the target groups and their respective needs. | |
| 4. The report provides an overview of complementary projects/ activities. | The additionality of the main project becomes clear (e.g., the project has analysed previous and current activities (projects) in the field and provides a conclusion for the main project). | |
| **Output 2: Main project work plan** | | **Lump sum: EUR 28,000** |
| *The project has delivered output 2 of sufficient quality covering the following aspects:* | | |
| 1. The work plan describes the planned objectives and results of the main project. | The planned project aims and expected results of the main project become clear. | |
| 2. The work plan describes the planned methodology/ approach of the main project. | The planned methodology/approach is coherent for achieving the planned results. The activities and the planned outputs are clearly described and the timeframe of the project is given and comprehensible. | |

| Quality criteria | Definition |
|---|---|
| 3. The partners involved in the project are defined. | The core project partners are named and their competences are explained. The presented partnership is able to implement the planned activities or competences missing are described. |
| 4. The budget plan is presented. | The work plan provides a detailed budget plan. |
| **Output 3: Report on funding possibilities for the main project and a road map defining steps to be taken after the seed money project is finalised** | **Lump sum: EUR 4,000** |
| *The project has delivered output 3 of sufficient quality covering the following aspects*: | |
| 1. Analysed funding sources are explained. | It becomes clear which funding sources were selected and analysed (at least three). |
| 2. Result/conclusion is described. | It becomes clear which funding will be targeted by the main project and the decision is clearly justified. In case the seed money project has concluded that it will apply for Interreg Baltic Sea Region the main project has to be in line with the Programme objectives. |
| 3. Road map defining steps to be taken after the seed money project is finalised is provided | It becomes clear which steps will be taken next by the partnership. |

The MA/JS will ask for a clarification about any deviations from the original seed money project application – that are not sufficiently justified – as well as any shortcomings regarding the produced outputs. The MA/JS will contact the lead partner with a list of issues for clarifications and provide a deadline for the submission of clarifications.

**Please note:** In case one or several outputs do not meet the quality criteria defined above and the shortcomings cannot be overcome during clarification, the MA/JS will decrease the grant by the amount of the lump sum of the output or outputs that could not meet the pre-defined quality criteria.

Only after the clarification questions have been answered satisfactorily and the final report has been approved by the MA/JS the payment procedure will be launched.

## J.12 Changes in the project set-up

The partnership may introduce changes to the approved project set-up after signature of the subsidy contract. This chapter describes categories of project changes and procedures on how to introduce them in the project set-up. Depending on the impact on the project set-up, changes are divided into minor and major types.

### J.12.1 Minor changes

Minor changes are adjustments of the project set-up which do not have a significant impact on the project implementation. As they are more of a technical character, they do not require a prior approval by the MA/JS.

The following minor changes are applicable in the case of seed money projects:

- Contact data change of the lead partner or of the project partners;
- Change of the bank account of the LP;
- Work plan adjustments as e.g. update of the time plan, additional meetings etc.

### J.12.2 Major changes

Only the following change is allowed in the case of seed funding:

- Changes in the duration without exceeding the maximum duration of the implementation phase (12 months).

Although minor adjustments of the work plan are possible outputs themselves cannot be changed. The major change will be handled analogue to the chapter G.4.2.

## J.13 Payment of Programme co-financing

The Programme's payment scheme is based on the principle of reimbursement. No advance payments are possible. Each project partner needs to pre-finance its project expenditure.

Once the final report has been checked and the quality of the outputs is verified and approved, the MA/JS initiates the transfer of the Programme co-financing to the lead partner. The MA/JS informs the lead partner in a payment notification letter. In case there is any difference between the amounts requested in the final report and the amounts paid, the payment notification letter informs the lead partner about the reasons for this.

The MA/JS transfers the requested co-financing directly to the account indicated by the lead partner in Euros. The payment arrives on the project account usually within one to two weeks. The lead partner will receive payments from different accounts if he or she receives reimbursement from more than one fund (ERDF and Norwegian).

