

INTERREG V-B ADRIATIC IONIAN PROGRAMME ADRION

IMPLEMENTATION MANUAL FOR STANDARD PROJECTS FIRST CALL FOR PROPOSALS

**Version No 3
February 2022**

Dear ADRION beneficiary,

The programme bodies of the Interreg V-B Adriatic Ionian programme – ADRION – wish to congratulate you for the successful approval of your project proposal.

A good project implementation – both from the content and the financial point of view – means positively contributing to the success of the programme as well as to the implementation of the Adriatic Ionian macro-regional strategy.

Due to the above, the MA and the JS shall closely monitor the implementation of your project and shall offer you guidance and tools to ensure a good quality implementation.

List of abbreviations:

AA	Audit Authority
AF	Application Form
CA	Certifying Authority
EC	European Commission
eMS	electronic Monitoring System
ERDF	European Regional Development Fund
ETC	European Territorial Cooperation
FLC	First Level Control body/national controller
GoA	Group of Auditors
IPA	Instrument of Pre-Accession/IPAll
JS	Joint Secretariat
LP	Lead Partner
MA	Managing Authority
MC	Monitoring Committee
NCP	National Contact Point
OLAF	European Anti-Fraud Office (from French: <i>Office européen de lutte antifraude</i>)
PP	Project Partner
PRAG	Practical Guide to contract procedures for EU external actions
PS	Partner States
WP	Work Package

The words “*project*” and “*operation*” are used as synonym;

The words “*beneficiary*” and “*partner*” are used as synonym (e.g.: lead beneficiary and lead partner).

Table of contents

<i>ADRION legal and institutional framework</i>	7
1. Overall legal framework.....	8
2. ADRION institutional framework	9
<i>Project legal framework</i>	11
2.1 Subsidy contract	12
2.2 Partnership Agreement	13
2.3 Financial guarantee	15
2.4 Overview of the legal documentation to be submitted	15
2.5 Responsibilities of the LP and PPs	16
<i>The negotiation process</i>	20
3. The negotiation process.....	21
<i>First implementation steps</i>	22
4. Getting started	23
4.1 Familiarity with the use of eMS	23
4.2 Setting in place of the project coordination and supervisory structure(s)	24
4.3 Organization of the kick-off meeting	25
4.4 Project Partner internal calendar in relation to the milestones and deadlines of the approved application form	25
4.5 Necessary procedures and mechanisms within the project partner institutions to define the staff involved and separate accounting system	25
4.6 Audit trail, adequate archive and retention of document	25
4.7 Initial visibility requirements obligations	27
4.8 Compliance with further technical requirements	27
5. Pre-financing (for IPA partners only)	29
<i>Reporting and request for payment</i>	31
6. The payment process	32
6.1 Project Partner Reporting	32
6.1.1 Partner report.....	32
6.1.2 Verification of expenditure	34
6.1.3 Declaration of the project partner.....	35
6.2 Project progress report	35
6.2.1 Report on activities.....	36
6.2.2 Project report on finance	37
6.2.3 Attachments	38
6.3 MA/JS monitoring	39
6.4 Request for payment	40
6.5 Payment of preparation costs	41
7. Arrangements with operations facing difficulties in implementation	42
8. Financial planning and de-commitment	42
9. Performance framework in the year 2018.....	43
<i>Modifications in operations</i>	44
10. Project modifications	45
10.1 Minor modifications	45
10.1.1 Change of Lead Partner bank account and/or change of storage of project documents	45
10.1.2 Change of lead partner/project partner contact data	46
10.1.3 Change of legal representative of the Lead partner/project partner	46
10.1.4 Change of VAT status	46
10.1.5 Change of Lead Partner/Project Partner name	47
10.1.6 Work plan and financial adjustment	47
10.1.7 Budget flexibility	49

10.1.8	<i>Consequences of minor changes in the project</i>	50
10.2	Major modifications	51
10.2.1	<i>Changes in the partnership</i>	51
10.2.2	<i>Changes in project budget</i>	55
10.2.3	<i>Changes in the work plan</i>	56
10.2.4	<i>Prolongation of the project duration</i>	57
	<i>Eligibility of expenditure</i>	59
11.	Hierarchy of rules on eligibility of expenditure	60
12.	General eligibility provisions and requirements	61
13.	Non-supported activities and non-eligible expenditure	62
14.	Project budget lines	63
14.1	Budget line – staff costs	63
14.1.1	<i>Staff costs reimbursed based on real costs</i>	63
14.1.2	<i>Staff costs reimbursed according to flat rate calculation</i>	71
14.2	Budget line – Office and administrative expenditure	71
14.3	Budget line – travel and accommodation costs	72
14.4	Budget line – External expertise and service costs	74
14.5	Budget line – Equipment expenditure	77
	<i>Eligible invoices and use of Euro</i>	80
15.	Eligible invoices and annulment	81
16.	Use of Euro	81
17.	Location of activities of an operation	81
	<i>Public procurement</i>	83
18.	Public procurement – General principles	84
18.1	Public procurement for ERDF partners	85
18.1.1	<i>Public contracts between entities within the public sector</i>	86
18.2	Public procurement for IPA partners	87
18.3	Overall general rules to be respected (for all partners)	88
18.4	Errors, irregularities and fraud in the procedure	89
	<i>State Aid</i>	91
19.	State Aid (de minimis)	92
	<i>Value Added Tax and Revenues</i>	94
20.	Value added tax and other financial charges	95
21.	Revenues	95
21.1	Treatment of revenues	95
	<i>Resolution of complaints</i>	97
22.	Resolution of complaints during project implementation	98
	<i>Controls and audit</i>	99
23.	Controls and audit	100
24.	Irregularities and financial corrections	101
25.	Judicial and other proceedings (incl. bankruptcy)	103
	<i>Communication activities</i>	105
26.	Communication and visibility rules	106
26.1	Programme logo and brand	106
27.	Capitalization activities	111
	<i>Project closure</i>	117
28.	Requirements and quantification of expected project outputs	118
28.1	Cooperation network	118
28.2	Strategy and action plans	118
28.3	Pilot actions (small scale investments and demonstration projects)	119
28.4	Number of enterprises cooperating with research institutions	120

28.5	<i>Increase in expected number of visits to support sites of cultural and natural heritage and attractions</i>	120
29.	Project closure.....	121
29.1	<i>Final report</i>	121
30.	Durability and ownership.....	121
31.	Specific conditions following health emergency.....	123

ADRION legal and institutional framework

1. Overall legal framework

The points below provide an overview (non-exhaustive list) on the legal framework supporting the Interreg ADRION programme; eventual amendments of the listed Regulations must be considered as well:

- Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund (ERDF), the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006;
- Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006;
- Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal;
- Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II);
- Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014, Common Implementing Regulation for External Actions;
- Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012;
- Delegated and Implementing Acts of the European Structural and Investments Funds Regulations for the period 2014-2020;
- EU legislation and related underlying principles laying down provisions on public procurement, on competition and entry into the markets, the protection of the environment, the equal opportunities between men and women and non-discrimination;
- Art. 107 and 108 of the Treaty on the Functioning of the European Union;
- Commission Regulation (EU) No 1407/2013 on the application of art. 107 and 108 of the Treaty on the functioning of the European Union to *de minimis* aid;
- Delegated and Implementing acts as well as all applicable decisions and rules in the field of state aid.

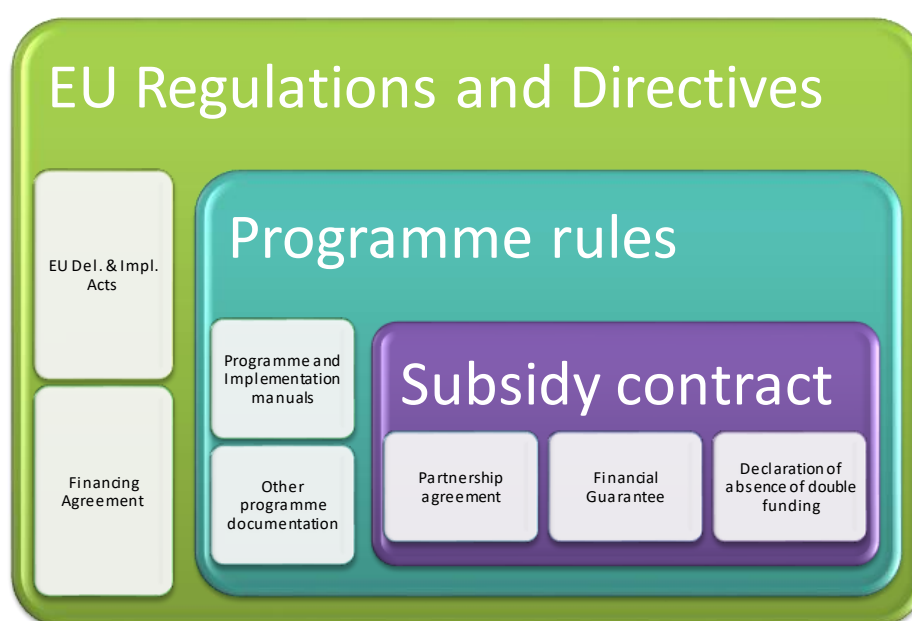
In addition to the above, the lead and project partners (hereinafter: LP and PP) must also take into account the following:

- The European Territorial Cooperation Programme Interreg V-B Adriatic Ionian CCI 2014TC16M4TN002, approved by the European Commission on 20/10/2015 in its latest version;
- All manuals and guidelines issued by ADRION (e.g.: Programme Manual, the present Implementation Manual, Brand and Visibility Guidelines, electronic Monitoring System - hereinafter: eMS in their latest version;
- National rules applicable to the beneficiaries and their activities;
- The laws of the Republic of Italy applicable to the contractual relationship between MA and the LP.

Additionally, documents, templates, off-line forms and a regularly updated FAQs section are available on ADRION web site.

As reported in the first part of this paragraph, all PPs must obey the same EU and programme rules; IPA and ERDF PPs budget shall, however, be monitored separately as far as the risk of de-commitment is concerned (see paragraph: *Financial planning and de-commitment*).

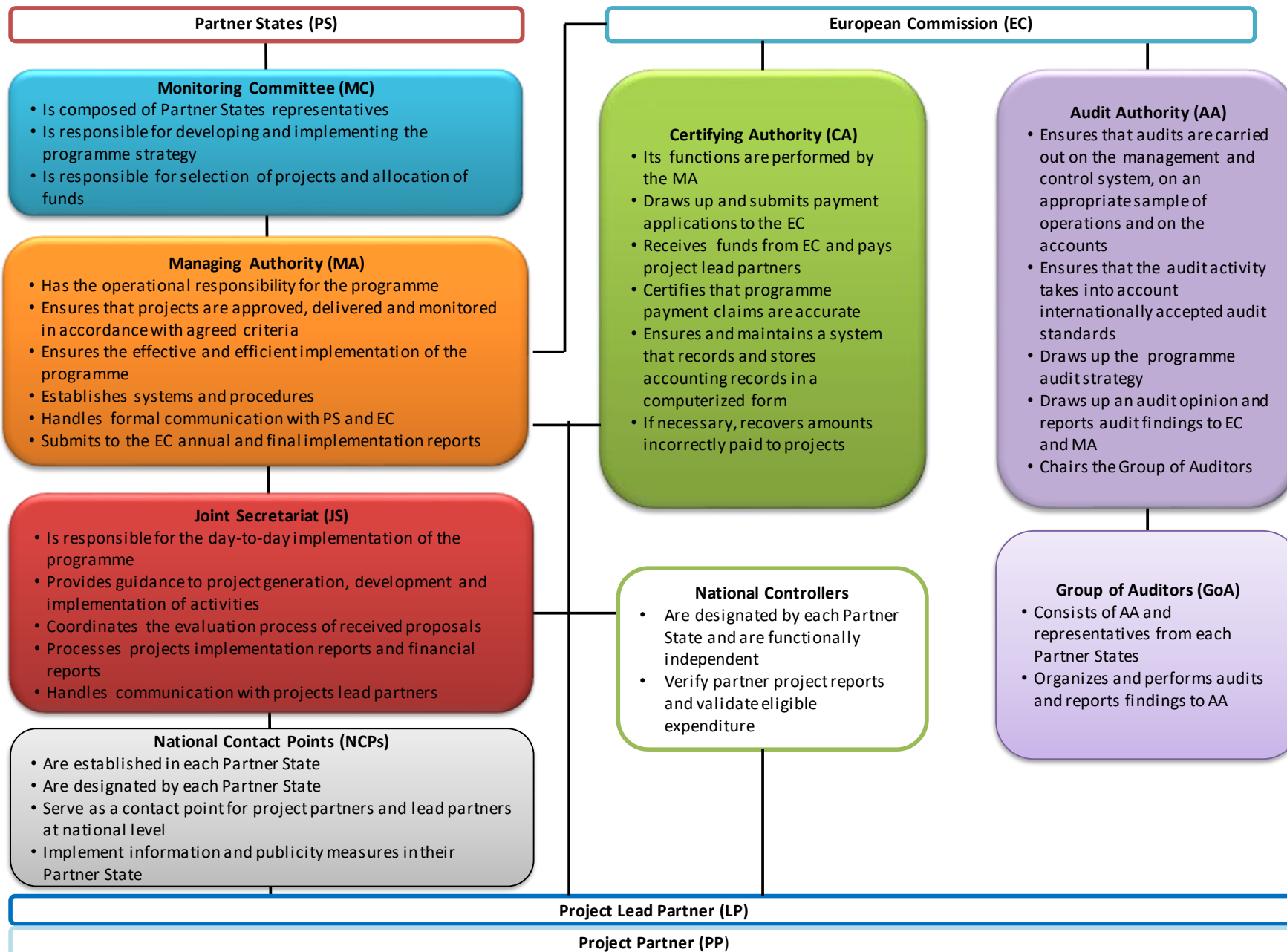
The project implementation is framed by two key legal documents, the subsidy contract and the partnership agreement, whose characteristics are provided in the paragraphs below.



2. ADRION institutional framework

All European Territorial Cooperation (hereinafter: ETC) programmes are characterised by the same programme management structure and bodies in accordance with EU Regulations.

The picture below provides an overview on the bodies involved: each of them has specific roles in project monitoring that will be explained along the present document.



Project legal framework

2.1 Subsidy contract

The subsidy contract is the agreement signed between ADRION MA and the Lead Partner (hereinafter: LP) on behalf of the entire partnership in accordance with art. 13 of the Regulation (EU) No 1299/2013 (also known as “*lead partner principle*”) and provides the legal framework according to which the project shall be implemented.

It is structured in several paragraphs containing the main following information:

- Legal framework;
- ERDF and IPA allocations;
- Project and contract duration;
- Object of use and eligibility of expenditure;
- Reporting, request for payment and paying out of the subsidy;
- Verification of expenditure;
- Project and finance management;
- Publicity, communication and branding;
- Representation of project partners and third parties;
- Amendments of the subsidy contract and other project changes;
- Assignment and legal succession;
- Financial controls and audits;
- Withdrawal and recovery of unduly paid out funds;
- De-commitment of the project budget;
- Durability of operations, ownership, use of outputs and contribution to the programme results;
- Termination and repayment;
- Revenues;
- Advance payment;
- Working language;
- Force majeure;
- Litigation and concluding provisions.

The template of the subsidy contract is approved by the MC and cannot be modified. The subsidy contract has to be considered as an offer of the MA to the LP. The LP is invited to sign the subsidy contract as soon as possible, and in any case no later than the deadline reported in the accompanying communication to the contract.

The subsidy contract is requested to be returned in paper version: the LP sends back the MA two copies of it in hard copy, dated, initialled in each page and signed in full in the last one. The MA signs last and sends back a countersigned copy.

Amendments of the subsidy contracts may be signed first by the MA.

A template of the subsidy contract is available on the programme web site.

Attachments to the subsidy contract

The following documents are annexed to the subsidy contract:

- The final approved application form (hereinafter: AF);
- A declaration – signed by the LP on behalf of the entire partnership – attesting the absence of double funding for the implementation of activities object of the subsidy following the receiving of public funds for the implementation of the same activities after the approval of the AF.

Additionally - together with the subsidy contract - the LP must provide the document *ADRION Payment Form-Grant Form* duly filled-in.

2.2 Partnership Agreement

The arrangements between the LP and its PPs are defined in the partnership agreement, which contains the legal framework to be respected by all PPs.

It formalizes the distribution of responsibilities within the partnership, LP/PPs' rights and obligations, as well as provisions aimed at ensuring the sound financial management and arrangements for recovering amounts unduly paid.

ADRION MA offers a model of partnership agreement including the minimum requirements the document must contain in relation to the obligations set forth in the subsidy contract.

The partnership agreement transfers LP duties and obligations subject of the subsidy contract to PPs; similarly to the subsidy contract, the partnership agreement is structured in several paragraphs containing the following information:

- Object of use and eligibility of expenditure;
- LP obligations and responsibilities;
- PPs obligations and responsibilities;
- Project steering committee;
- PPs reporting obligations;
- Verification of expenditure;
- Changes in approved operation;
- Information on publicity, use of outputs and results;
- Cooperation with third parties, assignment, legal succession;
- Liability;
- Financial control and audits;
- Irregularities, repayment and recovery of EU funds;
- Conflict of interests;
- De-commitment of project budget;
- Financial Guarantee;
- Advance payment;
- Durability and ownership of outputs and contribution to the achievement of programme results;

- Revenues;
- Confidentiality and working language;
- Duration and right of termination;
- Force majeure;
- Applicable law and concluding provisions.

Further elements can be included in the partnership agreement to better suit it with the specificities of the project: they must, however, be in line and in accordance with the programme legal framework, specific rules and objectives.

The model of partnership agreement is approved by the MC and is available on ADRION web site.

PPs are strongly advised to carefully read the partnership agreement and to timely ensure that all the requirements are fulfilled.

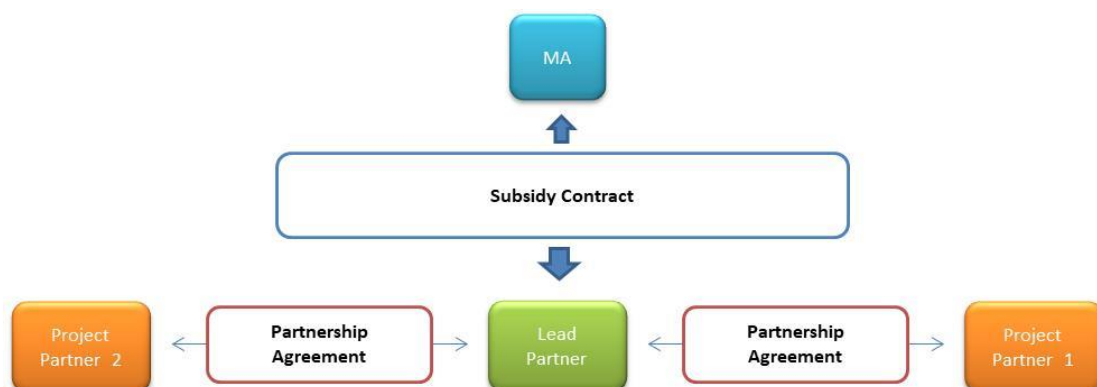
The partnership agreement is signed by the LP and the PPs adopting one of the following options:

- a) One single document signed by all members of the partnership;
- b) Bilateral documents signed between the LP and each PP; if this option is chosen, a special clause must be included in the document reporting this condition.

The partnership agreement must be signed no later than two months after the signature of the subsidy contract and in any case before any request for payment or for receiving advance payments (for the IPA PPs only).

Evidence of the signature of the partnership agreement is provided by the LP to the MA via eMS; the MA reserves the right to check the truthfulness of the LP declaration and if the partnership agreement fulfils all the necessary legal requirements.

In case of project and/or partner changes, the partnership agreement must be amended accordingly. It is responsibility of the LP to ensure that the legal framework is constantly updated and related information regularly uploaded on eMS (please refer to the paragraph *Project modifications*).



The eligibility of expenditure of operations starts the first day of implementation as reported in the final version of the AF.

2.3 Financial guarantee

All PPs with a private legal status, irrespective whether they are profit or no profit, must sign a financial guarantee for the amount corresponding to their respective share of EU contribution.

The beneficiary of the guarantee is ADRION MA.

The financial guarantee shall expire one year after the planned submission of the project final report as reported in the originally signed application form¹.

The financial guarantee must be in Euro and provided by an approved bank or financial institution established in one of the Partner States, or by third party/parties other than a financial institution (e.g.: the PPs involved in the same funded ADRION project).

In case the guarantor is other than a financial institution, it must fulfil the following obligations:

- being in continuous operation as a business entity not shorter than 2 fiscal years²;
- transmit a *patronage letter*³ subscribed by the legal representative of the guarantor to the LP of the funded ADRION operation, stating its commitment to undertake a guarantee obligation for the benefit of the PP. The *patronage letter* must be written in English language.

Evidence of the signature of the financial guarantee must be provided by the LP to the MA/JS through a declaration whose template is provided by ADRION MA. Through such document, the LP declares to have received a copy of the guarantee issued by the private PP and that it complies with the requirements set forth by the programme. The financial guarantee and LP declaration must be uploaded on eMS and relevant data provided in the *Additional Information* eMS section. The original version of the financial guarantee must be sent to the MA.