After receiving the Programme co-financing the lead partner has the obligation to transfer the share to partners according to the division set in the application form.

## J.14 Audit and availability of documents

In order to ensure an adequate audit trail all project partners are obliged to keep all documents relating to the project, activity reporting, outputs, results as well as supporting documents (e.g. relating to grant approval, etc.), in particular all documents proving that project activities were carried out (e.g. visual proof) and the outputs were delivered.[76] These documents must be kept available for a period of three years from 31 December following the submission of the payment claim by the MA/JS to the European Commission including the expenditure of completed project. The MA/JS will inform each lead partner individually about the exact starting date.

## J.15 Further guidance

In case information is not laid down in this chapter, further guidance for instance on horizontal principles or the resolution of complaints is available in other parts of the Manual. Please refer to the table of contents.

[76] COMMISSION DELEGATED REGULATION (EU) No 480/2014, Article 25

# K Arrangements for partners facing difficulties

## K.1 Definition of the terms and general procedures

A project is understood to be facing implementation difficulties when a lead partner or project partner fails to fulfil conditions or requirements stipulated in the subsidy contract. This is notably the case if the condition or requirement is intended to guarantee the successful implementation of the project and the achievement of its objectives.

In cases of such implementation difficulties the participating country/countries on whose territory the project partner concerned is located will support the MA/JS to clarify the particular case(s). Thereby, they should help to prevent and remove any potential sanctions imposed by the Programme, on a lead partner or a project partner. It is therefore possible that such a project partner and/or its project lead partner might be approached by different programme bodies or third parties to clarify the case.

Different types of difficulties identified during the implementation require different arrangements to solve the matter. Nevertheless, the arrangements might imply follow-up measures such as:

- financial actions such as withdrawal/reduction of the reimbursement, interruption/suspension of payments, recovery of amounts unduly paid to the final beneficiaries/project partners,
- systemic changes/updates in accounting of the project expenditures (incl. retrospective changes),
- change of the project's subsidy contract,
- termination of the project's subsidy contract.

## K.2 Judicial and other proceedings (incl. bankruptcy)

Projects become subject to judicial and other proceedings if for example the lead partner or project partners:

- have been convicted of an offence concerning professional conduct by a judgement which has the force of res judicata or are guilty of grave professional misconduct proven by any justified means;
- are engaged in any act of fraud or corruption or are involved in a criminal organisation or any other illegal activity detrimental to the European Communities financial interests;

- have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established;
- are the subject of proceedings concerning bankruptcy; and
- are undertakings in difficulty within the meaning of point 24 (in conjunction with point 20) of the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty.[77]

If subject to judicial or other proceedings the same procedure of notification to the MA/JS and MC apply as provided for irregularities and described in chapter K.3 of the Manual.

The procedures for identifying and handling bankruptcy cases and undertakings in difficulty are similar to those of a partner drop out and must be treated accordingly. The procedure for partner drop-out is described in chapter G.4 of the Manual.

In general, each partner is responsible for informing the lead partner of the project and the national authorities when facing any of the implementation difficulties mentioned below. In turn, the lead partner has the obligation to inform the MA/JS accordingly.

It is necessary to gain information if lead partners or project partners:

- Are bankrupt or being wound up,
- Are having their affairs administered by the courts,
- Have entered into an arrangement with creditors,
- Have suspended their business activities,
- In case they are not a limited liability company, have lost more than half of their capital as a result of accumulated losses,[78]
- In case they are not an SME, for the past two years encountered a book debt to equity ratio greater than 7.5 and an EBITDA interest coverage ratio below 1.0,[79]

[77] An abstract of the guidelines can be found in the Annex of the partner declaration and in chapter C.1.2 of this Programme Manual.

[78] The exact wording of this criterion can be found in the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (cf. 2014/C 249/01, section 2.2, OJ C 249, 31.7.2014, p. 1–28).

- Are the subject of proceedings concerning those matters,
- Are in any analogous situation arising from a similar procedure provided for in national legislation or regulations.

In all cases it is necessary to distinguish between the type of implementation difficulty and its impact on the project and on the Programme. This mostly depends on the type of activities carried out by the project partner in question. It will be evaluated case by case as to which co-financed activities or purchased equipment items may pose a financial risk to the EU-Funds. It will also be evaluated on which activities are of added value to the project and therefore should remain within the project partnership.

In addition to the recovery procedure a (partial) termination of the subsidy contract might be necessary. Before exercising this according to the provisions of the subsidy contract, the MA/JS will submit the case to the MC and ask for the Member States' consent. Such a termination may also result in further requests of re-payment of the amounts unduly paid. The relevant details will be stipulated in the subsidy contract.

The MC and national authorities will be informed about the specific cases accordingly. Cases preceding bankruptcy also have to be reported to the European Commission (cf. Art. 122 (2) of REGULATION (EU) No 1303/2013).

## K.3 Irregularities and follow-up measures

### K.3.1 Scope and definitions

The **ineligible expenditure** detected by the first level controllers during their validation procedure, or by the MA/JS during the monitoring and clarification procedure, or by the MA/JS during the certification procedure, is not considered an irregularity, because the ineligible expenditure will be deducted from the payment of the respective progress report and will not be declared to the COM.

[79] The exact wording of this criterion can be found in the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (cf. 2014/C 249/01, section 2.2, OJ C 249, 31.7.2014, p. 1–28).

The EU regulations give detailed **definitions** of related terms such as **economic operator**[80], **irregularity**[81], **systemic irregularity**[82] and **fraud**[83] as well as others. Thereupon, it is the element of **intentional deceit**, which **distinguishes "fraud"** from the more general term of **"irregularity"**. The former is further divided into three specific types by the Association of Certified Fraud Examiners[84] (ACFE), intentional manipulation, misappropriation and corruption. This definition should be a starting-point for an organisation in identifying which areas are vulnerable to fraud.

**Responsibilities in dealing with irregularities** detected in the projects approved in the framework of the Programme are given by regulations and Programme implementation documents. In this sense, the MA/JS is the central point for assessing and following up irregularities.

The **irregularity procedure** is divided into several sections. The sections follow common practice of detection, follow-up on irregularities detected in projects and recovering unduly paid funds. The irregularity procedure also describes in detail the responsibilities and parties involved in each step, namely:

- Detection and assessment of irregularities;
- Decision-making and implementation of the decision on project level;
- Corrections on the Programme level

The procedure complies with the legal requirements of the EU as well as the Programme rules. In the event of irregularities the procedures listed in Article 27(2-3) of REGULATION (EU) No 1299/2013 and Articles 122 (2), 132 (2) and 143 (1-4) of the REGULATION (EU) No 1303/2013 will be applied regarding the ERDF and Norwegian funds as well as regarding the ENI and Russian funds without prejudice to the participating countries' responsibility according to the provisions of Article 74 and 122 of the REGULATION (EU) No 1303/2013.

[80] REGULATION (EU) No 1303/2013, Article 2 (37)

[81] REGULATION (EU) No 1303/2013, Article 2 (36)

[82] REGULATION (EU) No 1303/2013, Article 2 (38)

[83] Convention drawn up on the basis of Article K.3 of the Treaty on European Union

[84] "Managing the Business Risk of Fraud – A Practical Guide", the Institute of Internal Auditors, the American Institute of Certified Public Accountants and the Association of Certified Fraud Examiners, 2008; more details on fraud in COCOF 09/0003/00-EN

Recovery of ERDF, Norwegian and ENI/Russian funding will also be done in accordance with provisions laid down in Section 5.4 of the Cooperation Programme.