The availability of the financial guarantee is a pre-condition for receiving the advance payment (in case of private IPA PP) and the payment of funds (for all private PPs), including the preparation costs: it is therefore vital that the private PPs immediately engage themselves after the information on the approval for funding of the operation to get the financial guarantee in order to avoid a general slowing down of the project implementation, with the risk of possible future de-commitment of funds.

Guidelines on the minimum content of the financial guarantee are available on the ADRION web site.

2.4 Overview of the legal documentation to be submitted

Having regard to the information provided in the previous paragraphs, the table below summarizes the documents to be provided by the project:

¹ According to the Monitoring Committee decision of 10 December 2019, the extension of the financial guarantee is not necessary any longer; in case some private partners extended their financial guarantee before this decision, the related expenditure remains eligible.

² To be proved through provision of the last 2 balance sheets to the LP or signed declarations by the board of statutory auditors.

³ The letter must contain the minimum requirement set forth in the guidelines on financial guarantee.

Document	How to submit it	Note
Subsidy contract	Paper copy to be provided	To be signed as soon as possible and in any case within the deadline set by the MA
Declaration on the absence of double funding	Paper copy to be provided	Attached to the subsidy contract The subsidy contract is not countersigned by MA without the provision of the requested information
Partnership agreement	Information on date of signature by all partners to be uploaded to eMS	It must be signed within 2 months from the signature of the subsidy contract
Financial guarantee (for private PPs only)	Information on date of signature, name of the guarantor of each private PP as well as scanned documentation to be uploaded on eMS Original version must be sent to MA	Precondition for the affected partner for receiving the advance payment (in case of an IPA PP) and/or the reimbursement of funds

2.5 Responsibilities of the LP and PPs

Sound project implementation is based on the correct distribution of tasks between LP and PPs; a successful project is the result of the good job performed by all the PPs.

In accordance with the list of responsibilities and duties included in the Programme Manual and in the subsidy contract, the LP must:

- Keep the relations with the programme authorities (MA and JS) and be the “voice” of the entire partnership; similarly, it must timely report all relevant information received by MA and JS to the PPs;
- Coordinate the activities and define a realistic timeline for ensuring the sound realization of what described in the AF and respect the deadlines included in the subsidy contract; to this end it must include deadlines in the partnership agreement for ensuring their respect if deemed necessary;
- Set in place a separate accounting system;
- Ensure overall project quality in all the activities performed by the partnership;
- Ensure that all PPs – and in particular those with limited experience in ETC project management – have all the necessary information and tools, and that all PPs know programme documents and apply the programme rules;
- Set in place a project steering group in order to discuss with the PPs and the Associated Partners the state of the art of the project, its implementation quality and timeline;
- Monitor the occurring of the risk management identified in the AF and set in place countermeasures;
- Be responsible for the collection of relevant information, data and material to be included in the project progress report and project final report to be submitted to the JS;
- Ensure that all PPs respect the programme financial rules and that each PP sends the documentation on expenditure for the necessary verification within the set deadline;
- Ensure that expenditure presented by PPs has been verified by the appointed controller and that corresponds to the agreed activities reported in the approved AF;
- Elaborate the request for payment to be sent to MA/JS;

- Timely transfer the paid shares to the PPs and in full;
- Elaborate all necessary reports required by MA or JS;
- In case of recovery of funds, set in place all the necessary measures for their recovery from the affected PPs;
- Contribute to the positive implementation of the programme by participating to surveys either organized by the programme or by other institutions;
- Monitor the project financial performance and request JS/MA for a budget modification if needed;
- Promptly inform the MA and JS in case of changes within the project (e.g.: revision of the activities, budget change, partner change) or *force majeure*;
- Ensure that the communication activities reach the foreseen targets and respect the programme communication strategy and requirements;
- Ensure that a copy of produced deliverables – when possible – or descriptive materials (e.g.: pictures) is submitted to the MA via the JS together with the project progress report; ensure also that a copy of the produced deliverable/material is stored at its or PPs' premises for audit and control purposes;
- Invite the MA/JS to participate in project steering committee meetings as an observer, and send them the related minutes;
- Do its utmost to solve conflicts within the partnership;
- Ask the JS for guidance when necessary and participate to the events (e.g.: seminars, workshops) organized by the programme;
- Provide the MA/JS with regular, relevant and updated information with regard to the project activities to feed the web site of the ADRION programme;
- Ensure that, in case part of the funded activities are granted under the *de minimis* regime, all the necessary requirements are respected during project implementation by the affected PPs;
- Use eMS for exchanging information and reporting to relevant Programme bodies;
- Ensure the adequate storage of data (physical and/or electronic), in accordance with the requirements of the ADRION programme and communicate it to the LP, including eventual changes on location;
- Ensure that all activities are not funded by other public funds (national, European or granted by other international organizations);
- Ensure the respect of horizontal principles like protection of environment, equal opportunities between men and women and non-discrimination.

Inform MA/JS about the signature by all PPs of the partnership agreement and of the financial guarantee (if applicable) and send the latter document in original to the MA;

In relation to what above, the PPs shall:

- Keep regular contacts with the LP and communicate eventual difficulties emerging during the project implementation;
- Implement and coordinate, if this is the case, the activities as described in the AF and in accordance with the agreed timeline and the partnership agreement;
- Ensure quality implementation of all the activities performed;
- Set in place a separate accounting system;

- Adopt and implement all programme rules in order to implement the project in the most accurate way and keep itself updated by regularly checking ADRION web site;
- Attend project steering groups in order to discuss with the partnership and the Associated Partners the state of the art of the project, its implementation quality and timeline;
- Ensure the appropriate involvement of the related Associated Partners;
- Contribute to the monitoring of the occurring of the risk management identified in the AF and to the setting in place of countermeasures;
- Prepare the partner report and ensure that it is validated by the appointed national controller;
- Provide the LP with the relevant information, data and material to be included in the project progress report and final report;
- Adopt and apply ADRION financial rules and send the documentation of expenditure for the necessary verification within the set deadline to the identified controller;
- Ensure the respect of public procurement rules irrespective of its legal status;
- Provide the LP all the necessary financial data necessary for drafting the request for payment to be sent to MA/JS;
- Check that the LP has transferred the paid amounts in full and according to the scheduled timeline;
- Contribute to all the necessary reports required by the MA or JS;
- In case of recovery of funds, cooperate for their recovery in accordance with the set procedures and timeline;
- Contribute to the positive implementation of the programme by participating in surveys either organized by the programme or by other institutions;
- Monitor the financial performance;
- Promptly inform the LP in case of need of changes regarding its activities or status or involvement;
- Ensure that the communication activities reach the foreseen targets and respect the programme communication strategy and requirements;
- Use eMS for exchanging information and reporting to relevant programme bodies;
- Ensure the adequate storage of data (physical and/or electronic), in accordance with the requirements of the ADRION programme and communicate it to the LP, including eventual changes on location;
- Ensure that in case part of the funded activities are granted under the *de minimis* regime, all the necessary requirements are respected during project implementation;
- Ensure that all activities are not funded by other public funds (national, European or granted by other international organizations);
- Ensure the respect of horizontal principles like protection of environment, equal opportunities between men and women and non-discrimination.

In order to implement all these tasks, LP and PPs must ensure that part of their staff or of external experts in charge of contributing to their realization are devoted to the coordination and/or management of the activities.

Ideally, the LP and each PP – depending on their financial involvement share, type of activities and distribution of tasks within the partnership – should consider the involvement of a project officer (in charge of the content implementation), a finance officer (in charge of the finance management) and of a communication officer (responsible for promoting the project through “one voice” only).

The negotiation process

3. The negotiation process

The negotiation process is the period during which the project partnership has to comply with the requests for improvements set forth by the ADRION MC.

The process is coordinated by the JS on behalf of the MA, which shall inform the MC on the outcomes of the process.

The negotiation process can be supported by an event organized by the JS addressed to the LPs, during which the JS provides information on the programme requirements to be fulfilled as well as bilateral meetings with the projects.

During the negotiation process the LP must:

- a) Ensure that all PPs are aware of the conditions for improvement;
- b) Involve all PPs during the proposal revision, especially if conditions for improvement affect budget, the provision of additional information on planned outputs and deliverables;
- c) Revise the project proposal in accordance with the requests for improvement, including the eventual removal of non-eligible partners, related activities and budget; the revision of the AF must be done through eMS and resubmitted as many times until the conditions for improvements are fulfilled.
- d) Provide, if this is the case, updated information with regard to state aid (*de minimis*) of the affected PPs;
- e) Provide any further documentation/declarations requested during the negotiation process and aimed at ensuring the early project start.

In case a PP is not in the position of implementing the project proposal or it has been excluded due to its ineligibility, it cannot be replaced by another partner during the negotiation phase. If the LP decides to leave the project, the project is excluded from funding.

Overall goals and main deliverables of the proposal cannot be revised or reduced.

All necessary changes must be performed during the negotiation period; ADRION will not allow any request for project modification in the first six months of project implementation, unless they are of vital importance for the future project implementation.

After having submitted the revised AF via eMS, the JS verifies whether all conditions are satisfactorily met and the availability of the required additional documentation, if requested.

All information regarding the negotiation process are further communicated to the MC.

All exchanges of information between the project and ADRION programme authorities are done via eMS to the possible maximum extent.

If the LP cannot provide the requested documentation or the negotiation process is not successfully finalized within the time set forth by the MC, the MC shall be informed accordingly. Rules reported in Annex 4 of the Programme Manual related to the lack of administrative and eligibility requirements of PP(s) shall apply.

The end of the negotiation process is established by an official communication sent by MA/JS and the sending of the subsidy contract.

First implementation steps

4. Getting started

All projects must start implementing their activities **as soon as possible** and set in place the requirements described in the following paragraphs.

4.1. Familiarity with the use of eMS

Beside the submission of the project proposal, eMS ensures:

- a) Data integrity and confidentiality;
- b) Avoidance of submission of identification data more than once when fulfilling reporting documents;
- c) Data storage: relevant data and documents in particular with regard to eligibility of expenditure and related audit trail must be uploaded on eMS and be available to all bodies involved in monitoring, control, verification of expenditure, audit, implementation and evaluation activities, thus to reduce the administrative burden for the beneficiaries in sending the same information more than once to the different bodies, unless it reveals being outdated.

eMS is the main communication and monitoring tool along the project implementation: information in it contained must be always updated as the MA shall make reference to those data to proceed with the requests for payment.

It will be the responsibility of the LP to ensure the regular update of eMS in case changes occur (e.g.: change of PPs or of controller in case of decentralized system etc.); depending on the type of change, the update can be done either directly by the LP or prior permission by the JS.

Once a project is contracted, the reporting section on eMS becomes available to PPs.

All PPs must become eMS users through registration. Usernames are to be communicated to the LP. The LP associates the PPs' username to give them users' right to access project's data and partner report by filling-in the eMS *user assignment* section.

LP and PPs must consider password and login as confidential data.

ADRION offers different user privileges according to different project users' needs (LP and PPs): only the LP can have access to all PPs and project reports.

The PP registration and further user assignment allow the PPs to draft their partner report (see paragraph *Project partner reporting*).

The following information must be uploaded on eMS in the section *Supplementing information*:

Section	Description
Project Management	Information on the LP project management team (project, financial and communication manager)
Bank Information	LP bank information details (in case two bank accounts are present, one must be reported in the <i>attachment</i> section)
First level controller	Information on the identified national controllers
User assignment	Information on the attribution by the LP of specific privileges through the usernames of each PP, allowing them to create and submit partner reports

Documents	Information on the location of the official project documents at the LP and PPs premises
Partnership Agreement	Information on when the agreement has been signed by the last PP
Additional information	Provision of evidence on the existence of the financial guarantee(s) for each private partner: date and name of the guarantor and uploaded documents

Information relating to the points above must be provided by the LP within 2 months after the signature of the Subsidy Contract.

eMS is in line with Regulation (EU) No 679/2016 - General Data Protection Regulation, GDPR - which introduces rules on data protection: further details are available on the home page of eMS.

4.2. Setting in place of the project coordination and supervisory structure(s)

The LP, in cooperation with its PPs, ensures the setting in place of adequate project coordination structure(s) (e.g.: project steering group, coordination board, steering committee etc.) ensuring that all PPs are equally represented, including the Associated Partners.

If so wished, the project steering group can also involve representatives of institutions not directly involved in the project but that can contribute to its implementation or to the spreading of its outcomes.

The project steering group:

- Is the decision making body at project level;
- Meets on a regular basis in order to adopt the necessary measures; in general it should have a proactive approach rather than reacting to already existing situations;
- Is ruled by its own procedures;
- Is usually supported by the LP project management staff in its role of decision maker.

Additionally, the project steering group should:

- a) Be responsible for monitoring the implemented activities and their quality;
- b) Be responsible for monitoring the contribution to programme results in relation to the approved AF;
- c) Be responsible for monitoring the financial and overall implementation performance and the eventual countermeasures to be adopted;
- d) Be informed and approve project deviations or changes, including changes within the partnership;
- e) Be responsible for the settlement of any disputes within the partnership;
- f) Be responsible for the setting in place of *ad hoc* working groups or task forces within the project, if necessary.

The LP must regularly inform and invite the MA/JS to the project steering group meetings. The MA/JS reserve the right to participate. Minutes of the meetings and signed participants' list must be delivered to the JS after the meeting and as attachments to the project progress reports.

4.3. Organization of the kick-off meeting

As a general rule, the project should consider starting its activities with a kick off meeting, with the aim of defining approaches, rules and internal deadlines within the partnership in accordance with the approved AF: decisions must be in line with the programme rules and requirements.

Indicatively, the kick off meeting should establish the management and coordination structures in charge of ensuring a good project management and coordination, as well as clear and shared understanding of the legal documents and controllers' requirements in the Partners States; and provide guidelines on the main qualitative elements to be guaranteed during implementation.

The kick-off meeting can coincide with the first steering group meeting or be – whole or in part - a public event. It must be organized as soon as possible.

4.4. Project Partner internal calendar in relation to the milestones and deadlines of the approved application form

With reference to the time-plan of the approved AF, all PPs must draft and share an internal calendar of the activities to be performed and when in order to reach the project goals.

The calendar must also support the partnership in defining when – if this is the case – public procurement processes for hiring experts (including the identification of the controller for the verification of expenditure in Italy where the control system is decentralised) or purchasing goods and equipment have to start.

In relation to the above:

- a) Eventual costs incurred by the LP/PP related to the preparation of public procurement documentation before the official start of the project (i.e.: the date as reported in the approved AF) cannot be charged to the project;
- b) Contracts for the requested services/equipment shall start after the official start of the project;
- c) All invoices and related payments must refer to provision of services provided after the official start of the project.

4.5. Necessary procedures and mechanisms within the project partner institutions to define the staff involved and separate accounting system

The involved partnership must be ready for implementing the planned activities ensuring that all the necessary internal administrative steps are in place. In particular, measures are to be adopted to ensure that staff costs to be ascribed to the project can be considered as eligible.

Both the LP and PPs must have a separate accounting system for project expenditure or an adequate accounting code to ensure the easy identification of expenditure to be ascribed to the project budget (see paragraph below).

4.6. Audit trail, adequate archive and retention of document

The audit trail is a comprehensive set of documents which provides a complete history of a project and evidence that proper procedures have been applied and outcomes achieved. It is a compulsory

requirement both for the LP and PPs and legally foreseen both in the subsidy contract and in the partnership agreement.

Linked to the audit trail it is the need of ensuring the creation and regular update of a project archive where to store all relevant data, documents, pictures etc. related to the project implementation and of setting in place a separate accounting system or an adequate accounting code. Please note that, with reference to what reported in paragraph 4.1 lett.c), key documents must be uploaded on eMS as well.

The audit trail allows the recording of all documentary evidence of the steps undertaken by the beneficiaries during the project implementation. The audit trail must include all documents related to the project, from the subsidy contract/partnership agreement to the report on the project closure (including the related amendments or revisions) as well as all accounting records and supporting documents.

Type of document	Specifications
Subsidy contract	<ul style="list-style-type: none"> ▪ All versions ▪ Latest updated AF annexed to the subsidy
Partnership agreement	<ul style="list-style-type: none"> ▪ All versions
Reporting forms	<ul style="list-style-type: none"> ▪ All submitted documentation
PP reporting forms (if any)	<ul style="list-style-type: none"> ▪ All accepted documentation
First level control reports	<ul style="list-style-type: none"> ▪ All certificates and reports
For each expenditure	<ul style="list-style-type: none"> ▪ Information on the selection process - procurement procedure ▪ Contracts ▪ Received invoices ▪ Proofs of payment (bank statement or any other equivalent document with probative value extracted from a reliable accounting system) ▪ Documentation submitted to the controller and released by it
Further supporting document related to budget lines	<ul style="list-style-type: none"> ▪ Time sheets (if applicable) ▪ All required documentation ▪ Reports
Outputs and deliverables produced	<ul style="list-style-type: none"> ▪ Adequate and relevant related documentation produced during the project lifetime ▪ Copy of deliverables produced (e.g.: gadgets, poster, etc.)
Transfer of funds to PPs (for LP only)	<ul style="list-style-type: none"> ▪ Registration of transfers

As highlighted in the table above, the audit trail does not limit itself to the retention of invoices, but provides evidence on the process that brought to that specific decision, e.g.: the purchasing of that good/service from provider X instead from provider Y.

Documents part of the audit trail can be originals, certified true copies of the originals, or electronic versions stored on commonly accepted data carriers (including electronic only) in accordance with the respective LP and PPs national rules.

Where the PP maintains electronic versions of original documents, it has to comply with the procedure for certification of conformity of documents held on commonly accepted data carriers laid down by the

national controllers (this procedure has to ensure that documentation kept - e.g.: scanned copies – comply with national legal requirements and can be relied on for audit purposes).

Electronic archives must comply with the relevant necessary security standards in accordance with the national law and that can be considered as reliable for verifications and audit purposes.

Where paper documents are the true/original source of the scanned documents and the latter cannot be relied on for audit purposes (e.g. due to incorrect or incomplete scanning of the document, indications that the documents may have been forged), it means that the procedure laid down has not been complied with, in which case corrective measures are required, including financial corrections where deemed appropriate⁴.

All the supporting documents related to the project must remain available at the premises of each LP/PP at least for a period of two years starting from 31 December following the submission of the payment claim to the European Commission from the MA that contains the last expenditure of the project following its completion.

The documents referring to project activities and expenditure carried out in the framework State Aid *de minimis* must be retained for a period of 10 fiscal years from the date on which the aid was granted (date of signature of the subsidy contract).

At the closure of the projects, the MA/JS shall individually inform each LP and its national controller on the starting date of the above mentioned retention period.

For the entire retention period, all bodies in charge of performing controls and audits are entitled to access the LP and PPs premises to check all relevant project documentation and accounts.

4.7. Initial visibility requirements obligations

Each beneficiary of the operation - LP/PPs - shall put up, as soon as possible, at a location readily visible to the public – such as the entrance area of a building - at least one poster with information about the project (minimum size A3), including the EU financial support (for details please refer to chapter *Communication activities*).

Evidence of the poster (copy of the pictures demonstrating where they are affixed) shall be included as an annex in the project progress report.

4.8. Compliance with further technical requirements

Bank account

When allowed by internal beneficiary rules, a separate bank account or a sub-account for receiving project ERDF and IPA II funds in Euro is strongly recommended.

The LP shall track record of the two different types of received payment (ERDF and IPA) to avoid misuse.

⁴ EGESIF_17-0006-00 06/04/2017 - Questions & Answers on e-Cohesion Programming period 2014-2020 - (ERDF, Cohesion Fund and ESF).

Identification of the controller

In accordance with art. 23.4 of Regulation (EU) No 1299/2013 where the MA - and this is the case of ADRION programme – does not directly carry out verifications attesting that products and services have been delivered and that expenditure declared by the beneficiaries has been paid in compliance with applicable law throughout the whole programme area, each Partner State designates a body or persons responsible for carrying out such verifications in relation to PPs located in their own territory (also known as national controllers⁵).

The national control systems set in place by the ADRION Partner State can be:

Centralized: the Partner State appoints one body/institution in charge of performing the necessary verifications on expenditure of the PPs located on its territory. The Partner State can also decide whether the service is free of charge or not.

Decentralized: the LP/PP located in that Partner State has to identify its controller in accordance with the rules and procedures defined at national level. The identified controller can be external (i.e.: a single independent controller selected on the market) or internal (i.e.: in case of public bodies only: this option is applicable upon condition that the controller is independent from the department in charge of the project implementation). In both cases, the selected controller is subject to the approval of the approbation body appointed at national level for this purpose. Costs of verifications provided by independent controllers are eligible under the budget line external expertise.

In the following table an overview on the different systems in force in the ADRION Partner States is provided. Detailed and updated information is present both on the Interreg ADRION web site and on the web site of the National Contact Points (hereinafter: NCPs) and/or national controllers.