### K.3.2 Detection and assessment of irregularities

Irregularities can be detected during implementation of a project and at the end, during closure. Consequently the irregularities found by different authorities or bodies, e.g. the national second level auditors, have to be made known to the MA/JS, as soon as possible. In case of irregularities above EUR 10,000 of ERDF also the respective national authority responsible for OLAF reporting to the EU Commission has to be notified directly by the body/authority detecting this irregularity.[85] Such notifications have to be in written form and give details that allow the MA/JS or other bodies to carry out an assessment of the case reported. Furthermore, the information should provide sufficient detail to investigate whether the case is subject to irregularity or fraud with all its consequences.

According to the nature and details of irregularity, the MA/JS will decide if the information received is enough to proceed with an assessment, conclusions and a proposal for follow up measures. In case further information/expertise is needed the MA/JS can ask for support from:

- The IB.SH's (hosting the MA/JS) internal legal department,
- The respective national second level auditor or the Programme's Audit Authority,
- An external independent third body being an expert in that field,
- The participating country concerned,
- The first level controller.

A transparent assessment approach to all irregularities is ensured by a standardised assessment template. As part of the assessment the MA/JS decides on follow up measures.

[85] REGULATION (EU) No 1303/2013, Article 22(2), COMMISSION DELEGATED REGULATION (EU) 2015/1970 of 8 July 2015 supplementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council with specific provisions on the reporting of irregularities, and COMMISSION IMPLEMENTING REGULATION (EU) 2015/1974 of 8 July 2015 setting out the frequency and the format of the reporting of irregularities under REGULATION (EU) No 1303/2013

### K.3.3 Implementation of irregularity on project level

In compliance with the overall second level audit report submitted to the MA/JS by the AA, the MA/JS will implement the follow-up actions. The measures to be taken will be communicated to the lead partner and to the project partner concerned. The MA/JS is responsible for the recovery of the amounts unduly paid and the project has to bear the consequences of irregularities in line with its Partnership Agreement.

**Financial irregularities**

In case of **financial irregularities** the Programme co-financing of the ineligible expenditure will be deducted or recovered as follows:

*Table 15: Deduction/Recovery of financial irregularities*

| Deducted | Recovered |
|---|---|
| There is still a progress report that has not been paid out and the irregular amount can be covered from the same funding source in it. | There is no or not enough open project's payment claim (s) to recover the irregular amount from the same funding source. |
| The irregular amount will be deducted from the same funding source from the project's progress report through a correction report. This leads to a reduced reimbursement to the project by the MA/JS affecting either the partner who caused the irregularity or the entire project partnership. | The lead partner will be asked to recover the irregular amount, i.e. to pay it back to the IB.SH's account. This may affect either the partner who caused the irregularity or the entire project partnership. |
| MA/JS is responsible for the deduction of the amounts and sends out the correction report to the lead partner. | MA/JS is responsible for the compilation of the documentation giving a basis for recovery. MA/JS is responsible for the recovery process including issuing the correction report and the order for the recovery letter to the lead partner. |

If a financial irregularity is based on a systemic error, measures might also have to be applied retrospectively (e.g. updates in accounting methods of the project).

The lead partner is obliged to transfer the repayment amount to the IB.SH's account, specified in the recovery letter, within one calendar month following the date of the letter of the MA/JS asserting the repayment claim. The order for

the recovery letter must contain the exact recovery date. Any delay in effecting the repayment gives rise to interest on account of late payment, starting on the due date and ending on the value day of actual repayment. The rate of such interest will be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing operations on the first working day of the month in which the due date falls[86].

The lead partner is expected to recover the amount from the respective project partner (including himself) according to an established system agreed in the partnership agreement. In case the lead partner does not succeed in securing repayment from the respective project partners to pay back the irregular amount by the deadline specified in the recovery letter, the lead partner informs the IB.SH without delay. This information shall include a proof that the lead partner has undertaken all necessary steps of recovery in accordance with the partnership agreement.

Upon this proof and in case **the lead partner does not pay back** the irregular amount by the deadline specified in the recovery letter, the MC members of the country concerned will be informed. This will be done by IB.SH in order to recover the unduly paid amounts from the country on whose territory the partner concerned is located. In case the lead partner cannot prove to have undertaken all necessary steps of recovery in accordance with the partnership agreement Article 11(2) of the subsidy contract applies.