Partner State	System type	Cost of control	Additional information
Albania	Centralised	Free of charge	
Bosnia and Herzegovina	Centralised	Free of charge	
Croatia	Centralised	Charged to beneficiaries	See details on ADRION Programme website
Greece	Centralised	Free of charge	
Italy	Decentralized	Charged to beneficiaries	Controllers shall be selected by the Italian LP/PPs and they can be either external or internal: in the former case their identification must respect the procurement rules. The latter case applies only to public body: the controller can be appointed internally on condition that it is independent from the department in charge of the project implementation (financial and activities) Appointed controllers, regardless whether internal or external, must be validated by the national <i>ad hoc</i> Committee
Montenegro	Centralised	Free of charge	
Serbia	Centralised	Free of charge	
Slovenia	Centralised	Free of charge	

⁵ First level controllers – FLC - in the programming period 2007-2013 and on eMS.

Verification of expenditure is aimed at providing guarantee to the programme authorities that LP and PPs costs are accounted for and claimed in accordance and in compliance with the legal and financial provision of the EU Regulation, programme and national applicable rules.

Controllers' declarations must be attached to the request for payment to be submitted to MA/JS.

5. Pre-financing (for IPA partners only)

After the successful finalization of the legal framework – i.e.: signature of the subsidy contract and partnership agreement, declaration of absence of double funding and – if this is the case – signature of the financial guarantee by private PP(s) - the MA shall proceed with the payment of the advance amounts to the IPA PP(s).

The advance payment is up to 10% of IPA PP budget.

Overall, the disbursement can take place on condition that:

- The Financing Agreement between the European Commission, the IPA Partner State where the IPA PP is located and the MA has been successfully signed;
- The programme has available funds to comply with this requirement.

As reported in the Programme Manual, the advance payment shall be compensated – in equal shares – within the first two payments to the concerned PPs, according to actually incurred and validated expenditure included in the related project progress report.

Example:

An IPA PP has an overall eligible budget of EUR 170.000,00 (out of which EUR 144.500,00 of IPA II funds and EUR 25.500,00 of national contribution).

The maximum advance payment shall be up to EUR 14.450,00.

According to the rule defined above, the MA shall deduct EUR 7.225,00 from each of the first two requests for payment:

	Total IPA II funds requested*	Advance payment to be deducted from the 1 st request for payment	IPA II funds to be reimbursed
	(a)	(b)	(c) = (a) – (b)
1 st request for payment	25.000,00	7.225,00	17.775,00
2 nd request for payment	32.000,00	7.225,00	24.775,00

* assuming that all requested IPA II funds are considered as eligible by MA/JS

If an IPA PP is not able to submit an amount of validated expenditure high enough to ensure the compensation of the received advance payment, the MA/JS will further enquire in order to adopt the necessary steps.

Reporting and request for payment

6. The payment process

Without prejudice of the advance payment, the EU contribution is based on reimbursement, i.e.: funds are provided the project after its implementation of activities and demonstration of related incurred and paid costs in accordance with the set rules.

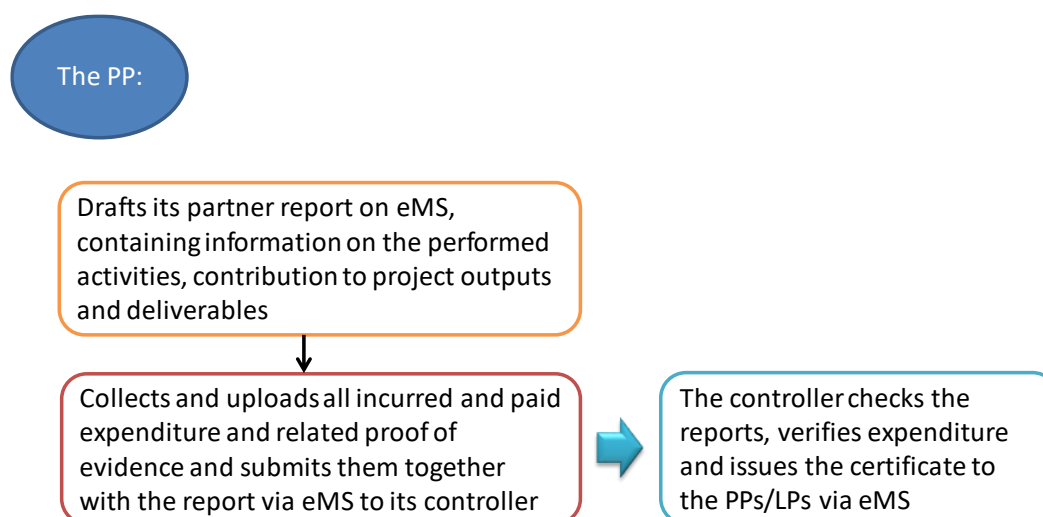
The payment of EU contribution is related to the expenditure incurred and paid in a pre-defined reporting period as indicated in the approved AF on condition that the request for payment is accompanied by an activity and financing report and supported by documentation related to the verification of expenditure.

Each PP is involved in the reporting process; the LP coordinates it and submits the request for payment to the MA via the JS.

Overall, the process shall last not more than three months.

6.1 Project Partner Reporting

Each PP – including the LP- must perform the following tasks:



All documentation must be drafted in English.

In case the PP has not implemented any activities and its expenditure in a reporting period amounts to EUR “0”, its partner report must be submitted to the controller in any case. The rule does not apply for preparation costs.

6.1.1 Partner report

The partner report must be filled-in using eMS and the related template. It is structured in an activities and financial part.

Activities part

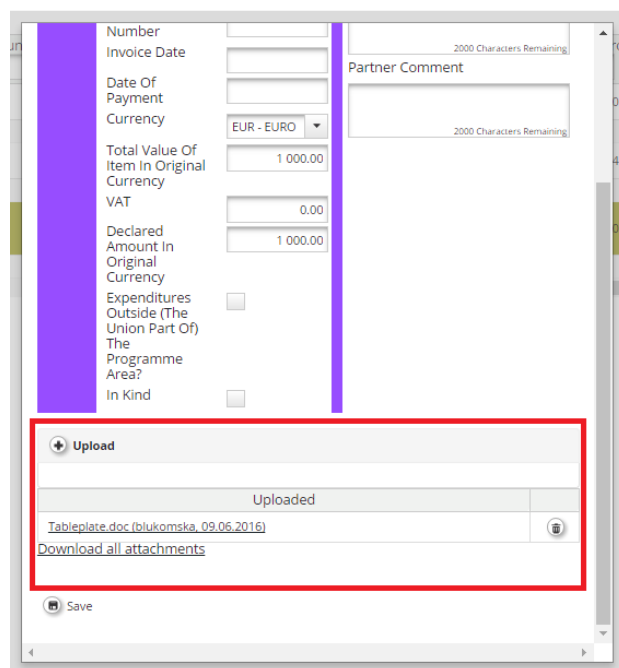
Each PP must draft a partner report which describes its contribution (i.e.: activities implemented) to project implementation along the set reporting period in accordance with the project work package(s).

Each PP is asked to provide information on specific deliverables and outputs produced as well as information on the target groups reached as identified and quantified in the AF. The PP is also asked to inform about eventual problems faced during implementation or deviations in relation to the initial planned schedule.

Provision of information must be accurate, reliable and duly supported, if necessary, by realized documents (e.g.: a study, reports, participants' lists etc.) and/or pictures (e.g.: a picture attesting the organization of an event, a picture of a realized gadget).

Financial part

The partner report includes information on the incurred and paid expenditure. Each PP must upload on eMS the amount of each expenditure item and the related invoice to the correct budget line and correct work package: as it is of vital importance that this activity is accurate, carefully consider the necessary time for its fulfilment. The uploading must also be accompanied by a description of the main features at the level of each expenditure item. If one expenditure item is not correctly uploaded or if the overall uploading is not accurate, the controller may revert the report, thus potentially jeopardizing the project financial performance, with consequent de-commitment and potential loss of funds.



Per each expenditure item it must be uploaded – when necessary – all the supporting documents to ensure the controller to verify the existence and correctness of the audit trail (e.g.: invoices, process attesting the public procurement process). It is extremely important to correctly name each uploaded file, in order to ease the identification of its content. If more files relate to the same expenditure, it is convenient to group these files and to upload them as a zip folder. Each uploaded file must have a maximum size of 12 MB.

In case an expenditure can be referred to more than one Work Packages (hereinafter: WP), the invoice must be uploaded to the reference WP (i.e.: more than once) specifying the share/amount related to it.

All amounts entered in eMS are in the currency in which they were paid.

Unless differently requested by the controller, it is highly recommended that the latest deadline to submit the partner report to the respective controller is 10 calendar days after the end date of the reporting period. In case the deadline is not respected, the controller might postpone the certification of part of the submitted expenditure to the next reporting period.

In order to avoid delays both in verification of expenditure and in further payment, it is highly recommended that the LP/PPs upload its expenditure and the related documents on eMS every time the expenditure has occurred.

Unless otherwise specified in the subsidy contract or following *ad hoc* MA communication, expenditure uploaded on eMS must refer to the period to be reported.

Some exceptions can, however, occur:

- The expenditure was paid after the end of the reporting period of implementation subject of the request for payment, and thus not processed by the controller;
- The certificate of expenditure was issued by the controller after the time limit set by the programme for including it in the concerned report;
- The verification was pending due to the clarification process between the PP and the controller;
- Verifications by the controller and/or the MA/JS were pending following the outcomes of controls and audits carried out at programme level or any other applicable control and audit;
- The amount to be verified was below the threshold set by controllers to issue a certification (in this respect please check the eventual presence of specific national rules).

In accordance with ADRION programme rules, the final exchange rate of the incurred expenditure in a currency other than Euro is automatically converted into Euro by eMS using the monthly accounting exchange rate of the European Commission of the month during which the expenditure is submitted to the controller.

PPs must pay particular attention to the correct quantification of the amount related to expenditure outside the programme area (see paragraph *Location of activities of an operation*).

Once having finalized the upload and data insertion, eMS automatically feeds the financial tables which shall display the expenditure per period, budget line and work package.

6.1.2 Verification of expenditure

Once submitted, the PP report (content and financial parts) becomes visible to the affected controller in charge of the necessary verifications.

Each controller has set in place its own rules with regard to the latest possible deadline for receiving requests for clarifications/provision of further information, etc. by the PP: PPs are invited to check the eventual existence of these rules and to arrange accordingly. Requests for additional clarifications by controllers shall be asked and submitted via eMS or via email and further outcomes and requested documentation uploaded on eMS by the controller at the end of the process.

The verifications performed by controllers are reported in the system through check lists and reports, which provide information on the type of controls performed, methodology of verification, description of findings, quality of each report, conclusions, recommendations and follow up measures in view of the next partner report.

The following documents shall be issued by controller:

- First level control certificate;
- First level control check list;
- Control report.

The controller, following the outcomes of its checks can:

- a) Revise the amount claimed by reducing or increasing it (e.g.: following a miscalculation by beneficiary; the ineligibility of one or more costs);
- b) Reject the full cost claimed due to its ineligibility;
- c) Not verify the cost claimed: this can happen in case of, e.g.: lack of information, late submission of documentation by the PP, clarifications received by the PP but not considered as sufficient. In this case, the cost is not verified in the reporting period in subject.

Any item that is not ticked as “Verified by FLC” on eMS is not included in the controller certificate. This means that the verification of that cost item is pending (evidence is provided on eMS). Eventual postponed verified expenditure is included in the next report.

The LP must not give access to the controllers on eMS. This would be considered as a violation of the separation of function and independence principles the project partners and controllers must comply with.

6.1.3 Declaration of the project partner

Each PP shall also provide a declaration attesting the absence of conditions reported in the paragraph “*Judicial and other proceedings (incl. bankruptcy)*”.

The template of the declaration is provided by ADRION and available on its web site.

6.2 Project progress report

In accordance with the reporting period and deadlines defined in the AF and subsidy contract, the project shall regularly inform the MA/JS on the progress of its implemented activities and of the advancement of expenditure through the project progress report. The project progress report consists of a financial and an activity part. It is not possible to submit only one part of the report (i.e.: only the content or the finance part).

Only the LP is entitled to generate and submit project progress reports.

The project progress report is based on data and information provided by all PPs through their reporting (the LP is in charge of aggregating the provided information) and controllers’ certificates.

Notwithstanding the fact that the LP has the possibility of checking on eMS the status of the PP report on activities and of verification of expenditure, it is important that the partnership defines internal deadlines for the PPs report submission to their controllers and ensure the completeness of the project progress report to be sent to MA/JS within the set deadlines.

6.2.1 Report on activities

The LP is in charge of drafting the activity part of the project activity report based on the information provided by all PPs.

Information on project implementation shall be included in a template elaborated by MA/JS and downloadable from eMS; some of its parts are automatically pre-filled by the system according to data included in the approved AF and in the previous project progress reports (cumulative data), thus to allow a comparison between the approved AF and the progress achieved through implementation.

Per each of the **project specific objectives** (as defined in the last version of the approved AF) it must be indicated the progress and level of achievements in relation to the period of reporting according to one of the following options:

- Fully achieved;
- To a large degree;
- To a minor degree;
- Not achieved.

In relation to each option, the LP must provide a brief explanation on it.

Per each WP the LP must provide a summary description of activities carried out, the contribution and involvement provided by each PP. Encountered problems, envisaged solutions and deviations in the initial planned activities must be depicted accordingly.

An overview of the planned project **main outputs** is automatically generated by eMS, based on the information provided in the WP section of the report. Information provided is cumulative at project implementation level.

As far as **deliverables** are concerned, the LP must describe the progress achieved through the information included in each partner report. The relevant deliverables, when possible, (e.g.: a study, the agenda of an event and the participants list, the picture(s) of the promotional material realized etc.) must be attached to the report.

For each of the planned deliverables, the status of implementation must be indicated through the selection of one of the following options:

- Not started;
- Proceeding according to work plan;
- Behind schedule;
- Ahead of schedule;
- Completed and achieved as planned;
- Completed and achieved more than planned;
- Completed and achieved less than planned.

The LP has also to check the quantification of **indicators** reported, avoiding double or multiple counting (e.g.: the summing up of the same indicator reported by several PPs).

With reference to the addressed **target groups**, eMS automatically displays the target group categories selected in the AF and for which of them a target value was set. The LP must report figures on the real involvement of the target groups in the reported activities, deliverables and outputs, avoiding double counting of the institutions (e.g.: reported by more than one PP and also reported in the previous reporting period).

Please note that according to the ADRION Cooperation Programme further specific information is requested on performed activities and target groups, namely:

- **Information on the number of women and men participating in projects;**
- **In case “General Public” is chosen among the categories of the target groups, information on the number of involved men and women.**

It is of vital importance that the quality of the submitted project report (both activity and finance) is acceptable and corresponds to the truth: provided information must be accurate and realistic.

6.2.2 Project report on finance

In accordance with art 13.2 c) of Regulation No 1299/2013 and art. 6 of the Subsidy Contract, the LP must ensure that expenditure presented by all its PPs has been verified by their appointed controller and that it corresponds to the agreed activities reported in the approved AF in accordance with the requirements of reporting.

LP verifications can be carried out either by the LP or by its controller.

Controls performed by the LP/controller ensure that:

- a) The declarations provided by PP are complete;
- b) All incurred and paid eligible expenditure by each PP is supported by the relevant documentation of the controller⁶;
- c) All incurred and paid eligible expenditure is in line with the latest approved AF, is incurred for implementing the project and corresponds to the activities agreed between all the PPs. Any deviations from the AF, should they exist, have been properly described and justified in the progress report;
- d) Amounts and activities reported are correctly integrated in the project progress report and give a correct description of the implementation and present status of the project;
- e) All obligations settled in the subsidy contract are respected;
- f) The overall incurred and paid expenditure is on track with regard to the planned expenditure or it remains within the flexibility threshold set by the programme (see chapter *Modifications in operations*).

⁶eMS displays the list of certificates issued by the controller.

g) Information on expenditure incurred outside the programme area is correct.

LP/LP controller's verification does not imply re-performing the checks already carried out at PP level, but ensuring that all relevant documentation is complete. In case information on verified expenditure of-PP(s) is missing (e.g.: controller checklist not duly filled-in; the detection of a financial error and related correction has not been classified on eMS), the LP or its controller is entitled with the affected PP and its controller to get the necessary information before the submission of the project progress report to the MA/JS. In case of persistent doubts, the LP may decide not to include that specific expenditure in the request for payment. If this case occurs, the JS must be consulted about.

6.2.3 Attachments

Compulsory attachments to the project progress report are:

- Documents attesting the existence of the declared deliverables (e.g.: copy of a study, pictures of produced gadgets; pictures of organized events, etc.);
- Controllers' documentation (per each PP), i.e.: controllers' certificates, check lists and control reports;
- Regular reports on specific topics of interest for the programme⁷, namely:
 - Contribution to the EUSAIR strategy and contribution to the achievement of its objectives;
 - Contribution in relation to specific topics previously identified by the programme and highlighted in the project proposal (e.g.: branding in tourism; sea pollution, clusters in innovation and S3, sea mobility, etc.);
 - Adoption of specific measures aimed at reducing environmental impact as reported in par. 6.2 of the programme manual and here reported for convenience:
 - Use of video conferencing to reduce travelling;

⁷ Ad hoc template is provided by ADRION programme; the template can also be used for collecting information at project partner level.

- Publications on FSC certified paper;
- Use of “green public procurement” procedures and innovative public procurement where appropriate;
- Use of short supply chains in the implementation of projects activities;
- Raising awareness of partners, beneficiaries and target groups on sustainability issues;
- Promotion of activities with limited use of energy and natural resources;
- Specific information on the application of the *de minimis regime* (if applicable);
- Declaration as reported in paragraph 6.1.3 (the template provided by ADRION must be used):
 - (on behalf of the entire partnership) attesting the absence of conditions reported in the paragraph “*judicial and other proceedings (incl. bankruptcy)*”;
 - attesting ERDF/IPA II transfer of the amount related to the previous project progress report to the respective PPs (taking into account the advance payment, if due);
 - on the performance of the aforementioned controls in accordance with art. 6 of the Subsidy Contract;
- The request for payment.

Documents to be uploaded on eMS can contain either a scanned signature or a digital signature according to the rule in force in the Partner State of the PP/LP.

The LP is in charge of officially sending the project progress report and its attachments to MA/JS.

Each project progress report must be submitted three months after the end of the reporting period to ADRION MA/JS.

In case the LP is not able to submit the report within the set deadline, the LP must inform the MA/JS at least one week before the set deadline. The MA, via the JS, reserves the right of accepting the requested postponement.

In case of de-commitment, validated expenditure late submitted and thus not contributing to its reduction, may be de-committed.

6.3 MA/JS monitoring

After the official submission, the MA/JS analyse the received project progress reports.

Preliminary verifications performed by the JS are aimed at ensuring the administrative correctness and presence of the requested documents (e.g.: respect of deadlines, presence of controllers’ declarations).

Monitoring verifications are intended to define the progress of each operation in relation to the planned project goals, performance and respect of programme rules through:

- a) Project contribution to programme indicators, including gender information;
- b) Project deliverables;
- c) Communication activities and regular update of the project web pages hosted by ADRION portal (at least every two months);
- d) Finance and activity implementation both at project and PP level;

- e) Appropriate use of budget flexibility rule and of specific programme finance rules (e.g.: costs of gifts, expenditure devoted to gadgets, etc.);
- f) Respect of state aid requirements (if present);
- g) Respect of horizontal principles;
- h) Specific information on the application of the *de minimis regime* (if applicable);
- i) Adoption of specific measures aimed at reducing environmental impact as reported in par. 6.2 of the programme manual and here reported for convenience:
 - Use of video conferencing to reduce travelling;
 - Publications on FSC certified paper;
 - Use of “green public procurement” procedures and innovative public procurement where appropriate;
 - Use of short supply chains in the implementation of projects activities;
 - Raising awareness of partners, beneficiaries and target groups on sustainability issues;
 - Promotion of activities with limited use of energy and natural resources;
- j) Contribution to the EUSAIR strategy and contribution to the achievement of its objectives;
- k) Contribution of the project in relation to specific topics previously identified by the programme and highlighted in the project proposal (e.g.: branding in tourism; sea pollution, clusters in innovation and S3, sea mobility, etc.);

In case the information provided in the submitted project progress report is not sufficient, the MA/JS request the LP to provide clarifications and/or revise the progress report within a given deadline. The request for clarification and eventual revision can be related to e.g.: the deliverables and outputs reported, the quantification of target groups, the control documents issued by the controllers.

If necessary, provided clarifications can have as a follow up the revision and resubmission of the project progress report or of some of its attachments, and/or a review of the amount to be paid.

Additional checks are performed by the MA within its function of Certifying Authority (hereinafter: CA).

In addition to the checks described above, the MA/JS shall also carry out “desk checks”, i.e.: *ad hoc* verifications that will be performed through the analysis of documents specifically requested to the LP, e.g.: the verification of an expenditure through the analysis of the related invoice, public procurement process etc. (see chapter *Controls and audit*).