For amounts from ERDF[87]/Norwegian/ENI/Russian funds that could not be recovered, the respective country of the project partner is liable to recover the irregular amount to the IB.SH's account. Therefore the respective participating country shall be entitled to claim the unduly paid funds from the project partner concerned.

[86] Subsidy contract and REGULATION (EU) No 1303/2013, Article 147(2)

[87] REGULATION (EU) No 1303/2013, Article 122(2)

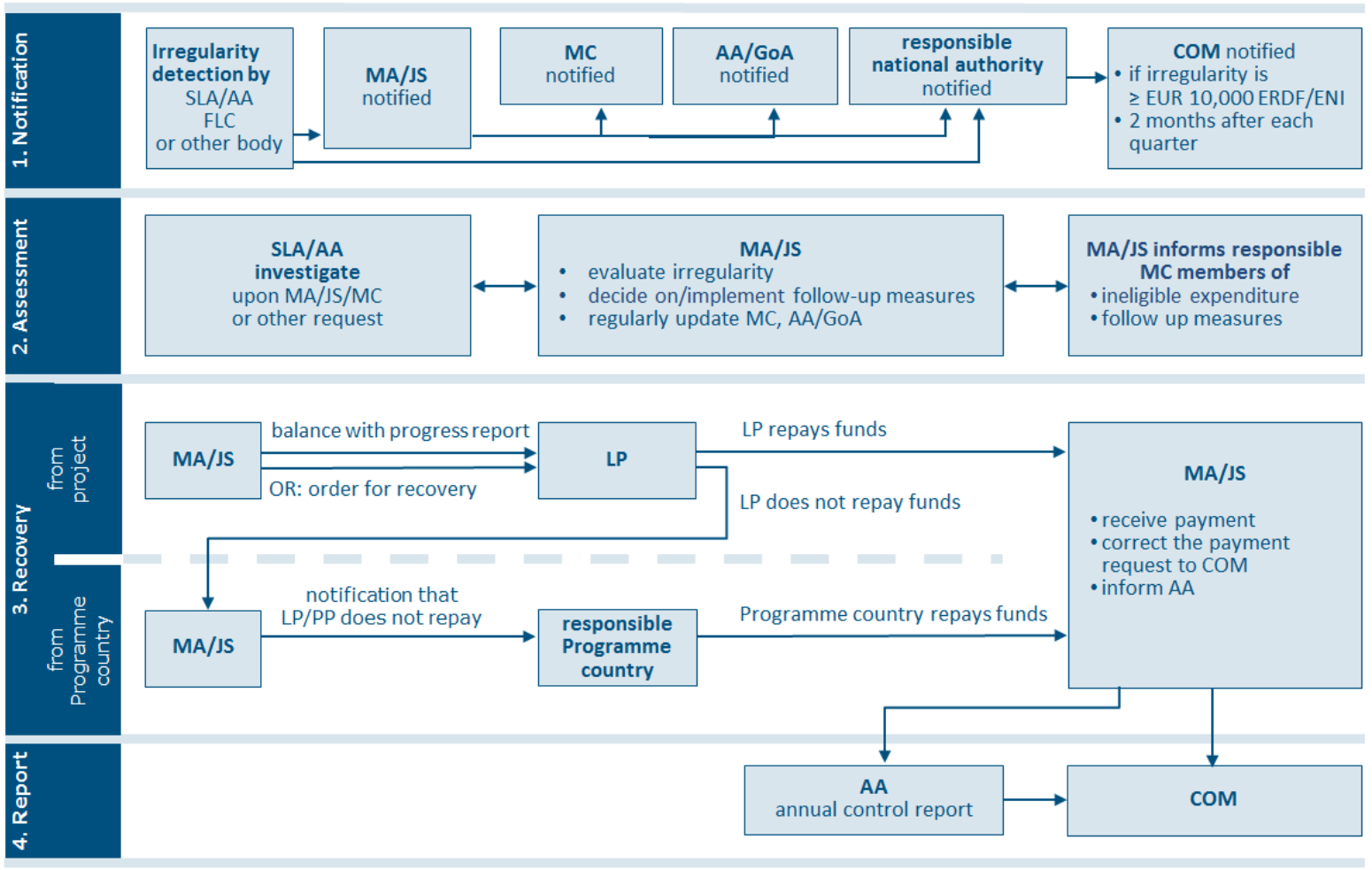


*Figure 14: Irregularity procedure of the Programme.*

### Non-financial findings

**Non-financial finding**[88] lead to other follow-up measures than those mentioned above. The lead partner will be asked for corrective measures, e.g. in management structures, in case of documentation or systemic errors. Depending on the finding such measures might have to be applied retrospectively.

Depending on the case, both **financial and non-financial findings** might lead to changes of the project's subsidy contract (content and amount of granted funds) as well as to (partial) termination. The termination may also result in re-payment requests of the funds unduly paid.

### Final adjustments of the project's budget

The MA/JS needs to ensure the compliance with Article 143 of REGULATION (EU) No 1303/2013 dealing with irregularities, i.e. neither financial corrections based on an individual nor on a systemic irregularity may be reused for the project or projects being subject of the irregularity. Therefore the project's budget has to be adjusted accordingly.

**After the follow-up measures** are implemented and the irregular amount balanced/recovered, the MA/JS informs the following bodies about the closure of the case:

- AA / Group of Auditors,
- MC,
- If relevant, national authorities of the respective country,
- And in case of suspected fraud, the European Commission (cf. Art. 122 (2) of REGULATION (EU) No 1303/2013).

### Corrections in the Programme's payment claim

The MA/JS administers the Programme's debtor's ledger. Based on the assessment and case information the MA/JS implements the deductions, recoveries and other related corrections in the payment claim to the COM. Finally, the MA/JS submits to the COM a "Statement on Withdrawn and

[88] Any findings without negative financial consequences

Recovered Amounts" by 15 February following the year of the recovery or withdrawal[89].

### K.3.4 Corrections on the Programme level

Systemic[90] and other types of errors might be detected on the Programme level too. Such errors can be detected during the implementation phase as well as at the end, during closure. These might lead to consequences such as financial corrections or interruption/suspension of payments on Programme level.

When errors detected on the Programme level result in financial corrections, these might lead to financial adjustments on project level or to adjustments in the available support to applicants and beneficiaries/project partners.

In case interruption/suspension of payments is imposed by the European Commission at Programme level, the overall liquidity of the Programme is affected. The MA/JS will do its utmost to clarify the issue with the European Commission and to lift the interruption/suspension of payment. Nevertheless, this might lead to interruption of payments on project level depending on the availability of funds on the Programme accounts.

Lead partners will be informed in all cases when an impact on project level is inevitable.

[89] REGULATION (EU) No 1303/2013, Article 138, linked to REGULATION (EU, EURATOM) No 966/2012, Article 59(5)

[90] E.g. if a participating country does not comply with its duties, the MA/JS is entitled to suspend payments to all project partners located on the territory of this participating country

# L Resolution of complaints

## L.1 Terminology and scope of the complaint procedure

According to Article 74(3) of REGULATION (EU) No 1303/2013 a complaint procedure shall be set-up for the Programme by the participating countries. The purpose of this is to ensure effective examination of complaints. Within the Programme complaints by applicants and beneficiaries/project partners are possible.

Within the Programme terminology, the term "complaint" applies to three different scenarios:

**Complaints** against a decision of the MA/JS of the Programme **during project implementation** are based on the subsidy contract concluded between the MA/JS and the lead partner follows the rules laid down in the subsidy contract.

**Complaints related to FLC and SLA** have to be addressed to the responsible national authority or administrative body according to the set-up of the management, financial and control system and applicable national rules.