6.4 Request for payment

According to art. 5 of the Subsidy Contract (ref. to art 132 of Regulation (EU) No 1303/2013), subject to the availability of funding, the MA must ensure that the LP receives the amount included in the LP request for payment in full and no later than 90 days from the date of submission.

Eventual requests for provision of additional information by MA/JS or the need of further investigations following the presence of a possible irregularity affecting the expenditure concerned by the relevant national or European institutions interrupt the aforementioned programme obligation (art. 132.2 of the aforementioned Regulation).

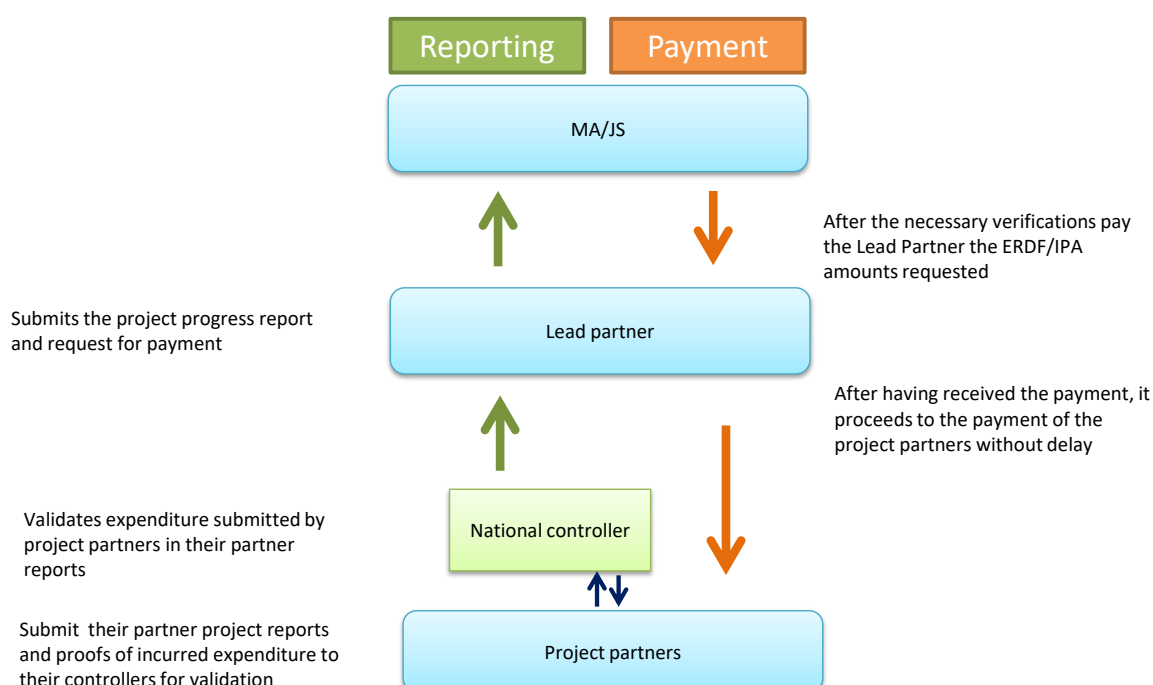
The LP concerned is informed in writing by MA/JS on the interruption and the reasons for it.

After the approval of the project progress report, the MA, within its function of CA, informs the LP about the payment via email and eMS. The overall amount to be paid is disentangled according to ERDF and IPA II funds. The email also contains, if this is the case, the retention of the previously disbursed advance payment, its related amount and the affected PPs.

The MA within its function of CA transfers the payment of the EU co-financing to the bank account(s) of the LP in Euro. No amount is deducted or withheld and no specific charge or other charge with equivalent effect is levied that would reduce the due amount.

The LP is responsible to transfer the PPs the total amount of their respective share of ERDF/IPA II funding as quickly as possible and in full. No amount is deducted or withheld and no specific charge or other charge with equivalent effect is levied by the LP that would reduce the amount due to the PPs (ref. to art. 5.14 of the subsidy contract). Information on EU funds share transfer must be provided to MA/JS in the Declaration attached to the project progress report. MA/JS reserve the right to make checks and adopt steps, if necessary.

The picture below depicts the overall payment process:



6.5 Payment of preparation costs

If foreseen in the approved AF, the LP asks for the payment of the expenditure related to the preparation costs on conditions that requirements set forth in the chapter *Project legal framework* are in place.

In case of absence of the financial guarantee of a private PP – if present in the partnership - the affected PP shall not receive any reimbursement until the financial guarantee is signed and the original document sent by the LP to MA/JS.

All budget lines with the exception of budget line “equipment” are eligible; expenditure must be incurred between 1st January 2014 and the day before the deadline of the project proposal submission.

As preparation costs are considered as a *lump sum*, the concerned LP/PPs do not need to send the related invoices to their controllers for being validated.

The controllers check the correctness of the attributed amounts to the eligible budget lines and if the requested amount is within the ceiling set forth by ADRION.

The template of the request for payment of preparation costs at PP and project level is provided by ADRION and available on eMS.

The requested amount is transferred by the MA within its function of CA to the bank account(s) of the LP which is responsible to transfer the shares of the lump sum to the concerned PPs in accordance with what reported in the AF.

Obligations regarding the transfer of funds in full and without delays as described in the previous paragraph apply.

7. Arrangements with operations facing difficulties in implementation

The monitoring activities provide an overview of the advancement in project implementation and partnership ability in meeting the promised targets.

Data are regularly collected, analysed and communicated to the MC.

Operations suffering from weak performance can be invited by MA/JS to targeted meetings, eventually with the participation of the MC representative or NCP of the Partner State of the LP to provide further clarifications on the project implementation state of play and to define a road map to catch up the delays or to adopt specific countermeasures.

8. Financial planning and de-commitment

Approved budget and spending plans must be carefully respected. If ERDF/IPA II funds are not spent according to the defined schedule, projects underspending may result in programme lack of financial performance and consequent de-commitment of unspent funds from the European Commission⁸ ("N+3 rule"). As a consequence of that, the commitments already granted to projects will have to be reduced. De-commitment risk affects separately ERDF and IPA II funds: this means that only ERDF or IPA PPs - or both - could be affected.

In order to avoid or reduce the underspending risk, the MA/JS recommend to carefully plan project activities in due advance – in particular with reference to those PPs with high IPA or ERDF allocation in single periods - in order to meet the project obligations in terms of financial spending and activities implemented.

In case de-commitment occurs and reduction of already granted funds takes place, the MC decision on which projects are affected by de-commitment will be based on an assessment of the projects spending performance and the actual projects spending rate, namely:

- a) The project performance will be calculated from the project's first reporting period ending with the most recent reporting period of the year affected by the de-commitment⁹;

⁸ Regulation (EU) No 1303/2013 Art. 86-88 and its amendments.

⁹ In case a reporting period covers both end of year X and beginning of year Y, certification of expenditure of the months related to year X shall be asked in order to have a better view of project performance and ensure equal treatment.

- b) The performance will be calculated both in absolute figures and in percentage;
- c) Specific project performance elements recorded by JS/MA during the project implementation indicating difficulties due to exogenous situation in implementation will be taken into account.

The affected projects shall have to reduce ERDF and/or IPA II co-financing amount from the planned budget still to be spent and revise the overall project budget inserting, in the past reporting period(s), the amount of funds spent and reimbursed by ADRION. Detailed procedure shall be communicated to the affected projects.

9. Performance framework in the year 2018

According to art. 21.1 of the Regulation (EU) No 1303/2013 all European Structural and Investment (ESI) Funds programmes are subject to a mid-term verification end of 2018 (so called performance framework). As far as ADRION is concerned, goals to be reached within 2018 are reported in its Cooperation Programme and refer both to finance and content performance.

The achievement of ADRION 2018 targets is linked to projects implementation and financial performance.

In order to meet the programme target, an extraordinary additional reporting with informative scope collecting expenditure incurred and paid within 31 December 2018 shall be submitted by projects.

MA/JS shall also ask projects within mid-2019 to provide evidence of the outputs achieved within the end of 2018, eventually through an *ad hoc* reporting in order to further communicate them to the European Commission.

Modifications in operations

10. Project modifications

During project implementation several endogenous or exogenous situations may take place thus to require a modification of the planned activities or of the actors involved.

Modifications can affect:

- a) The partnership;
- b) The activities, including deliverables, on conditions that they do not alter the overall project goals and objectives;
- c) The work plan;
- d) The budget (reallocation between PPs, budget lines and/or WPs, as long as the maximum amount of funding awarded per EU funding sources is not exceeded and provisions related to State Aid discipline are respected);
- e) Extension of the project duration.

Modifications cannot refer to:

- a) Spending forecast unless linked to significant changes in the project work plan as described in the present manual;
- b) Contribution to the programme result(s);
- c) Orientation towards equality between men and women and non-discrimination;
- d) Positive or neutral orientation towards environment.

Depending on the impact on the project set-up, modifications can be considered of minor or major relevance.

It is strongly recommended to start the procedure on eMS only when all requested documentation/information is available in order to avoid keeping the system blocked for unnecessary time (e.g.: avoid starting modification process close to the deadline for the submission of reporting).

10.1 Minor modifications

Minor modifications are considered those changes that do not have substantial impact on the overall project goals and implementation. They are mainly characterized by an administrative or technical character (i.e.: information on data storage, modification of LP bank account). The PPs must inform the LP about the need of minor changes without delay.

The list of minor modifications is detailed below.

If necessary, the MA/JS can ask for support to the NCPs for the necessary verifications.

10.1.1 Change of Lead Partner bank account and/or change of storage of project documents

The LP changes the project's bank account during project implementation or the place where LP and/or PPs have archived and stored the project documents.

The LP must update the eMS section *Supplementing information* with the new information and inform MA/JS.

10.1.2 Change of lead partner/project partner contact data

The change refers to LP or PP coordinates: address, phone number, name of the contact person.

How to proceed

A preliminary communication must be sent to the JS via email by the LP.

The modification of the AF on eMS is allowed following the consent by MA/JS; the LP shall then submit a modification request via eMS.

MA/JS approve the modification.

10.1.3 Change of legal representative of the Lead partner/project partner

The change refers to the modification of the LP/PPs legal representative following internal decision of the partner institution.

How to proceed

A preliminary communication must be sent to the JS via email by the LP.

The request must be supported by valid relevant supporting documents (e.g.: document attesting the change of the legal representative, identification document of the new legal representative and power of signature).

The modification of the AF is allowed following the consent by MA/JS; the LP shall then submit a modification request via eMS.

MA/JS approve the modification.

10.1.4 Change of VAT status

The change refers to the case in which VAT number of one or more PPs changes.

How to proceed

A preliminary communication must be sent to the JS via email by the LP.

The modification of the AF on eMS is allowed following the consent by MA/JS; the LP shall then submit a modification request via eMS supported by relevant documentation.

MA/JS approve the modification.

Information on the changes of the VAT number must also be reported in the partner report in order to provide information to the controller.

10.1.5 *Change of Lead Partner/Project Partner name*

The change refers to the modification of the LP/PPs name without consequences on its legal status or on its legal succession.

How to proceed

A preliminary communication must be sent to the JS via email by the LP.

The request must be supported by relevant supporting documents (e.g.: revised statute of the institution, relevant decree/law etc.).

The modification of the AF on eMS is allowed following the consent by MA/JS; the LP shall then submit a modification request via eMS.

MA/JS approve the modification.

10.1.6 *Work plan and financial adjustment*

The project may introduce minor adjustments in the work plan and within the same budget line that do not affect the strategic approach of the project and do not jeopardize the project implementation by the foreseen end date.

These may be related to a change of format of an activity or deliverable, to the implementation timeline of a single activity/deliverable and/or (main) output delivery, to the involvement of PPs in a work package or activity, or to small reallocation within the same budget line while keeping its total amount per PP unchanged.

The following **cannot** be considered minor adjustments:

- Reduction of the quantity/quality or changing the nature of the planned outputs and deliverables;
- Reduction of the target values of indicators and target groups.

How to proceed

A preliminary communication must be sent to the JS via email by the LP.

In case of MA/JS approval, the incurred modifications must be included in the box *Problems Description Justification*) both of the affected PP and in the project progress report in the affected WPs.

Examples:

Instead of carrying out a workshop addressed to stakeholders during month 12 of project implementation, the project decides to realize targeted interviews to be performed on occasion of a wide international event where all stakeholders shall be present can be more effective. Interviews shall take place in month 15 of project implementation. As a result, an output that includes stakeholder opinions will be delivered at the end of month 15.

The initially planned travels to be performed by the entire partnership resulted having a saving of EUR 500 by PP3. The saved amount can be used for allowing PP3 to attend a capitalization event in Venice. The attendance to the event, not initially foreseen, can be reported in the deviation section of the partner report (and afterwards in the project report) after having obtained the approval of the MA/JS.

10.1.7 Budget flexibility

Budget flexibility allows projects to reallocate amounts according to the implementation need, among budget lines or work packages up to 20% or EUR 40.000,00 in total, whichever is higher. Budget flexibility refers to reallocations among WPs or budget lines, or both.

When applying the flexibility, the LP and PPs must consider the following:

- The total budgets of LP/PPs cannot be exceeded;
- The total budget of the project cannot be exceeded;
- ERDF and IPA II amounts cannot be exceeded;
- The budget for State Aid relevant activities (according to the *de minimis* Regulation) cannot be exceeded, either at PP or at project level;
- The spending plan per period cannot be changed;
- Budget reallocation among the different WPs and/or budget lines cannot alter the general character (objectives, outputs and result) of the approved project and it cannot result that the affected WP package would lose relevance;
- Certain budget lines cannot be reduced to the extent that they would alter the relevance of the involved PPs (i.e.: extreme reduction of staff costs), or affect core deliverables (i.e. considerably reducing the costs of equipment);
- If changes affect staff costs, the affected PP must also take into account consequences to the budget line “office and administrative costs”, whose amount is calculated in percentage on staff costs;
- If changes affect the budget of a PP which has decided to adopt staff costs flat rate, changes reflect on the overall budget;
- The 20% limit is considered cumulatively for the whole project budget;
- The reference budget according to which the budget flexibility can be calculated is the one of the latest approved AF;
- In case a PP already received ADRION EU co-financing following the payment of preparation costs and/or expenditure incurred and paid during previous reporting periods, those parts of the budget cannot be changed;
- Exceeding the budget flexibility limits without a prior authorisation of the MC will result in the ineligibility of the amount exceeding the threshold;
- Budget flexibility cannot apply in the first six months of project implementation.

Example 1

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	

Flexibility rule is applicable: the shifted amount is of EUR 60.000 (which is higher than EUR 40.000 but within the set percentage) and in line with the above described rule.

Example 2

Work package (planned value)	Work package (reported value)	Difference
WP1 – EUR 150.000	EUR 185.000	EUR + 35.000 (23,3%)
WP3 – EUR 200.000	EUR 165.000	EUR -35.000
	Total budget difference planned vs. reported: EUR 0	

Flexibility rule is applicable: the shifted amount is - in percentage – higher than 20% but within the ceiling of EUR 40.000 and therefore in line with the above described rule.

Example 3

Work package (planned value)	Work package (reported value)	Difference
WT1 – EUR 150.000	EUR 197.000	EUR + 47.000 (31,3%)
WT3 – EUR 200.000	EUR 153.000	EUR -47.000
	Total budget difference planned vs. reported: EUR 0	

Flexibility rule is not applicable: the shifted amount is - in percentage – higher than 20% and higher than the ceiling of EUR 40.000.

How to proceed

A communication must be sent to the JS via email by the LP by filling-in the template sent by the JS.

The MA/JS analyse the request and its correctness and allow the LP to proceed with the budget recalculation on eMS.

The budget recalculation will automatically reflect in the progress report form.

The LP has the overall responsibility to monitor in advance at project and PPs level the needs for budget reallocation to initiate in time the request for appropriate project modification and to ensure that – when costs are reported – the maximum percentage will be respected.

In relation to the above, it is the responsibility of each PP to timely inform the LP whenever they intend to reallocate budget among WPs or budget lines.

The LP is strongly advised to responsibly ask for the possibility of revising the budget not for extremely limited amount (e.g.: EUR 500/1.000).

10.1.8 Consequences of minor changes in the project

Following one or more of the types of modification listed below i.e.:

- Change of LP/PP contact data;
- Change of LP/PP legal representative;
- Change of VAT number;
- Change of LP/PP name.

The MA sends a communication to the LP on the incurred change(s) in the AF to ensure a sound acknowledging of all changes.

These changes do not require an immediate update of the partnership agreement but are included in the partnership agreement when the first major change is made.

10.2 Major modifications

Major modifications are considered any deviation from the latest version of the AF other than those listed under “minor modifications”. Major changes are described in the following paragraphs; all of them have to be prior communicated to MA/JS and further approved by the Monitoring Committee (hereinafter: MC). If necessary, the MA/JS can ask for support to the NCPs.

Due to their relevance, major changes require an amendment of the subsidy contract and of the partnership agreement.

Major changes must be duly justified and cannot take place in the first six months’ of implementation, unless – and this is the case of changes in the partnership – they are of vital importance for the future project implementation.

10.2.1 Changes in the partnership

During project implementation it can happen that a PP or even the LP decides to leave the partnership. This situation can take place either when the project is in its early implementation steps or in the middle of implementation due to exogenous or endogenous situations.

a) A partner decides to withdraw and it is not replaced.

The non-replacement of a PP must be counterchecked with the confirmation of the presence of the eligibility requirements at partnership level.

If this circumstance takes place, the planned activities linked to this PP must be deleted from the project and its budget revised accordingly. Budget decrease must be mirrored in the budget spending plan following the period when the MA/JS received the communication of withdrawn sent by the LP.

The partnership must demonstrate that the withdrawn PP does not jeopardize the effectiveness of the project and that planned outputs and goals shall be ensured.

In case the withdrawn PP already received Programme payments related to preparation costs and/or expenditure incurred and validated, it retains its share of preparation costs and/or paid amount.

The withdrawn PP must in any case respect the obligations of documents retention for the time duration as reported in the subsidy contract/partnership agreement.

In case an Associated Partner withdraws and is not replaced, such a decision implies a revision of the PP budget supporting its costs.

How to proceed

- A preliminary communication is sent to the JS via email by the LP.
- The request for change must be supported by documentation attesting the withdrawal of the PP (i.e.: withdrawal letter of the concerned PP and acknowledgement of such a decision by the

partnership through the minutes of the project steering committee or any other relevant documentation attesting the partnership acknowledgement) as well as information to ensure the initially approved project outputs and goals);

- MA/JS analyse the request for change and submit it to the MC for approval;
- MA/JS inform the LP on the MC decision; if the result is positive, they allow the LP to proceed with the submission of the request via eMS;
- The LP submits a modification request via eMS, by pressing the *Modification Request Overview* button from left-side menu item Project and attach the related documentation;
- MA/JS accept the LP's request and unlock the AF for its revision;
- The LP revises the AF and submits it through eMS;
- MA/JS check the AF modifications and approve it on eMS;
- MA/JS submit a revised subsidy contract to the LP;
- The LP must ensure the revision of the partnership agreement, and communicate its signature through eMS (in case of withdrawn of an Associated Partner, unless differently specified in the partnership agreement by the project, the revision of the partnership agreement consists of the replacement of the attached AF).

The date of approval of the partnership change shall be valid retroactively starting from the date when the written request was submitted by the LP to the MA via the JS.

Requests for changes can be submitted up to three months before the project ending date.

b) A withdrawn partner/lead partner is replaced by another partner already present within the partnership, which takes over the remaining activities.

PP replacement can be done through a higher activity and financing involvement of PP(s) already present in the partnership preferably located in the same Partner State; the overall ERDF and IPA project budget shares must remain unchanged. In case the withdrawn PP/LP was implementing State Aid relevant activities, activities can be taken over before their implementation only.

In case the withdrawn PP/LP has already received Programme payments related to preparation costs and/or expenditure incurred and validated, it retains its share of preparation costs and/or paid amount.

The withdrawn PP/LP must respect the obligations of documents retention for the time duration as reported in the subsidy contract/partnership agreement and solve all pending situations (e.g.: repayment of undue funds).

The replacing LP/PP(s) shall take over the left budget of the withdrawn LP/PP; it must demonstrate to have sufficient skills and expertise to efficiently implement the remaining tasks left by the withdrawn PP.

In case it is the LP to withdraw, the PP intending to replace it must additionally demonstrate its capacity in managing and coordinating projects.

How to proceed

- A preliminary communication is sent to the JS via email by the LP. The request for change must be supported by the documentation attesting the withdrawal of the LP/PP (i.e. withdrawal letter of the LP/concerned PP and acknowledgement of such a decision the partnership through the minutes of the steering committee); the updated LP/PP(s) declaration of the affected institution

willing to replace the withdrawn one, a communication addressed to the MA attesting its/their willing of taking over the tasks of the withdrawn LP/PP with an overview on its skills and previous experiences supporting its request;

- MA/JS analyse the request for change and submit it to the MC for approval;
- MA/JS inform the LP on the MC decision; if the result is positive, they allow the LP to proceed with the submission of the request via eMS;
- The LP submits a modification request via eMS, by pressing the *Modification Request Overview* button from left-side menu item Project and attach the related documentation;
- MA/JS accept the LP's request and unlock the AF for its revision;
- The LP revises the AF and submits it through eMS;
- MA/JS check the AF modifications and approve it on eMS;
- MA/JS submit a revised subsidy contract to the LP;
- The LP must ensure the revision of the partnership agreement and communicate its signature through eMS.