**Complaints may be filed against the project assessment process** and the correctness thereof. The procedure regarding this type of complaint is described below.

## L.2 Right to complain and formal requirements

Complaints may be made if failures during the assessment process of an application affecting the funding decision are suspected. Failure means that the **project assessment did not comply with the assessment criteria and/or the procedures laid down in the Programme Manual and in the specific call's documents.** Also technical mistakes may occur resulting in an incomplete or wrong assessment. If a project is not selected to receive Programme co-financing as a consequence of such failures, the applicant has the right to submit a complaint.

A complaint related to project approval conditions will be dealt with during the project contracting process (see chapter E).

It is the **lead applicant** who is entitled to submit a complaint as the lead applicant is the legal representative of the project partnership (lead partner principle). The lead applicant will collect information and bring forward the complaint on behalf of all project partners.

The complaint has to be submitted by the lead applicant via e-mail to the MA/JS of the Programme within 28 calendar days after the notification on the funding decision of the respective call.

The lead applicant will specify what failures or mistakes have happened during the assessment of the project and include clear references to the Programme Manual and the specific call's documents.

### L.3 Handling of the complaint

After the receipt of the complaint the MA/JS confirms to the lead applicant in writing that the complaint was received. The MA/JS notifies the MC accordingly.

The MA/JS examines the complaint on the basis of the information brought forward by the lead applicant. To guarantee objective assessment MA/JS staff different from the first assessment of the project in question will be involved in examining the corresponding complaint. The MA/JS may request additional information from the lead applicant related to the complaint. The MA/JS informs the MC chairperson about the result of the examination.

Based on the examination by the MA/JS the MC chairperson will decide if the complaint is justified or not, or refers the complaint to the entire MC for decision-making. The MC may also set up a task force or a sub-committee to deal with complaints.

If the complaint is considered justified, the case will be sent back to the MA/JS to review the project application and its assessment. The MA/JS has to provide the MC with an updated assessment. Based on this the MC has to take a new decision. The final decision on the complaint is communicated to the lead applicant by the MA/JS in writing.

The decision related to a complaint will be final, binding to all parties and not subject to any further complaint proceedings within the Programme if the complaint is based on the same grounds.

An overview of complaints examined and answered by the chairperson of the MC and the MA/JS will be provided to the MC regularly.

# Annex I – Quality assessment criteria

| Criteria | Guiding questions |
|---|---|
| **I. Relevance of the proposal** | |
| The project is in line with the thematic focus of the Programme and the given call. | Do the challenges addressed in the project application match the thematic focus of the selected specific objective as set out in the CP?<br>Is the project application in line with the focus of the given call as specified in the announcement note of the call? |
| The project contributes to one of the expected results of the Programme. | Will institutional capacity of the project's target groups be enhanced (within which of the five dimensions of the capacity defined in the CP will the change happen)? Are the selected target groups relevant in relation to the selected specific objective? |
| The project contributes to the policies and strategies relevant to the Programme area. | Does the project contribute to any of the policies and strategies relevant to the Programme area? For example Europe 2020, the European Union Strategy for the BSR (EUSBSR), Socio-economic Development Strategy of the Russian Federation (Russian North-West Strategy) or other sectoral policies/strategies (TEN-T, Water Framework Directive). |
| The project is considered to be of transnational value. | Does the project justify the need for transnational cooperation (does the proposed approach – activities and outputs and their use – and the partnership demonstrate the need for transnational cooperation)? |
| The project demonstrates additional value. | Were/are similar activities carried out or similar outputs produced before in the previous projects co-financed by the BSR transnational programmes (does the project plan outputs that will bring additional value to already existing outputs of the projects co-financed by the BSR transnational cooperation programmes)? |
| The project contributes to the horizontal principles of the European Union according to the Article 8 (7) of REGULATION (EU) No 1299/2013. | Does the project contribute to the following horizontal principles:<br>- sustainable development;<br>- equal opportunities and non-discrimination;<br>- equality between men and women.<br>Does the project demonstrate practical approaches to address the horizontal principles? |