The date of approval of the partnership change shall be valid retroactively starting from the date when the written request was submitted to the MA via the JS.

Requests for changes can be submitted up to three months before the project ending date.

c) A withdrawn partner/associated partner is replaced by a new partner, which takes over the remaining activities;

The withdrawn PP can be replaced by a new institution which takes over the remaining activities.

PP replacement can be done through the inclusion of a new PP located in the same Partner State or - if this is not possible - by keeping unchanged the overall ERDF and IPA project budget shares.

In case the new PP has to implement State Aid relevant activities, they can be taken over before or after their implementation only.

The new identified PP must demonstrate to have sufficient skills and expertise to efficiently implement the remaining tasks.

The new total PP budget is the difference between what initially planned for the withdrawn PP and what already spent and paid.

The withdrawn PP must respect the obligations of documents retention for the time duration as reported in the subsidy contract/partnership agreement and solve all pending situations (e.g.: repayment of undue funds).

In case an Associated Partner withdraws, it can be replaced on condition that the replacing institution demonstrates its contribution to the partnership. Such a change could imply a change of the PP supporting its costs.

How to proceed

- A preliminary communication is sent to the JS via email by the LP. The request for change must be supported by the documentation attesting the withdrawal of the PP/Associated Partner (i.e. withdrawal letter of the concerned PP, and acknowledgement of such a change by the partnership through the minutes of the steering committee, new PP declaration and/or Associated Partner Declaration of interest and a communication addressed to the MA attesting

its willing of taking over the tasks of the withdrawn PP with an overview on its skills and previous experiences supporting its request;

- MA/JS analyse the request for change and submit it to the MC for approval;
- MA/JS inform the LP on the MC decision; if the result is positive, they allow the LP to proceed with the submission of the request via eMS;
- The LP submits a modification request via eMS, by pressing the *Modification Request Overview* button from left-side menu item Project and attach the related documentation;
- MA/JS accept the LP's request and unlock the AF for its revision;
- The LP revises the AF and submits it through eMS;
- MA/JS check the AF modifications and approve it on eMS;
- MA/JS submit a revised subsidy contract to the LP;
- The LP must ensure the revision of the partnership agreement and communicate its signature through eMS (in case of replacement of an Associated Partner, unless differently specified in the partnership agreement by the partnership, the revision of the partnership agreement consists of the replacement of the attached AF).

The date of approval of the partnership change shall be valid retroactively starting from the date when the written request was submitted to the MA via the JS.

Requests for changes can be submitted up to three months before the project ending date.

d) The lead partner/partner is experiencing a structural or legal change, such as legal status change and legal succession.

The legal change is possible on condition that the new entity takes over all duties and obligations of its predecessor (e.g.: retention of document, respect of internal audit trail, eventual follow-up of irregularities etc.) and that ADRION partners eligibility rules are respected. In case the change affects the legal status transforming a PP from a public to a private institution, information regarding its financial capacity shall be asked to the possible maximum extent.

The document attesting the modified legal status or legal change must be provided to MA/JS together with the request for change form.

How to proceed

- A preliminary communication is sent to the JS via email by the LP;
- The request for change must be supported by the documentation attesting the changed legal status/legal succession in original language and the proof of signature of the new legal representative, if necessary, and the updated PP declaration;
- The documentation concerning the change is checked and confirmed by the NCP of the Partner State where the beneficiary is located. If needed, the institution can be requested to submit a copy of the document proving that the name/legal status/old organization ceases to exist;
- MA/JS analyse the request for change and submit it to the MC for approval;
- MA/JS inform the LP on the MC decision; if the result is positive, they allow the LP to proceed with the submission of the request via eMS;

- The LP submits a modification request via eMS, by pressing the *Modification Request Overview* button from left-side menu item Project and attach the related documentation;
- MA/JS accept the LP's request and unlock the AF for its revision;
- The LP revises the AF and submits it through eMS;
- MA/JS check the AF modifications and approve it on eMS;
- MA/JS submit a revised subsidy contract to the LP;
- The LP must ensure the revision of the partnership agreement which can consist of the replacement of the attached AF and communicate its signature through eMS.

The date of approval of the partnership change shall be valid retroactively starting from the date when the change occurred. The affected LP/PPs are warmly recommended to inform about the change in advance in order to avoid potential eligibility problems.

Requests for changes can be submitted up to three months before the project ending date.

10.2.2 Changes in project budget

During project implementation it can happen that a budget revision of an amount higher than what ruled by the automatic flexibility is necessary.

Request for budget changes can refer to budget reallocation between PPs and/or budget lines and/or WPs as long as the maximum amount of funding awarded per EU funding sources is not exceeded and provisions related to State Aid discipline are respected. The change may refer to a budget reallocation between LP/PPs benefitting from the same source of funding (ERDF or IPA II).

The request for budget change cannot:

- a) Affect the budget of activities considered as State Aid relevant and subject to the *de minimis* rule;
- b) Be related to preparation costs;
- c) Affect spending forecast unless linked to significant changes in the project work plan;
- d) Be related to expenditure already incurred and paid;
- e) Make PP budget irrelevant – and consequent its activities - within the project.

As a general rule, budget revision must be linked to the revision of activities/work plan as reported in the following paragraph.

How to proceed

- A preliminary communication is sent to the JS via email by the LP;
- The request for change must be supported by the documentation attesting the shared acknowledgement of such a change by all the PPs (i.e.: minutes of the steering committee) and the updated declarations of the affected PPs (if necessary);
- MA/JS analyse the request for change and submit it to the MC for approval;
- MA/JS inform the LP on the MC decision; if the result is positive, they allow the LP to proceed with the submission of the request via eMS;

- The LP submits a modification request via eMS, by pressing the *Modification Request Overview* button from left-side menu item Project and attach the related documentation;
- MA/JS accept the LP's request and unlock the AF for its revision;
- The LP revises the AF and submits it through eMS;
- MA/JS check the AF modifications and approve it on eMS;
- MA/JS submit a revised subsidy contract to the LP;
- The LP must ensure the revision of the partnership agreement and communicate its signature through eMS.

The date of approval of the budget change shall be valid retroactively starting from the date when the written request was submitted to the MA via the JS.

Requests for changes can be submitted up to three months before the project ending date.

10.2.3 Changes in the work plan

A project may change its approach towards the achievements it is expected to be reached on condition that the requested changes:

- a) Do not alter the overall project goals and objectives;
- b) Do not alter the contribution of the project to the programme result(s);
- c) Do not alter the orientation towards equality between men and women and non-discrimination;
- d) Do not revise the positive or neutral orientation towards environment;
- e) In case State Aid relevant activities are present, changes do not affect them when they are in the middle of implementation;
- f) Do not heavily change PP contribution within the partnership.

The request for changes in activities may require a budget revision.

The requests for modification of activities/outputs must be duly justified and submitted no later than one month before the activities/outputs should take place according to the project work plan.

Example:

A project initially planned to sign an agreement among relevant stakeholders operating in the Adriatic and Ionian seas to improve sustainable aquaculture activities. During its implementation, the project considered more effective to join an existing network already fully operating which could expand with an Adriatic-Ionian branch. The change would ensure the reaching of the goal and would be more effective for the involved partners benefitting from more contacts and already existing structures offered by the existing network.

How to proceed

- A preliminary communication is sent to the JS via email by the LP;

- The request for change must be supported by the documentation attesting the shared acknowledgement of such a change by all the PPs (i.e.: minutes of the steering committee);
- MA/JS analyse the request for change and submit it to the MC for approval;
- MA/JS inform the LP on the MC decision; if the result is positive, they allow the LP to proceed with the submission of the request via eMS;
- The LP submits a modification request via eMS, by pressing the *Modification Request Overview* button from left-side menu item Project and attach the related documentation;
- MA/JS accept the LP's request and unlock the AF for its revision;
- The LP revises the AF and submits it through eMS;
- MA/JS check the AF modifications and approve it on eMS;
- MA/JS submit a revised subsidy contract to the LP.

The date of approval of the changes in the work plan shall be valid retroactively starting from the date when the written request was submitted to the MA via the JS.

Requests for changes can be submitted up to three months before the project ending date.

10.2.4 Prolongation of the project duration

In duly justified cases the project may apply for a prolongation of its duration.

It is possible to prolong the project duration up to 36 months. The related request must be submitted at least three months before the official project end as reported in the subsidy contract.

The request for the prolongation of the project duration can be submitted up to two times during the project lifetime.

As a consequence of the postponement, the spending plan of the original last implementation period must be revised accordingly.

How to proceed

- A preliminary communication is sent to the JS via email by the LP;
- MA/JS analyse the request for change and submit it to the MC for approval;
- MA/JS inform the LP on the MC decision; if the result is positive, they allow the LP to proceed with the submission of the request via eMS;
- The LP submits a modification request via eMS, by pressing the *Modification Request Overview* button from left-side menu item Project and attach the related documentation;
- MA/JS accept the LP's request and unlock the AF for its revision;
- The LP revises the AF and submits it through eMS;
- MA/JS check the AF modifications and approve it on eMS;
- MA/JS submit a revised subsidy contract to the LP;
- The LP must ensure the revision of the partnership agreement and communicate its signature through eMS.

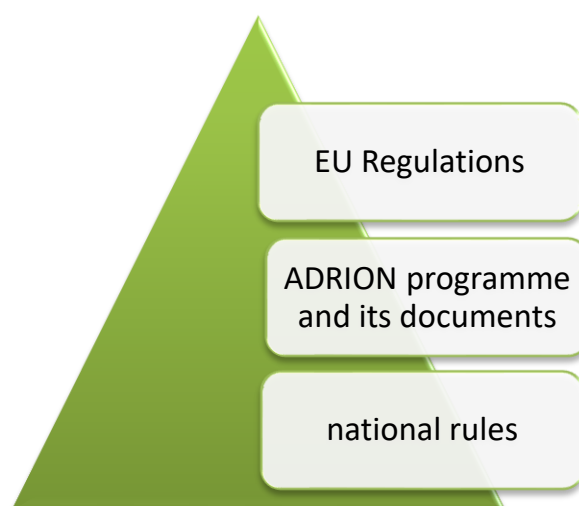
The date of approval of the project duration shall be valid retroactively starting from the date when the written request was submitted to the MA via the JS.

Requests for changes can be submitted up to three months before the project ending date and not before month 12 of project implementation.

Eligibility of expenditure

11. Hierarchy of rules on eligibility of expenditure

Rules on eligibility of expenditure must obey the following hierarchy: EU Regulations apply, followed by ADRION programme rules. Only in case there are no EU or programme provisions or they do not offer enough details, national, regional or local legislation and institutional rules apply. National rules cannot prejudice or restrict the rules established at a higher level (EU and programme rules). Stricter programme and national rules may apply only in areas that are not precisely regulated at the EU level or where EU Regulations provide the Partner States with a discretionary power to set such rules.



The following list expressly refers to the hierarchy of rules to be respected and **it is applicable both to ERDF and IPA PPs.**

EU Regulations

- Regulation (EU, Euratom) No 2018/1046 on the financial rules applicable to the general budget of the Union;
- Regulation (EU) No 1303/2013 laying down common provisions on the European Regional Development Fund and its modification;
- Regulation (EU) No 1301/2013 on the European Regional Development Fund (its art. 3 refers to the scope of support from the ERDF) and its modification;
- Regulation (EU) No 1299/2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal (reference to art. No 18, 19, 20, 27 and 28);
- Commission Delegated Regulation (EU) No 481/2014 of 4 March 2014 supplementing Regulation No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes and its modification;
- Regulation (EU) No 236/2014 (Common implementing regulation) laying down common rules and procedures for the implementation of the Union's instruments for financing external action as far as the application of public procurement is concerned (for IPA PPs only).

ADRION rules

- ADRION Cooperation Programme;

- Programme guidance documents to projects issued by the MA/JS (e.g.: Programme Manual, the present Implementation Manual).

National rules

- National legislation;
- Local and/or regional legislation;
- Institutional rules and regulations.

Whenever different sets of rules apply to ERDF and IPA beneficiaries, these are expressly indicated in the paragraphs and sub-paragraphs below.

12. General eligibility provisions and requirements

The following set of financial rules is applicable both to ERDF and IPA PPs.

As a general rule, expenditure is eligible for funding if it fulfils all the following general eligibility requirements:

- It has incurred and paid within the eligible period related to the duration of the project as defined in the last version of the AF; exceptions refer to *preparation costs* and *project closure costs*:

Preparation costs have the form of a lump sum and refer to any costs incurred by the partnership for the preparation of the application form between 1st of January 2014 and the day before the submission of the project proposal, for a maximum of EUR 11.800 (EU plus national contribution), on condition they have been included in the AF. Any costs incurred by the projects between the date of submission of the AF and the date of signature of the subsidy contract (i.e.: between the end of the preparation period and the start of the implementation period) for fulfilling the conditions for improvement cannot be claimed as they are not considered part of the preparation costs.

Project closure costs refer to the finalization of all the legal and administrative obligations related to the granted activities, including the preparation of the last progress report, the final report and the reconciliation with the initial granted amount, if necessary; these activities take place after the project official finalization of activities reported in the AF. For further details please refer to the paragraph *Project closure*.

- It refers to costs incurred and paid for the implementation of the project and in accordance with the AF approved by the MC or its eventual subsequent approved revisions;
- It is essential for the implementation of the project and it would not be incurred if the project is not carried out;
- It relates to a product or service foreseen in the approved AF that has been delivered and complies with publicity and information requirements;
- It is directly borne by the beneficiary and supported by accounting documents justifying incurred expenses/payments (invoices, pay rolls...) except for costs calculated as flat rates and lump sums;
- It relates to an activity which has not benefitted from financial support by another public source (double funding);
- It complies with the principle of sound financial management (efficiency, effectiveness and economy);

- It complies, if required, to the public procurement rules applicable in that Partner State and/or with Programme rules;
- It is registered in the beneficiary's accounts through a separate accounting system or an adequate accounting code set in place specifically for the project;
- It is not in contradiction with specific Programme rules;
- It is verified by an authorised national controller;
- It is incurred within the ADRION Programme area.

13. Non-supported activities and non-eligible expenditure

Without prejudice to the specific Programme rules defined in the specific paragraph, the following expenditure is considered as **not eligible** (reference to art. 69 of Regulation (EU) No 1303/2014 and art. 2 of Delegated Regulation (EU) No 481/2014):

- In kind contributions (in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made);
- Interest on debt;
- Purchase of land;
- Recoverable value added tax (VAT), except where it is not recoverable under national VAT legislation;
- Fines, financial penalties and expenditure on legal disputes and litigation;
- Costs for gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information¹⁰;
- Costs related to fluctuation of foreign exchange rate;
- Charges for national financial transactions.

The Programme also considers as **not eligible** the following expenditure:

- Under travel and accommodation budget line, the cost of taxis is not reimbursed, unless (i) it can be demonstrated that no public transport was available at the time and place needed; or (ii) local transportation is covered with a daily allowance provided for by the internal rules of the concerned partner;
- Costs for alcoholic beverages;
- Costs for the creation of a project web site: ADRION offers dedicated web site space for all funded projects in order to guarantee a coordinated visibility; own project web site is eligible only if expressly mentioned in the approved AF;
- Heavy investments, infrastructures and works, as described by the Directive 2014/24/EU, Annex II.

Additionally:

- Revenues, i.e.: cash in-flows *directly paid by users* for the goods and/or services provided by the project, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services shall reduce the eligible expenditure and consequently the

¹⁰ For details please refer to chapter *Communication activities*.

granted amount, with the exception of those operation whose total eligible budget does not exceed EUR 1.000.000;

- The practice of shared costs is not allowed, i.e.: the costs incurred for activities carried out by one partner - or under its responsibility by a sub-contractor – and covered by more than one PP (the practice of splitting cost items paid by one partner among PPs), even in cases where such activity is for the benefit of the whole project partnership. The budget allocated to a PP must fully reflect the activities actually implemented by that PP.

14. Project budget lines

In this paragraph, specific provisions on eligibility, reporting and audit trail are given on the following five budget lines applicable to the ADRION programme and based on the requirements of the Commission Delegated Regulation (EU) No 481/2014:

1. Staff costs;
2. Office and administrative expenditure;
3. Travel and accommodation costs;
4. External expertise and services costs;
5. Equipment expenditure.

14.1 Budget line – staff costs

Staff costs refer to the gross employment costs of staff employed by the beneficiary institution (LP or PP) for implementing the project. Staff can either be already employed by the beneficiary or specifically contracted.

Staff costs are budgeted and reimbursed according to one of the following options:

- a) Real costs;
- b) Flat rate.

The choice is made at PP level during the project preparation and cannot be changed during the project implementation.

14.1.1 Staff costs reimbursed based on real costs

Eligible expenditure under this budget line is limited to:

- **Payment of staff** involved in activities (salary) which the body involved would not carry out if the project concerned was not undertaken, fixed in an employment document (employment contract or appointment decision) or by law, relating to responsibilities specified in the job description of the staff member concerned.
- **Payments of natural persons other than staff** working for the beneficiary under a contract other than an employment/work contract; such a contract may be assimilated to salary payments and such costs are eligible under staff costs only when the following conditions are met:

- The person works under the beneficiary's instructions and, unless otherwise agreed with the beneficiary, at the beneficiary's premises;
- The result of the work carried out belongs to the beneficiary;
- The costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary;
- The conditions under which a natural person can work under such a contract must be clarified by the LP/PPs to their controllers through the provision of relevant information with regard to the national law and their institutional regulations in force (ADRION does not provide a generally applicable definition of the term as national regulations regarding this issue might be different from country to country).

As far as the Italian contract typology Co.co.co or Co.co.pro is concerned, please refer to the document elaborated by the Italian Ministry of Economy and Finance – IGRUE related to the operations financed in the framework of the ETC programmes (*"Manuale per la Rendicontazione ed i Controlli in relazione alla spesa dei programmi di Cooperazione Territoriale Europea"*).

In case of persons specifically hired for project activities through recruitment agencies and if it is the recruitment agency to pay them, these costs cannot be included and reported under the "Staff costs" budget line, but they must be reported under the "External expertise and service costs" budget line. As recruitment agencies are considered as service providers, they must always be selected according to transparent procurement rules.

If the conditions listed above are not met, the persons' costs must be allocated under budget line "External expertise and services costs".

The following conditions apply:

- Costs directly linked to salary payments incurred and paid by the employer (such as employment taxes and social security including pensions) as covered by Regulation (EC) No 883/2004 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 institution where the individual staff member is working; these costs, generally paid at a later moment in relation to payments to staff, can be charged together with the actual payment incurred to staff as an exemption to the general rule set forth in paragraph 12, according to which eligible costs refer to those paid by the beneficiary.
 - Not recoverable by the employer.
- Taxable benefits are only eligible if foreseen in the signed contract, national or internal regulations and they are in line with the employment policy of the beneficiary organisation (*ad hoc* regulations applicable only to the project are not allowed). They must be directly linked to the salary payments and figure on the payslip;
- Unjustified *ad-hoc* salary increases or bonuses for project purposes are not eligible;
- Where foreseen by the employment document, overtime is eligible, provided it is in conformity with national legislation and the standard practice of the beneficiary. Overtime of an employee working part-time in the project can only be eligible if transparently and proportionally allocated to the project;

- In case of contractual changes for staff working in the project, the method for calculating staff costs may also be adapted to the changed conditions (see below).

Staff costs must be calculated individually for each staff member charged to the project; they can be cumulatively reported on eMS if accepted by the respective controller.

Calculation of staff costs¹¹

Methods for calculating eligible staff cost vary according to the type of assignment to any individual staff member, as specified below:

1. **Full time:** an employee devotes 100% of his/her working time to the project. The full-time assignment to the project must be included in the employment/work contract or in a specific statement/order issued by the LP/PP institution. No registration of the working time (e.g. time sheets) is required. In such a case the **total of the gross employment cost is eligible**.

Staff costs=total of the gross employment cost

2. **Part-time with a fixed percentage of time worked per month:** an employee devotes the project a fixed percentage of his/her working time. This percentage is set out in a document issued by the LP/PP at the beginning of the project, and/or in the same employment/work contract. The fixed percentage must remain the same at least for the whole reporting period and can be changed only in duly justified cases. No registration of the working time (e.g. time sheets) is required. In such a case the **fixed percentage of the gross employment cost is eligible**.

Staff costs=fixed percentage of the gross employment cost

3. **Part-time with a flexible number of hours worked per month:** an employee devotes the project a flexible percentage of his/her working time. In such a case the hourly rate is calculated according to the following:

Hourly rate = annual gross employment cost/1.720 hours¹²

Eligible staff cost shall result by multiplying the hourly rate by the number of hours actually worked on the project by each concerned staff, as resulting from the working time registration system (e.g. time sheets) covering 100% of the actual working time of the individual concerned.