| Criteria | Guiding questions |
|---|---|
| **II. Partnership** | |
| The partnership has sufficient potential to realise the planned activities and to deliver the expected outputs and results. | Does the partnership include sufficient competences and expertise to implement the planned activities and to achieve the planned results Does the partnership have sufficient geographical coverage? (What are the missing competences and which geographical areas are missing)?<br><br>Is a multi-level governance principle followed in a manner commensurate with the project aims? Are the relevant administrative levels, e.g. local, regional, and national institutions involved? Is the appropriate level of collaboration between governmental and non-governmental actors ensured? Are misbalances explained and are justified?<br><br>Is the cross-sectorial approach taken into account (are organisations from relevant sectors involved; does the partnership allow a multidisciplinary approach)? To what extent does the project involve actors from the private sector (What are the specific tasks for the private sector; how do they add value to the project)?<br><br>Are there any imbalances in the roles of the partners in the project (is the project implementation dominated by any partners)? Are these imbalances justified?<br><br>Do all the project partners contribute to the content of the project (none of the partners has a managing task only)?<br><br>If applicable: To what extent does the involvement of the associated organisations bring additional value to the project (what is the main purpose of their involvement; what are their main tasks in the project; do associated organisations help reach the results)?<br><br>If applicable: To what extent does the involvement of the reserved project partners and their activities bring additional value (is their contribution necessary to deliver certain outputs)? Are there any risks related to involvement of reserved partners? If the project does not succeed in involving them, will it put the project's achievements at risk? |
| **III. Coherence of the proposal and quality of the approach** | |
| There is coherence between the results and the proposed approach. | Is the work plan clearly described and realistic? Can the result(s) be achieved through the proposed activities and outputs? Do the proposed activities lead to the proposed main outputs?<br><br>Is there coherence and a logical interlink between the communication aims, target groups, and the approach within the work packages? Are the activities realistic and sufficient to reach the communication aims?<br><br>Does the project application include demonstration actions and/or investments, which support the achievement of the project's results? |

| Criteria | Guiding questions |
|---|---|
| The project contributes to obligatory output indicator – *No. of documented learning experiences* – and at least one other output indicator defined by the Programme. | Does the project contribute to the obligatory output indicator? Does the project contribute to at least one other output indicator defined by the Programme? Are the targets set by the project realistic? |
| The involvement of the partners is in line with the transnational approach required by the Programme. | Does the work plan ensure joint implementation of the activities? Have different partners been given a role in leading specific activities (are the tasks shared among different partners/countries)? |
| **IV. Durability** | |
| The planned activities of the project application are sufficient to ensure the durability of the outputs and results. | Will the project produce outputs and/or results, which are tangible and will be used beyond the project implementation phase?<br>Are the target groups of the project's main outputs defined clearly (who will use the main outputs)? Are the target groups sufficiently involved in the development of the main outputs in order to ensure their durability? |
| **V. Budget and Management** | |
| The budget of the project application is adequate in relation to the planned activities, outputs, results and involvement of partners | Is the budget adequate in relation to planned activities, outputs, results and involvement of partners?<br>Is the spending plan coherent/realistic (is the planned budget per reporting periods logical and in line with the work plan of the project's activities and outputs)? |
| The planned activities and planned expenditure are eligible from the financial point of view. | Are the budget line specifications (external services and equipment) precise, clear and justified? Are there any indications of ineligible costs in the work plan/activities? Is there any indication of ineligible project partner structures (e.g. umbrella partnership, hidden partner organisations)? Have the State Aid rules been followed? |
| The management structure shows sufficient potential to secure sound content wise and financial management of the project application. | Does the description of the content and financial management fulfil the requirements set by the Programme? Are sufficient resources planned for content and financial management?<br>Are sufficient activities planned for internal communication and coordination? |