Example of calculation:

12 months gross employment cost: EUR 36.000

Hourly rate: EUR 36.000 / 1.720 = EUR 20,93

Total monthly hours worked for the project: 80

Costs to be monthly charged to the project: EUR 20,93 X 80 =EUR 1.674,4

4. **Contracted on an hourly basis:** an employee is contracted on an hourly basis and dedicates a certain number of hours to the project. Staff costs are calculated on the basis of the hourly rate fixed in the

¹¹ Types of contract must be checked with national controllers first.

¹² Standard annual working time fixed by Regulation (EU) No 481/2014.

employment/work contract. Data from the working time registration system (e.g. time sheets) providing information on the number of hours spent per month on the project are required. Eligible staff cost results by multiplying the hourly rate by the number of hours actually worked on the project by each concerned individual.

Hourly rate=fixed in the employment document/contract

Staff costs=hourly rate X number of hours worked on the project

Examples:

An employee is working full-time at the premises of one beneficiary of ADRION. The employee is working part time on one ADRION project. Eligible employee's contract is to be considered as "part-time" and not "full-time".

An employee is working at the premises of one beneficiary of ADRION with a contract of 20 hours/week. His/her working time is entirely devoted to the implementation of one ADRION project. The contract is to be included under the category "full time".

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.

Documents for the audit trail

The following main documents must be available for verification and control purposes:

Full-time

- Employment/work contract or an appointed decision/contract considered as an employment document;
- Job description providing information on responsibilities related to the project;
- Periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period;
- Payslips or other documents of equivalent probative value;
- Proof of payment of salaries and employer's contribution;
- No registration of the working time is required.

Part-time assignment with a fixed time

- Employment/work contract or an appointed decision/contract considered as an employment document;
- Document setting out the percentage of time to be worked on the project per month (if not specified in the contract);
- Monthly calculation for each reporting period;
- Periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period and signed both by the employee and his/her supervisor;
- Job description providing information on responsibilities related to the project;
- Payslips or other documents of equivalent probative value;

- Proof of payment of salaries and employer's contribution;
- No registration of the working time is required.

For those employees whose contract does not require time sheets, it is asked a periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period to be included in each partner report. For staff working full-time on the project or part-time with a fixed percentage, the periodic staff report shall also contain an indicative breakdown of the time worked in each work package as well as specific information on missions carried out by the employee in the period. The periodic staff report must be signed both by the employee and her/his supervisor.

Part-time assignment with a flexible number of hours worked per month

- Employment/work contract or an appointed decision/contract considered as an employment document (including information on the monthly working time);
- Job description providing information on responsibilities related to the project;
- Calculation of the monthly gross employment costs based on the hours registered in the time sheet and the identified hourly rate;
- Document stating the latest documented annual gross employment costs, if available;
- Payslips or other documents of equivalent probative value;
- Proof of payment of salaries and employer's contribution;
- Data from the working time registration system, e.g.: time sheets, including information on the number of hours spent per month on the project. The time registration system must cover 100% of the actual working time by the person.

If data concerning the last 12 consecutive months is not available (e.g. for staff employed by the beneficiary as from less than 12 months, or in sick or maternity leave at some point during the last 12 months), it is possible to extrapolate the employment costs of at least 3 consecutive months to a 12 month period for the establishment of the hourly rate.

The PP has the possibility to use the same hourly rate calculated for the first reporting period throughout the project duration or to recalculate it for each reporting period.

In any case, for each reporting period a unique hourly rate must be used for each concerned staff member.

Contracted on an hourly basis

- Employment/work contract or an appointed decision/contract considered as an employment document (including information on the hourly rate);
- Job description providing information on responsibilities related to the project;
- Calculation of the monthly gross employment costs based on the hours registered in the time sheet and the identified hourly rate;
- Payslips or other documents of equivalent probative value;
- Proof of payment of salaries and employer's contribution;

- Data from the working time registration system, e.g.: time sheets, including information on the number of hours spent per month on the project. The time registration system must cover 100% of the actual working time by the person.

Overall, monthly data from the working time registration system (e.g.: time-sheets) have to be provided with at least the following information for each day of the month:

- **Number of hours worked on the project at the level of each work package;**
- **Number of hours worked in other activities, so as to cover 100 % of the actual worked time of the employee for the beneficiary institution in the concerned month.**

Specific conditions applying to all contract types

The employment document and/or the official assignment to the project, signed both by employer (delegated person) and the employee at the beginning of the assignment, must include at least the following information:

- Statement on the percentage of the employee's working time on the project (100 % if working full-time or whether its part time work is entirely devoted to the project);
- If the employee is working part-time on the project and is involved in other EU and/ or national co-funded projects, name and funding reference of the concerned project(s) as well as a statement on the expected percentage of the employee's working time on each co-funded project;
- Specification of the work package(s) to which the employee is assigned and of the duration of the assignment to the project;
- Description of the main tasks to be performed and main deliverables and outputs to be produced by the employee within the duration of the assignment to the project, making reference to the outputs and deliverables as foreseen in the AF.

In case of changes in the assignment (e.g. shift of tasks resulting in a change in the percentage of time worked in the project), also the employment document and/or official assignment must be revised. In turn, the calculation of costs which can be claimed in the project must be adapted to the changed assignment.

Overview: calculation and documentation of staff costs

Type of assignment	Eligible costs	Time sheets	Required documentation
Full time	100% of the gross employment costs	NO	<ul style="list-style-type: none"> • Employment/work contract or an appointed decision/contract considered as an employment document; • Job description providing information on tasks related to the project; • Periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period; • Payslips or other documents of equivalent probative value; • Proof of payment of salaries and employer's contribution.
Part-time with a fixed percentage of time worked per month	The fixed percentage of the gross employment per month	NO	<ul style="list-style-type: none"> • Employment/work contract or an appointed decision/contract considered as an employment document; • Document setting out the percentage of time to be worked on the project per month (if not specified in the contract); • Monthly calculation for each reporting period; • Periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period; • Job description providing information on responsibilities related to the project; • Payslips or other documents of equivalent probative value; • Proof of payment of salaries and employer's contribution.
Part-time with a flexible number of hours worked per month	<p>The number of hours devoted to the project multiplied by the identified hourly rate.</p> <p>The hourly rate is calculated by dividing the latest documented annual gross employment cost/1720 hours (ref. Regulation (EU) No 481/2014)</p>	<p>YES</p> <p>Timesheet must cover 100% of the actual working time of the employee)</p>	<ul style="list-style-type: none"> • Employment/work contract or an appointed decision/contract considered as an employment document (including information on the monthly working time); • Job description providing information on responsibilities related to the project; • Calculation of the monthly gross employment costs based on the hours registered in the time sheet and the identified hourly rate; • Document stating the latest documented annual gross employment cost; • Payslips or other documents of equivalent probative value;

			<ul style="list-style-type: none"> • Proof of payment of salaries and employer's contribution.
Hourly base contract	The hourly rate is calculated by dividing the latest documented annual gross employment cost/1720 hours (ref. Regulation (EU) No 481/2014)	<p>YES</p> <p>Timesheet must cover 100% of the actual working time of the employee)</p>	<ul style="list-style-type: none"> • Employment/work contract or an appointed decision/contract considered as an employment document (including information on the hourly rate); • Job description providing information on responsibilities related to the project; • Calculation of the monthly gross employment costs based on the hours registered in the time sheet and the identified hourly rate; • Payslips or other documents of equivalent probative value; • Proof of payment of salaries and employer's contribution.

14.1.2 Staff costs reimbursed according to flat rate calculation

Staff costs calculated according to flat rate are paid for an amount equal to 20% of the sum of the costs incurred and paid in the reporting period under all the other budget lines, except “staff costs” and “office and administrative expenditure”:

- Travel and accommodation costs;
- External expertise and services costs;
- Equipment expenditure.

If direct costs used as calculation basis for determining staff costs are found to be ineligible, the determined staff costs are re-calculated and reduced accordingly.

Chosen flat rate option during project preparation cannot be changed during project implementation and will apply to all staff members of the LP/PP institution.

Documents for the audit trail

For staff costs calculated through flat rate, beneficiaries do not need to document that staff expenditure has been incurred and paid or that the amount corresponds to reality: as a consequence of that no documentation on staff costs needs to be provided to the national controller.

It is however asked the beneficiary’s legal representative (or delegated person) to certify that at least one employee of the beneficiary institution has worked in the project in the concerned reporting period. In case of a small company/association where no staff is employed and the work is provided by the company’s owner(s), the legal representative of the company has to issue a self-declaration certifying that the owner(s) of the company has(have) directly worked in the project in the concerned reporting period.

The veracity of self-declarations certifying that staff/owners of the beneficiary are working in the project may be checked by any of the programme bodies entitled to perform controls and audit.

14.2 Budget line – Office and administrative expenditure

This budget line covers operating and administrative expenditure incurred by the beneficiary organisation implementing the delivery of project activities. Cost items comprised in this budget line are the following (exhaustive list):

- Office rent;
- Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- Utilities (e.g. electricity, heating, water);
- Office supplies;
- General accounting provided inside the beneficiary 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 an operation requires a separate account to be opened;
- Charges for transnational financial transactions.

Office and administrative expenditure is reimbursed by ADRION according to a flat rate of 10% of eligible direct staff costs. No detailed budget needs to be drafted for this budget line since the expenditure is automatically calculated by eMS both in the application phase and when submitting financial progress reports.

In order to avoid any double financing, PPs cannot report any cost item listed above in any other form than the flat rate.

Please note that if an external expert is contracted to repair the IT system or support beneficiary administration office, its costs is to be charged under the budget line “external expertise and services”.

Documents for the audit trail

The calculation for office and administrative expenditure is done automatically in every project progress report taking into account the amount of eligible staff costs. The calculated expenditure is not checked by the controller and does not require any accountancy.

However, if part of staff costs used as calculation basis for determining the amount of office and administrative expenditure is found to be ineligible, the corresponding amount of office and administrative expenditure shall be reduced accordingly.

14.3 Budget line – travel and accommodation costs

Expenditure under this budget line refers to costs incurred by the beneficiary for travel and accommodation of its own staff necessary for the delivery of the project.

The following items are eligible under this budget line:

- Travel costs (e.g. tickets¹³, travel and car insurance, fuel, car mileage calculated according to national rules, toll, and parking fees);
- Meals costs (other than catering);
- Accommodation costs;
- Visa costs;
- Daily allowances.

¹³ Proofs of delivery can include current technological progresses: e.g.: boarding passes should not be required for the audit trail or as proof of delivery as they in the current practice do not prove delivery of the journey.

General principles of eligibility

Travel and accommodation costs must clearly link to any project's activities and be essential for their effective delivery (e.g. participation in project meetings, project site visits, meetings with the programme bodies, seminars, conferences, etc.).

Costs for travel and accommodation can either be borne by the LP/PP organization or paid through daily allowances: beneficiaries must choose the accounting method which is closer to their ordinary practice and/or internal rules.

The following conditions apply in case costs are subject to reimbursement:

- The principle of sound financial management must guide the choice of transport and accommodation. In line with the result-oriented policy approach, effectiveness should be the leading principle;
- Cost-efficiency must be ensured, taking into account the entire cost of the mission (travel cost, staff costs related to the travel, etc.). In particular:
 - Beneficiaries must always choose the most economical modes of transport. Exceptions from this principle must be duly justified in each case (i.e.: no business or first class tickets for air transportation are eligible irrespective the fact that this may be allowed by internal rules of the beneficiary institution);
 - Accommodation costs can be accepted if they are in the middle price range, while higher price ranges must be duly justified in each case;
 - Beneficiaries must respect either their ordinary internal rules for travel and accommodation costs (if any), or respect any maximum ceiling for travel and hotel costs established at national level, whichever is stricter;
 - In the absence of internal and/or national rules, maximum ceilings for travel and accommodation established by the European Commission and applicable throughout the programme area apply. They must be considered as maximum ceilings¹⁴. The amounts exceeding such values will be in any case considered not eligible;
 - The duration of the mission must be clearly in line with its purpose.

The following conditions apply in case costs are reimbursed through daily allowance:

- Daily allowances must be in line with national and internal rules of the beneficiary. If not ruled at national or internal level, as well as in case of international organisations, the maximum eligible daily allowances are those defined in the official list available on https://ec.europa.eu/international-partnerships/system/files/per_diem_rates_20191218.pdf;
- Where applicable, the reimbursement of daily allowances must be reduced if costs have been partially covered by third parties (e.g. breakfast included in the hotel fee, lunch or dinner paid by the organisers of a meeting/event);
- Any expenditure item defined as travel costs, accommodation costs, costs of meals or visa costs that is already covered by a daily allowance, cannot be accounted for and reimbursed in addition to the daily allowance, i.e. no double funding is allowed (ref: art. 65 (11) of Regulation (EU) No 1303/2013).

Unused travel tickets are not eligible, unless the not performed mission was caused by *force majeure* and duly documented.

¹⁴ https://ec.europa.eu/international-partnerships/system/files/per_diem_rates_20191218.pdf

As far as costs of taxis and other specific programme rules are concerned, please refer to paragraphs 13 and 14 of the present manual.

Travel and accommodation costs of external experts and service providers including speakers, chairpersons, teachers, etc. and of Associated Partners can only be claimed under the external expertise and services budget line.

Travel and accommodation costs incurred outside the programme area are eligible only if previously authorised by the MA/JS (unless already foreseen in the approved application form).

PPs from non-EU Countries (outside the programme area): all travels and accommodation shall be paid with their own funds.

Documents for the audit trail

The following documents must be provided to the controller:

- Authorisation of mission of the employee(s) travelling, bearing information on the destination and the start and end date of the mission;
- Proof of expenditure (e.g. invoice of travel agent, flight or train ticket, boarding pass);
- Reimbursement request from the employee either based on daily allowance or on real costs. When claiming on a real cost basis all necessary documents proving the costs incurred and paid must be provided (e.g.: bus or metro tickets, meal receipts);
- Mileage calculation sheet or invoices, if an employee or company car is used; it has to include a statement of the distance covered, the cost per unit according to national or institutional rules (if applicable) and total cost;
- Other supporting documents (e.g. invitation, agenda);
- Proof of payment of costs directly paid by the beneficiary and/or proof of reimbursement to the employee (e.g. extract from a reliable accounting system of the beneficiary, bank statement).

14.4 Budget line – External expertise and service costs

This budget line addresses to costs paid by beneficiaries to external experts and service providers on the basis of contracts or written agreements and against invoices or requests for reimbursement. The expenditure under this budget line is limited to the services and expertise provided by public or private law bodies, or by natural persons other than employees of the LP/PPs and Associated Partner organisations. Beneficiaries can sub-contract to external experts and service providers only tasks or activities which are essential for the implementation of the project.

Expenditure of external expertise and service costs are limited to the following (in accordance with art. 6 of Commission Delegated Regulation (EU) No 481/2014):

1. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
2. Training (e.g. venue and trainers);
3. Translations;
4. IT systems, modifications and updates (e.g. setting-up and/or update of a project IT system);
5. Promotion, communication, publicity or information;

6. Financial management;
7. Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
8. Participation in events (e.g. registration fees);
9. Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
10. Intellectual property rights;
11. Verification of expenditure carried out by authorized national controllers;
12. Provision of guarantees by a bank or other financial institution where required by the programme;
13. Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers, representatives of Associated Partners in case their participation is justified and contributing to the project content and activities;
14. Other specific expertise and services needed for the project.

Project costs referring to tasks sub-contracted by the beneficiary to in-house bodies are eligible under external expertise and service budget line on condition that the following is met:

- Costs incurred by the in-house body are charged on a real costs basis without any profit margin;
- The sub-contracting to the in-house body of project related tasks complies with national and institutional public procurement provisions in force.

Details are provided in paragraph 18.1.1 *Public contracts between entities within the public sector*.

General principles of eligibility

To be accepted for reimbursement by ADRION, the expenditure listed above has to fulfil the following conditions:

- External expertise and services costs have to be duly specified in the AF by describing at least the nature and quantity of the expertise/service, the link to the relevant deliverable or output as listed in the work plan and the related budget of the concerned LP/PP;
- 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 Partner State where the PP concluding the contract is located;
- The Programme, relevant national legislation or community rules regarding public procurement have been applied;
- The basic principles of transparency, non-discrimination and equal treatment laid down in the EC Treaty have been respected for all contracts;
- Where applicable, deliverables produced by experts/service providers must respect the relevant branding requirements as provided for in chapter *Communication activities*;
- Eventual costs for promotional material (e.g.: gadgets) must be allocated under this budget line and are considered as eligible only if it is demonstrated its efficacy in reaching one or more target groups. It is recommended that its expenditure is not higher than 1% of the total eligible budget unless duly justified.
- Gifts are eligible up to a maximum value of EUR 50 per item; they must be branded with the project logo and they must be linked to promotion, communication, publicity or information activities. The purchase

of gifts is eligible up to a ceiling of EUR 500 at project level and the LP must verify that this threshold is not exceeded;

- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the expert/service provider, supported by receipted invoices (e.g. advance payment for an expert carrying out a study) are eligible but depend on later confirmation that the service has been properly and timely delivered;
- Travel and accommodation costs of staff of Associated Partners as well as of external speakers and external participants in project meetings and events must be incurred and paid by LP/PPs which have reported in the AF their willingness in supporting these costs as listed in the AF and have to be accounted for under this budget line. Such costs must comply with all provisions on eligibility applicable to the travel and accommodation budget line and LP/PPs internal rules. Travel tickets can be purchased by the Associated PP and further reimbursed by the supporting PP.
- Travel and accommodation costs for beneficiary's legal representatives (e.g.: mayors, etc.) not considered as staff members of the project must be included under the budget line external expertise.

LP/PP/Associated Partner employee cannot be paid as expert for the project.

Public Procurement rules

When awarding external expertise and service contracts all PPs - irrespective their legal status - must ensure that EU, programme and national rules on public procurement are respected, in accordance with the amount of the contract.

Rules may differ depending on the amount of the contract and the country of origin of the awarding institution. Failure to comply with the procurement rules may have financial consequences, i.e.: reduction of the EU payment based on the type and significance of the non-compliance (see chapter *Public procurement*).

Documents for the audit trail

The following documents must be provided to the controller:

- Documentary evidence of the competitive procedure carried out must be submitted to national controllers, including evidence of comparative evaluation of offers and evaluation criteria applied for awarding the contract;
- Contract or written agreements laying down the services to be provided with a clear reference to the project and the programme. For experts paid on the basis of a daily/hourly fee, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented;
- Invoice or request for payment providing all relevant information in line with the applicable accountancy rules as well as references to the project and the programme and a detailed description of the services provided in line with the contents of the contract. For experts paid on the basis of a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price;
- Deliverables produced (e.g. studies, promotional materials) or, where applicable, documentation of the delivery (e.g. in case of events: agenda, list of participants, photo-documentation, etc.);
- Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement).

14.5 Budget line – Equipment expenditure

This budget line covers costs related to equipment essential for the implementation of the project.

Cost of equipment is only eligible if foreseen in the approved AF. During project implementation, purchase of any equipment not explicitly mentioned in the AF must be subject to prior approval by the MA/JS.

Eligible cost items under this budget line are:

1. Office equipment;
2. IT hardware and software;
3. Furniture and fittings;
4. Laboratory equipment;
5. Machines and instruments,
6. Tools or devices;
7. Vehicles;
8. Other specific equipment needed for the project.

In principle, the above mentioned equipment items can be grouped according to the following:

- a) Equipment necessary for the project implementation: i.e.: a tool or device used to carry out project activities and necessary for the delivery of the project outputs and, therefore, used for that scope. Under this category there is, for example, the equipment for general office use as computers, office furniture, printers, cameras, etc. upon condition that it is for the exclusive use for the project and it can be demonstrated.
- b) Equipment considered as thematic and functional to the implementation of pilot actions (small scale investments and demonstration projects).

General principles of eligibility

As a general principle, for all project equipment grouped under letter a) and b) above (purchased before or during the project lifetime) only depreciation costs can be allocated to the project. For equipment rented or leased for certain period during the project lifetime, rental or leasing costs for the respective period are eligible.

The calculation of depreciation or equivalent division of shares of equipment must be done according to a justified and equitable method and be in line with the national or institutional regulations. Equipment depreciation costs are related to the time period when the equipment is used for the project purposes.

In case of equipment that was purchased before the project start and not fully depreciated before and used for the project purposes, only the depreciation for the relevant project period is eligible.

Overall, equipment purchase must comply with the following principles:

- It is not financed from any other financial instrument (e.g. EU, national, international);
- It is not included under any other budget line;
- It was not purchased by another PP;
- It is purchased respecting the relevant public procurement procedures;
- Purchase costs of second-hand equipment can be eligible provided that:

- No other assistance has been received for it from ERDF/IPA 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;
- It was not fully depreciated at the time of project start;
- It complies with the visibility rules set by Regulation (EU) No 1303/2013 art. 115 and Commission Implementing Regulation (EU) No 821/2014. Detailed guidance regarding the requirements is provided under Chapter *Communication activities*.

The full cost of equipment is eligible when the following conditions are satisfied:

- Equipment item is exclusively used for the project implementation;

AND

- The depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project;

OR

- Equipment item is not depreciable (e.g. low value asset) according to the national legislation of the concerned partner.

Please consider that:

- Costs of office equipment already in possession of the beneficiary organisation and used to carry out project activities are not eligible under this budget line, as such costs are already covered under the budget line office and administration;
- Consumables related to office equipment used to carry out the daily work of the project staff (e.g. paper, toners etc.), including the use of mobile phones and other devices purchased as part of a subscription contract for communication services, cannot be included under this budget line and must be covered under budget line *Office and administrative expenditure*;
- The existence of office equipment and its clear identification can be verified in the framework of on-the-spot verifications on projects performed by controllers. In case that equipment items are not checked on-the-spot, controllers shall verify their existence by other means of verification (as e.g. photo documentation).

Public Procurement rules

Thresholds and applicable procurement procedures are described in the *ad hoc* chapter.

Documents for the audit trail

- Evidence of the selection procedure, in line with EU, national or programme procurement rules, depending on the amount contracted, including documentary evidence of the competitive procedure carried out including evidence of comparative evaluation of offers and evaluation criteria applied for awarding the contract;
- In case the purchase of equipment also includes the provision of assistance to the purchased good, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented;

- In case of assets subject to depreciation, a calculation scheme of depreciation;
- Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement).

Eligible invoices and use of Euro

15. Eligible invoices and annulment

After having been paid, each invoice must be annulled in order to avoid double funding. The annulment can be done by the mean of a stamp or another adequate method for marking the invoices related to the project containing the following information:

- Information that the expenditure has been co-funded by ADRION programme;
- The number and/or acronym of the project;
- In case of invoices or other probative document covering different cost items, a statement on the share of expenditure claimed in the concerned project;
- (For Italian PPs only): the CUP number (Codice Unico di Progetto).

If invoices or any other probative documents are available only electronically (i.e. no original can be identified) the minimum information listed above has to be incorporated in the subject and/or in the body of the electronic document.

16. Use of Euro

Financial reporting of a project must occur in Euro and the programme will pay ERDF and IPA II contribution in Euro.

The exchange rate used for accounting expenditure might be different from the one used for the purpose of drafting the budget. Costs related to fluctuation of foreign exchange rate are not eligible.

In accordance with art. 28 of Regulation (EU) No 1299/2013 and by way of derogation from art. 133 of Regulation (EU) No 1303/2013, expenditure incurred and paid in a currency other than Euro will be automatically converted into Euro by eMS using the monthly accounting exchange rate of the European Commission in the month during which expenditure is submitted for verification to the controller. The conversion shall be automatically done as many times as necessary during the uploading of invoices until the submission of the LP/PPs expenditure to their controllers for verification. Eventual further submission of missing documents, clarifications etc. on that expenditure shall not be considered for the conversion¹⁵.

In the case of on-the-spot verification of expenditure by the controller (i.e. without submission of documents to the controller by the beneficiary) the date of submission corresponds to the date of execution of the on-the-spot control.

17. Location of activities of an operation

The *location of the operation* is the area where the operation is implemented/taking place: the wording 'location', 'located', 'implemented' and 'taking place' shall be used as synonyms.

Given that the location of the operation is influenced by the definition and scope of the operation, please consider what follows.

The location of an operation is relatively straightforward where the operation consists of investments in pilot actions and equipment. For these, it is the location of the physical investment which is the determining factor.

For operations which consist of providing training, the location of the operation is the place where the training takes place irrespective of who the participants in the training are and whether they are working or

¹⁵ Information on exchange rate can be found in: <https://ec.europa.eu/budget/graphs/inforeuro.html>

residing in the category of region where the training takes place. In case the operation consists of granting a scholarship to students, the location of the operation is the place where the scholarship is provided to the students;

The *location of an operation* must be distinguished from and cannot be confused with the place *where expenditure is incurred*, i.e. where the expenditure is generated (e.g.: in case a flight ticket to a third country outside the Union part of the programme area is booked in the Union part of the programme area, the expenditure will be generated and thus incurred in the Union part of the programme area).

The place where the *expenditure is paid* could be different from the place where expenditure is generated and it has no impact on the place where the expenditure is incurred (in case a hotel outside the Union part of the programme area is booked within the Union part of the programme area, the expenditure will be generated and thus incurred within the Union part of the programme area even if the hotel bill is paid outside the Union part of the programme area).

As a general rule, ERDF contribution must support actions implemented in the Union part of the programme area.

Example:

Eligible expenses related to the activities outside the EU Programme area:

YES: Expenses for the implementation of the activities realized by ERDF Partners in IPA area (e.g.: in case of a training implemented by an ERDF partner in an IPA country, costs correctly referable to this category could be: local experts, catering, venue);

NO: Travel and accommodation booked and bought in ERDF area - even if paid locally (for example: in case a hotel outside the EU part of the programme area is booked within the Union part of the programme area, the expenditure will be generated and thus incurred within the Union part of the Programme area even if the hotel bill is paid outside the Union part of the Programme area).

Public procurement

18. Public procurement – General principles

When awarding contracts for the purchase of goods or services all LPs/PPS, - irrespective of their legal status - must ensure that the applicable rules on public procurement are respected.

Public procurement ensures that suitable and qualified contractors are chosen without bias and that the best price vs. quality ratio or the best price is obtained. As a consequence of that, also procurement procedures must obey the principles of transparency, proportionality, equal treatment and non-discrimination.

Detailed guidance on public procurement can be found in the EC document *“Guidance for practitioners on the avoidance of the most common errors in public procurement of projects funded by the European Structural and Investment Funds”*¹⁶.

Some rules may however differ depending on the amount of the contract and of the Partner State of the awarding institution. Failure to comply with the procurement rules may have financial consequences, by means of application of correction rates based on the type of non-compliance¹⁷.

The hierarchy of rules to be respected is:

- EU rules¹⁸ (in particular 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) and amended by Commission Delegated Regulation (EU) 2017/2365 Directive 2014/24/EU of the European Parliament and of the Council in respect of the application thresholds for the procedures for the award of contracts¹⁹ to be respected by ERDF PPs.

The EU Directive is subject to its transposition into national legislations. Procurement rules at national level could be different with regard to the type of procedure to be adopted, contract value etc.

Financial Regulation (Regulation (EU, Euratom) No 2018/1046 and Delegated Regulation (EU) No 1268/2012, Practical Guide to Contract Procedures for EU External Actions (PRAG) to be respected by IPA PPs;

- National rules of Partner States;
- ADRION programme rules;
- Institutional rules of the LPs/PP involved.

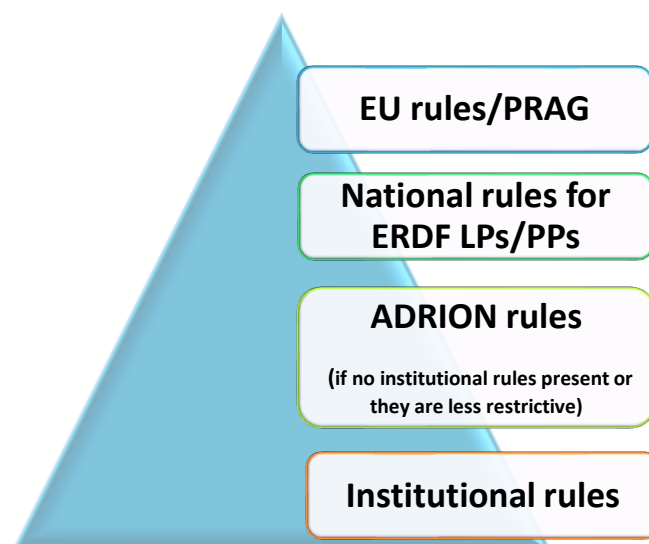
¹⁶ http://ec.europa.eu/regional_policy/en/policy/how/improving-investment/public-procurement/guide/

¹⁷ Commission Decision of 14.5.2019 laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non - compliance with the applicable rules on public procurement and ANNEX for determining financial corrections to be made on expenditure financed by the Union under shared management in case of non-compliance with the applicable rules on public procurement.

¹⁸ More information on EU rules on public procurement can be found at the following link:

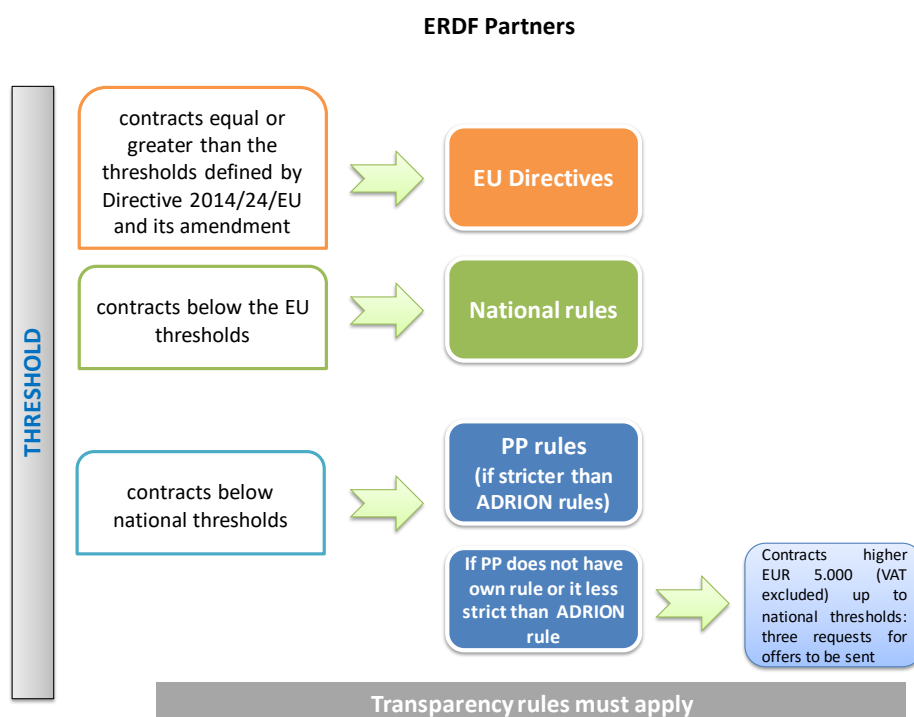
https://ec.europa.eu/growth/single-market/public-procurement_en

¹⁹ Other relevant EU Directives are: No 2014/23 (EU), No 2014/25 (EU), No 89/665/EEC and No 92/13/EEC.



18.1 Public procurement for ERDF partners

The picture below provides an overview on the rules to be respected by ERDF LPs/PPs:



The European rules ensure that the award of contracts of higher value for the provision of public goods and services must be fair, equitable, transparent and non-discriminatory.

Thresholds defined by the Directive 2014/24/EU and its amendment can be found in https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/thresholds_en and reported in the table below for convenience. LPs/PPs are invited to regular check the official EU web site.

Central Government authorities	Works contracts, subsidised works contracts		EUR 5.548.000
	All services concerning social and other specific services listed in Annex XIV		EUR 750.000
	All subsidised services		EUR 221.000
	All other service contracts and all design contests		EUR 144.000
	All supplies contracts awarded by contracting authorities not operating in the field of defence		EUR 144.000
	Supplies contracts awarded by contracting authorities operating in the field of defence	Concerning products listed in Annex III	EUR 144.000
		Concerning other products	EUR 221.000
Sub-central contracting authorities	Works contracts, subsidised works contracts		EUR 5.548.000
	All services concerning social and other specific services listed in Annex XIV		EUR 750.000
	All other service contracts, all design contests, subsidised service contracts, all supplies contracts		EUR 221.000

Thresholds above are to be intended without VAT.

For tenders of lower value however, national rules apply, which nevertheless have to respect general principles of EU law.

For contracts higher than EUR 5.000 (VAT excluded) up to national thresholds, beneficiaries must perform and document the execution of adequate market researches (e.g. through collecting bids, using centralised e-procurement services, etc.) and the request for offers from at least three independent external providers (i.e.: three requests to be sent). Contracts for procurement of supplies and/or services shall be awarded to the bidders according to national awarding criteria.

The bidders should be given sufficient time for submission of their offers.

Procedure must be properly documented: market research activities, method of selection of the offer and to evaluate the quality of the offer in relation to the request, invoice and proof of payment.

If the national rules/beneficiary's organization have defined stricter procedures for buying goods/services below the national threshold than the one set by ADRION, the beneficiary's organization rules apply.

Below EUR 5.000 (VAT excluded), no specific rules are set at programme level, however, national/institutional rules, if any, shall be applied. LP/PPs must always respect the principles of effectiveness, efficiency and economy in all their purchases.

18.1.1 Public contracts between entities within the public sector

Art. 12 of Directive 2014/24/EU defines rules to be applied in public contracts between entities within the public sector.

In case of **in-house sub-contracting**:

- The contracting authority exercises over the contracted in-house body a control which is similar to that which it exercises over its own departments;
- More than 80 % of the activities of the controlled body are carried out for the controlling contracting authority;
- There is no direct private capital participation in the controlled body²⁰.

When all three of the above conditions for an in-house contracting are given, the in-house body can be contracted by the beneficiary through a direct award. Costs of the contracted in-house body must always be charged on a real-costs basis, thus without any profit margin.

Such costs shall be accounted under the budget line “External expertise and service costs”.

The above provisions concerning in-house contracting apply also to international organisations receiving funds within ADRION projects.

In case of **contracts for the cooperation between public bodies**: also in this case requirements deriving from the EU Directive on public procurement, in particular art. 12, apply.

In case of sub-contracting to in-house bodies, or in case of costs referring to cooperation between public bodies, costs must always be charged on a real-costs basis, i.e.: without any profit margin (with the exception of office and administrative expenditure, to be calculated as a flat rate of 10 % of eligible direct staff costs).

Such costs shall be accounted under the budget line “External expertise and service costs”; general and specific provisions on eligibility, reporting and audit trail, as outlined in this manual, are to be respected in full by the sub-contracted body (the in-house or public authority cooperating with the project beneficiary).

18.2 Public procurement for IPA partners

The picture below provides an overview on the rules to be respected by IPA PPs:

**Practical Guide to
Contract Procedure
for EU External
Actions (PRAG)**

Transparency rules must apply

The version of PRAG to be used shall be the one in force at the time of the initiation of the relevant procurement procedure.

Summary of applicable standard procedures in accordance with PRAG is provided in the table below:

²⁰ With the exception of non- controlling and non-blocking forms of private capital participation required by national legislative provisions, in conformity with the Treaties, which do not exert a decisive influence on the controlled body.

SERVICE CONTRACTS	≥ EUR 300 000 -International restricted or open tender procedure	< EUR 999 999 - Framework contract SIEA 2018 Or < EUR 300 000 - Framework contracts (SIEA 2018, Audit, Commission, ...) - Simplified procedure		≤ EUR 20 000 -Single tender
SUPPLY CONTRACTS	≥ EUR 300 000 -International restricted or open tender procedure	< EUR 300 000 but ≥ EUR 100 000 -Local open tender procedure	< EUR 100 000 but > EUR 20 000 -Simplified procedure	A payment may be made against invoice without prior acceptance of a tender if the expenditure is ≤ EUR 2 500

Thresholds above are to be intended without VAT²¹.

When contracts are subdivided in lots, the total estimated value of the contract shall be considered when selecting the procedure to be applied. The procurement must not be split artificially to circumvent the procurement threshold.

18.3 Overall general rules to be respected (for all partners)

Based on the Commission Interpretative Communication on the Community law applicable to contract awards not or not fully subject to the provisions of the Public Procurement Directives - (2006/C 179/02)²² ADRIION has defined the following rules:

Advertising

The LP/PPs must ensure that tenders are advertised proportionately to their value: ordinarily tenders must be advertised in proportionate way thus to ensure opportunities also for transnational providers.

The principle of proportionality applies if administrative and other costs associated with certain procedures are not justified in light of the value of the contract. This needs to be decided on a case-by-case basis by the contracting authority also in charge of defining how and with which tools adequately advertise the tender (it is recommended at least the publication of the tender notice on the contracting authority web site). In order to reduce the administrative burden, ADRIION LPs/PPs must advertise public procurement above EUR 20.000 if not otherwise ruled by EU, national or beneficiary institution rules.

Language

²¹ Information on PRAG rules can be found in:

http://ec.europa.eu/europeaid/prag/?header_description=DEVCO+Prag+to+financial+and+contractual+procedures+applicable+to+external+actions+financed+from+the+general+budget+of+the+EU+and+from+the+11th+EDF&header_keywords=ePrag%2C+europa

²² [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52006XC0801\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52006XC0801(01)&from=EN)

Use of national language can be used when conditions reported in the “*Commission Interpretative Communication on the Community law applicable to contract awards not or not fully subject to the provisions of the Public Procurement Directives*” are present.

In case national language is used, ADRION MA/JS reserve the right to ask LPs/PPs for summary translation in English any time.

Avoidance of conflict of interest

LPs and PP are responsible in ensuring that the appropriate measures are taken to minimize any conflict of interest during the procurement process, ensuring transparency and fair treatment towards all tenderers. National rules regulating this topic must be taken into account.

Finally, all tender procedures must ensure the presence of all the necessary measures aimed at avoiding any conflicts of interest potentially affecting staff members acting as contracting authority (including members of a procurement service provider acting on behalf of the contracting authority) directly involved in the conduct of the procurement procedure. MA/JS and any other institutions devoted to controls and audit may check the respect of the aforementioned requirement for all tendering process, including those below threshold. Best practices are provided in *Guidance for practitioners on the avoidance of the most common errors in public procurement of projects funded by the European Structural and Investment Funds*²³, page 22.

Record keeping

Clear and easy to follow audit trail for all steps of the procurement procedure must be ensured. In this regard, LPs and PPs are obliged to keep record of all communication with potential contractors (e-mails, letters, etc.). It is therefore strongly recommended to always communicate with potential contractors in writing. The relevant audit trail must also be uploaded on eMS to facilitate the verification of expenditure by controllers.

18.4 Errors, irregularities and fraud in the procedure

Tenderers which have made false declarations, made substantial errors, committed irregularities or fraud also in the past may be excluded from participation in all procurements for a maximum of five years from the date on which the infringement is established, following an adversarial procedure with the contractor.

Tenderers or candidates which have made false declarations, or which have committed substantial errors, or irregularities, or fraud, may also be subject to financial corrections in accordance with the Commission Decision of 14 May 2019²⁴ and the related “*Annex to the Commission Decision laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement*”. Financial corrections shall apply in order to exclude from Union financing expenditure that is in breach of applicable law (cf. Article 144 of Regulation (EU) No 1303/2013 and Article 101(8) of Regulation (EU, Euratom) 2018/1046. The irregularity may, however, be quantifiable with precision or not. The financial impact of an irregularity is quantified with precision if it is possible, based on an examination of the individual cases, to calculate the exact amount of expenditure wrongly declared to the Commission for reimbursement; in such cases, the financial correction must be calculated precisely.

In the case of irregularities in public procurement, it is not possible to quantify precisely the financial impact due to the nature of the irregularity. Therefore, in such cases, a flat rate correction is to be applied to the affected expenditure taking into account the nature and gravity of the irregularities, in accordance with set criteria described in the aforementioned attachment (ref. to footnote No 25).

²³ http://ec.europa.eu/regional_policy/en/policy/how/improving-investment/public-procurement/guide/

²⁴ https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/GL_corrections_pp_irregularities_EN.pdf

Irregularities in the area of public procurement (irrespective whether it falls within the scope of the Treaty and under national public procurement law) are analysed in accordance with the objective of protecting the financial interests of the Union and the compliance with Union law (in particular, the principles of transparency, non-discrimination, equal treatment, proportionality and legal certainty). Moreover, financial corrections can only be applied if the irregularity at stake has or could have a financial impact on the Union budget. For cases where a breach of public procurement rules is only of a formal nature without any actual or potential financial impact, no financial correction is warranted. Where the tendering procedure proves to have been subject to substantial errors, irregularities or fraud, the national controller, the MA or any other institutions entitled to controls may suspend or even cancel it. In case of detected errors, irregularities or fraud during the tendering procedure or after the signature of the contract, the service provision or purchase of goods can suffer from countermeasures and not be subject to payment by MA.

State Aid

19. State Aid (de minimis)

Each approved operation has been subject to *ad hoc* State Aid verifications during the assessment process. In case of presence of State Aid activities, *de minimis* rule applies.

ADRION State Aid verifications can bring to the following conclusions:

- a) The project activities are not State Aid relevant;
- b) Some project activities are State Aid relevant (list shall be provided) but specific countermeasures (list shall be provided) can be implemented in order to avoid the application of State Aid rules;
- c) Some project activities are State Aid relevant and the application of State Aid rules cannot be avoided (list shall be provided).

In case letters b), or c) or both apply, specific clauses are included in the Subsidy Contract in order to ensure their respect and further monitoring by MA/JS.

Also national controllers shall verify that the contractual conditions on direct and indirect aid are fulfilled by the affected PPs.

For ADRION, eventual EU contribution according to *de minimis* is granted by Italy; the amount in subject shall be cumulated only with others under *de minimis* granted in Italy.

If necessary and when requested, the affected LPs/PPs – irrespective whether they are located in an ERDF or IPA Partner State - must provide relevant documentation attesting the received contribution under *de minimis* granted by Italy.

During the project implementation, the LPs/PPs whose total or part of EU contribution has been granted under *de minimis regime*, are required to declare in the submitted partner report the received aid contribution over the three fiscal years until the date of submission of the report.

In some cases, State Aid is granted to beneficiaries which are not project PPs but benefit from the activities by them implemented (e.g.: training activities, consultancy, access to research facilities for companies, vouchers etc.). The affected LPs/PPs must ensure and further monitor these beneficiaries and ensure that State Aid rules are duly respected.

This includes:

- The concerned LPs/PPs have to collect self-declarations (prior to granting the aid) from the final beneficiaries on eventual *de minimis* aid already received by Italy;
- Prior granting the aid to the final beneficiaries, the LPs must inform the MA/JS on final beneficiaries and the *de minimis* aid they would receive. The MA shall inquire the Italian national register on *de minimis* and inform the LP on the outcomes of such investigation;
- The LPs/PPs shall notify in writing the final beneficiary on the amount granted under *de minimis*, as well as comply with any other obligation requested to ensure the respect of EU rules.

Information must be reported in the project progress report as well. The PPs are required to be vigilant in the respect of the State Aid rules, as infringement of state aid rules may lead on major financial errors and irregularities.

Overview on State Aid information for LPs/PPs offering services compliant with State Aid to final beneficiaries

State Aid applies when all the following five criteria are cumulatively met:

1. The recipient of the aid is an “**undertaking**”, which carries out an **economic activity** in the context of the project;

2. The aid is granted by a EU Member State or through **State resources**²⁵;
3. The aid confers an **economic benefit** or **advantage** to the recipient, which would have not otherwise obtained under normal market conditions;
4. The aid favours **selectively** certain undertakings or the production of certain goods;
5. The aid **distorts** or **threatens to distort** competition and trade within the European Union.

Where:

Undertakings are entities engaged in an economic activity, regardless of their legal status (they can be public bodies, charities, NGOs, associations, universities and private firms) and regardless of whether they aim to make a profit or not. The main element to be taken into account is the nature of the activities that the PP institution intends to implement through the public funding. The only relevant criterion is to decide whether the entity carries out an economic activity in the framework of the project.

Economic activity is broadly defined as offering goods and services on a given market. There is no comprehensive list of economic activities as the term is very broad. The most important element to be considered is whether the PP concerned carries out in the project activities that can be reasonably considered of economic nature or not. If the PP carries out non-economic activities in the project, the State aid rules do not apply, even though it is normally (i.e. outside the project) carries out activities of economic nature. The contrary can also occur, resulting in a state-aid relevant activity.

The public support provided to undertakings in the framework of ADRION programme is granted in the framework of *de minimis* regime. This implies that undertakings can receive a public contribution from the ADRION programme, only if they have not received in the framework of *de minimis* rule more than EUR 200.000,00 in Italy over a period of three fiscal years from the date of granting of the aid.

Specific *de minimis* thresholds apply for specific sectors:

- EUR 100.000 for freight transport²⁶;
- EUR 30.000 and national maximum cumulative amount for fishery and aquaculture sector;
- EUR 15.000 for the agricultural sector²⁷.

Aid to export-related activities and aid contingent upon the use of domestic over imported goods cannot be granted under *de minimis* regulation.

²⁵ As far as ADRION is concerned, rules applying in ERDF Partner States also apply in IPA Partner States in accordance with art. 26 of Regulation (EU) No 1299/2013.

²⁶ Regulation (EU) No.717/2014 of 27 June 2014 on the application of art. 107 and 108 of the Treaty on the Functioning of the European Union to the *de minimis* aid in fishery and aquaculture sector.

²⁷ Regulation (EU) No.1408/2013 of 18 December 2013 on the application of art. 107 and 108 of the Treaty on the Functioning of the European Union to the *de minimis* aid in agriculture sector.

Value Added Tax and Revenues

20. Value added tax and other financial charges

The value added tax (VAT) is eligible only if it is not recoverable, by whatever mean. Only non-recoverable VAT borne by the PPs that may not be refunded or offset by the tax authorities, or by any other means, may be included in the partner progress reports.

To determine whether VAT is recoverable or not, it should be ultimately established if VAT paid by a beneficiary on a project is genuinely and definitively borne by that beneficiary. Indeed, there may be situations where the economic burden of VAT paid is nevertheless neutralised (through compensation schemes outside the VAT system). This is typically the case, where the beneficiary transfers the VAT burden to another entity, having the right to deduct/refund it and thus neutralise its economic burden (e.g. revenue generating operations where the operational phase of the project is subject to VAT). In such case, the VAT should be considered as recoverable and therefore not eligible.

Some Partner States compensate public entities (for instance local authorities) for the VAT which they pay on their purchases. Where this is the case, VAT will be considered non-eligible given that the economic burden caused by the VAT will be ultimately neutralised for the beneficiary. Therefore, the beneficiary could not claim the VAT recovery a second time. The recoverable of VAT relies on Member State's assessment as to the existence or not of compensation schemes outside VAT legislation that could cover VAT expenses in a given operation. Some Member States compensate public entities (for instance local authorities) for the VAT which they pay on their purchases.

Where this is the case, VAT will be considered non-eligible given that the economic burden caused by the VAT will be ultimately neutralised for the beneficiary. Therefore, the beneficiary could not claim the VAT recovery a second time. In principle, Partner States establishes as to the existence or not of compensation schemes outside VAT legislation that could cover VAT expenses in a given operation²⁸.

Debt interests are ineligible.

21. Revenues

Net revenues are considered cash in-flows directly paid by users for the goods or services provided by a project (e.g. charges borne directly by the users for the use of infrastructure, sale or rent of buildings or payment for services less any operating costs and replacement costs of short-life equipment incurred and paid during the corresponding period) with the exception of those operations whose total eligible budget does not exceed EUR 1.000.000 (ref to art. 61 of Regulation (EU) No 1303/2013).

21.1 Treatment of revenues

As a general principle, the eligible expenditure of a project shall be reduced according to the net revenues generated by the project both during its implementation as well as until three years after its completion.

In case a project is considered as revenue generating, the net revenues have to be fully deducted from the project total eligible expenditure, thus reducing the ERDF/IPA II funds contribution to it.

The revenues generated by the project are monitored and treated by the ADRION programme, during the whole project life, as follows:

²⁸ Commission Staff Working Document Guidance Note - Conditions for eligibility of VAT under Cohesion policy rules in the 2014-2020 programming period. SWD(2018) 459 final.

Project application stage

The project that foresees that its activities generate revenues, shall include the related amounts in the AF and deduct them already from the ERDF/IPA requested contribution.

Project implementation stage

Net revenues not foreseen and/or not deducted at the application stage, must be reported in the project progress reports and deducted from the reported eligible expenditure at the latest in the final payment claim submitted by the project.

Each LP/PP is responsible for keeping account of all the revenues and related documents for control purposes. LPs/PPs are required to provide national controllers with information on the revenues generated in the reporting period and support them with accounting documents.

After the project closure

Net revenues not foreseen and/or not deducted at the application stage and during implementation, which occur after the project closure must be reported to the MA/JS. The corresponding ERDF/IPA contribution related to the generated revenues occurred after the project closure and within three years from the project closure must be withheld from the last instalment payment to the project or reimbursed to the MA.

The total expenditure declared to the European Commission at the closure of the Programme must have all the revenues offset.

Resolution of complaints

22. Resolution of complaints during project implementation

Complaints related to decisions made by MA/JS during project implementation

Any complaints related to acts and/or decisions of the MA/JS or of the MC during project implementation on the basis of the application of the rules set forth in the subsidy contract must be submitted by the LP to the MA/JS.

The submission of a complaint must be received no later than 10 working days from the reception of the MA/JS communication containing the decision in relation to which the LP intends to send its objection.

The MA informs the LP in due time whether the MA is competent to investigate and to decide on the issue (including further steps to be taken and provisional timeline) or if the issue does not fall into its sphere of competence.

If the MC is competent to investigate and decide on the submitted complaint, the MA/JS shall inform it in order to decide upon.

The final decision on the complaint is communicated by the MA to the LP in writing.

The MA/MC decision 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.

Complaints related to the national control system

In case of complaint by a beneficiary following the outcomes of the verification process, each national control system has to set in place its national procedures in accordance with art. 74.3 of Regulation (EU) No 1303/2013.

Information on how to submit a complaint by the beneficiary is available on the relevant national authorities or ADRION NCP web page.

Controls and audit

23. Controls and audit

Several levels of control are carried out during the project life cycle by the ADRION institutions.

National controllers validate expenditure of LPs/PPs following procedures and performing checks in accordance with a harmonised approach in force in the entire ADRION programme area.

The MA – via the JS - performs monitoring controls when receive the request for payments by the LPs on behalf of the project partnerships. Controls address to the delivery of outputs, compliance with EU and programme rules.

Further controls performed by MA shall be based on the prior identification of programme major risks and on a sampling method through which projects are identified and further subject to additional checks. Any finding detected in the course of the sample checks will have to be corrected by the LPs and PP. In case of severe financial findings are detected, the affected LP/PPs shall be excluded from future ERDF/IPA payments as long as the findings are considered as lifted by the MA and CA.

As ADRION is a zero-tolerance fraud programme, the MA shall also adopt a proactive, structured and targeted approach to manage the risk of fraud.

In addition to the above, ADRION has put in place a system that verifies the effective functioning of the management and control system, including audits of projects. This is known as 'second level control', and it is under the responsibility of the Audit Authority (hereinafter: AA), which carries out additional checks on a sample range of operations.

The primary aim of the second level control is to ensure that no ineligible expenditure is included in applications for payment to the European Commission and to ensure the proper functioning of the first level control. The AA - functionally independent from the MA and CA - develops an audit strategy according to which it carries out an inspection of programme systems and procedures and a selected sample of operations. Any LP/PP in any project can be selected for a second level control check. Second level control checks are carried out at the premises of selected beneficiaries. During the checks performance, the AA is assisted by the Group of Auditors (GoA), composed of members from each of the ADRION Partner States and responsible for performing and organizing second level control in their country and reporting back any findings to the AA.

Finally, as defined in the subsidy contract (art.12), further institutions, i.e.: the European Commission, the European Court of Auditors (ECA), the European Anti-fraud office (OLAF), the auditing bodies responsible at Partner State level are entitled to audit the proper use of EU funds by the LP and PP or to arrange that such audits are performed by authorized persons. The LPs and the PPs shall be notified in due time about any audit to be carried out on their expenditure.

In relation to the above, LPs and PPs must allow the controllers and auditors to arrange the foreseen checks by:

- Giving any requested information about the project;
- Giving access to the accounting books and accounting documents and other documentation related to the project, whereby the auditing bodies decide on this relation;
- Giving access to business premises during the ordinary business hours and also beyond these hours by arrangement and allow them to carry out checks related to the project;
- In case of audited PP, providing the LP with any information needed related to such an audit with no delay.

24. Irregularities and financial corrections

In order to safeguard the budget of the Union, financial corrections are applied when irregularities are detected.

An irregularity is, as stated in art. 2(36) of Regulation (EU) No 1303/2013 *“any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union”*.

According to art. 1(2) of Regulation (EC, Euratom) No 2988/95²⁹, an irregularity *“is any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure”*.

Where the definition of an irregularity set out in the two Regulations above is relevant, the applicable Union or national rules on public contracts must be considered as well to form part of the law to which that definition refers³⁰: a breach of a rule on public contracts which affects the EU budget is an irregularity within the meaning of the Regulations, where controllers specifically cover compliance with the applicable national and Union law, which includes law on public contracts³¹.

As a consequence of that, an irregularity may occur at any moment in the project cycle, from programming through to audit, ex post monitoring or evaluation. Checks at any stage of project implementation may indicate that the conditions to be met by a beneficiary after project completion are not being respected.

An irregularity does not need to have resulted in ineligible expenditure being declared by the Partner State to the Commission as eligible. Even if it is detected before related expenditure is declared to the Commission as eligible, it is an irregularity, since it *“would have”* prejudiced the EU budget if it had not been detected.

An irregularity also includes - but it is not limited to – *suspected fraud* and *established fraud*:

a **suspected fraud** is an irregularity that gives rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of intentional behaviour, in particular fraud, as referred to in art. 1(1) (a) of the Convention drawn up on the basis of art. K.3 of the Treaty on European Union on the protection of the European Communities' financial interests; a **fraud** – within the meaning of a deliberate act of deception intended for personal gain causing a loss to another party, is *“the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of the European Communities, non-disclosure of information in violation of a specific obligation, with the same effect and the misapplication of such funds for purposes other than those for which they were originally granted”*.

Detected irregularities shall:

- Be corrected by controller or by the LP before the submission of the project progress report to the MA/JS;
- Be deducted by the MA/JS during verification of project progress reports;
- Be addressed by the CA during its verifications before including the amount in the request for payment to the EC.

²⁹ Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests.

³⁰ Regulation (EU) No 1303/2013, art. 72 and art. 9 of Delegated Regulation (EU) No 480/2014.

³¹ Handbook on “Reporting of irregularities in shared management” 2017, Ares (2017) 5692256 21/11/2017.

Irregularities shall be reported to OLAF (the European Anti-Fraud Office) if their amount exceeds EUR 10.000 IPA or ERDF, or if they involve fraud of any value. As an exception of this rule, the following irregularities do not need to be reported to OLAF; namely where:

- a) The irregularity consists solely of the failure to execute, in whole or in part, an operation included in the co-financed operational programme owing to the bankruptcy of the beneficiary;
- b) The beneficiary voluntarily brings to the attention of the MA/CA and before detection by either authority, whether before or after the payment of the public contribution;
- c) They are detected and corrected by the controllers/MA/CA before inclusion of the expenditure concerned in a statement of expenditure submitted to the EC.

In all other cases, in particular those preceding a bankruptcy or in cases of suspected fraud, the detected irregularities and the associated preventive and corrective measures shall be reported to the EC.

In case one of the examples above occurs, it is necessary to apply a financial correction to restore a situation where expenditure declared for co-financing is in line with the applicable programme, national and EU rules and regulations.

Financial corrections are withdrawals of funding that take place when payments to EU-backed projects have been made in error due to irregularities and fraud. The EC is committed to recovering funds that have been obtained or used fraudulently.

All detected irregularities must be corrected, no matter whether they are intentional or not. Once it is detected an irregularity in one expenditure that has already been paid out to the project, the amount will be deducted from the next project report or remaining payments can be suspended.

In cases where the amount cannot be corrected by deducting it from the next project report, the MA shall, if necessary in consultation with the respective Partner State concerned, and by informing the MC, ask from the project to pay back the amount to the programme. In case of closed projects, the LP is obliged to transfer the unduly paid out funds to the MA.

The repayment amount is due within one month following the date of receiving the letter by which the MA asserts the repayment claim; the due date shall be stated explicitly in the order for recovery.

Any delay in effecting repayment shall give rise to interest on account of late payment, starting on the due date and ending on the date of actual payment. The rate of the late interest applied to the amount to be recovered shall be calculated in accordance with art. 147 of Regulation (EU) No 1303/2013.

The LP shall ensure that, if applicable, the concerned PP repays the LP any amounts unduly paid, as provided for in the partnership agreement. If the LP does not succeed in securing repayment from other PP(s), the LP shall inform the MA via the JS in written form within the deadline for repayment.

If the MA does not succeed in securing repayment from the LP, the Partner State on whose territory the beneficiary concerned is located or, in the case of an EGTC, is registered, shall reimburse the MA any amounts unduly paid to that PP. As a consequence of that, the affected Partner State shall be entitled to claim the unduly funds from the PP concerned. The MA shall be responsible for reimbursing the amounts concerned to the general budget of the Union, in accordance with the apportionment of liabilities among the participating Partner States as laid down in the Cooperation Programme.

25. Judicial and other proceedings (incl. bankruptcy)

According to art. 136 of Regulation (EU) No 2018/1046³² (financial regulation), the absence of the following conditions for exclusion from getting the grant must be regularly confirmed by LPs/PPs in each request for payment³³:

1. it is bankrupt, subject to insolvency or winding-up procedures, its assets are being administered by a liquidator or by a court, it is in an arrangement with creditors, its business activities are suspended, or it is in any analogous situation arising from a similar procedure provided for under Union or national law;
2. it has been established by a final judgment or a final administrative decision that the entity is in breach of its obligations relating to the payment of taxes or social security contributions in accordance with the applicable law;
3. it has been established by a final judgment or a final administrative decision that the entity is guilty of grave professional misconduct by having violated applicable laws or regulations or ethical standards of the profession to which the entity belongs, or by having engaged in any wrongful conduct which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence, including, in particular, any of the following:
 - i. fraudulently or negligently misrepresenting information required for the verification of the absence of grounds for exclusion or the fulfilment of eligibility or selection criteria or in the implementation of the legal commitment;
 - ii. entering into agreement with other persons or entities with the aim of distorting competition;
 - iii. violating intellectual property rights;
 - iv. attempting to influence the decision-making of the authorising officer responsible during the award procedure;
 - v. attempting to obtain confidential information that may confer upon it undue advantages in the award procedure;
4. it has been established by a final judgment that the entity is guilty of any of the following:
 - i. fraud, within the meaning of Article 3 of Directive (EU) 2017/1371 of the European Parliament and of the Council and Article 1 of the Convention on the protection of the European Communities' financial interests, drawn up by the Council Act of 26 July 1995³⁴;
 - ii. corruption, as defined in Article 4(2) of Directive (EU) 2017/1371 or active corruption within the meaning of Article 3 of the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union, drawn up by the Council Act of 26 May 1997, or conduct referred to in Article 2(1) of Council Framework Decision 2003/568/JHA, or corruption as defined in other applicable laws;
 - iii. conduct related to a criminal organisation as referred to in Article 2 of Council Framework Decision 2008/841/JHA;
 - iv. money laundering or terrorist financing within the meaning of Article 1(3), (4) and (5) of Directive (EU) 2015/849 of the European Parliament and of the Council;

³² Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018

³³ Self-declarations were already requested at the time of submitting the project proposals.

³⁴ Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law.

- v. terrorist offences or offences linked to terrorist activities, as defined in Articles 1 and 3 of Council Framework Decision 2002/475/JHA, respectively, or inciting, aiding, abetting or attempting to commit such offences, as referred to in Article 4 of that Decision;
 - vi. child labour or other offences concerning trafficking in human beings as referred to in Article 2 of Directive 2011/36/EU of the European Parliament and of the Council;
5. the entity has shown significant deficiencies in complying with main obligations in the implementation of a legal commitment financed by the budget which has:
- i. led to the early termination of a legal commitment;
 - ii. led to the application of liquidated damages or other contractual penalties; or
 - iii. been discovered by an authorising officer, OLAF or the Court of Auditors following checks, audits or investigations;
6. it has been established by a final judgment or final administrative decision that the person or entity has committed an irregularity within the meaning of Article 1(2) of Council Regulation (EC, Euratom) No 2988/95;
7. it has been established by a final judgment or final administrative decision that the entity has created an entity in a different jurisdiction with the intent to circumvent fiscal, social or any other legal obligations in the jurisdiction of its registered office, central administration or principal place of business;
8. it has been established by a final judgment or final administrative decision that an entity has been created with the intent referred to the previous point.

Additionally, LP/PP shall also declare whether they are in one of the following exclusion situation referred to point 4 to 8 above:

- (a) natural or legal persons that are members of the administrative, management or supervisory body of the participant or that have powers of representation, decision or control with regard to that participant;
- (b) beneficial owners, as defined in point (6) of Article 3 of Directive (EU) 2015/849³⁵, of the participant.

³⁵ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (Text with EEA relevance).

Communication activities

26. Communication and visibility rules

The programming period 2014-2020 has given great and wide emphasis to communication and to the need to regularly inform the wide public on efforts done and goals achieved.

Art. 115-117 and Annex XII of Regulation (EU) No 1303/2013, and art. 4 and 5 of the Commission Implementing Regulation (EU) No 821/2014 provide a set of instructions for programme and project communication and branding.

Specific content requirements have been translated in a more detailed section devoted to communication in the AF together with the request of providing information on the target groups qualification and quantification. Performed activities and outcomes are monitored during the project implementation.

Similar to most of the Interreg programmes of the current programming period, ADRION has joined the Interreg branding initiative coordinated by the Interact programme, whose main goal is to boost Interreg impact through shared logos and tools.

This chapter is also supported by a “Project brand guidelines” available on ADRION web site.

26.1 Programme logo and brand

The complete identifying denomination of the programme is:

Interreg V-B Adriatic-Ionian Cooperation Programme.

The short denomination is:

ADRION

Both versions of the name are correct and can be used alternatively for lexical diversity. The correct usage of the programme’s name, in the complete version or in the short one, is compulsory in all the official documents as well as in promotional material, as it plays an essential role in building up a strong brand.

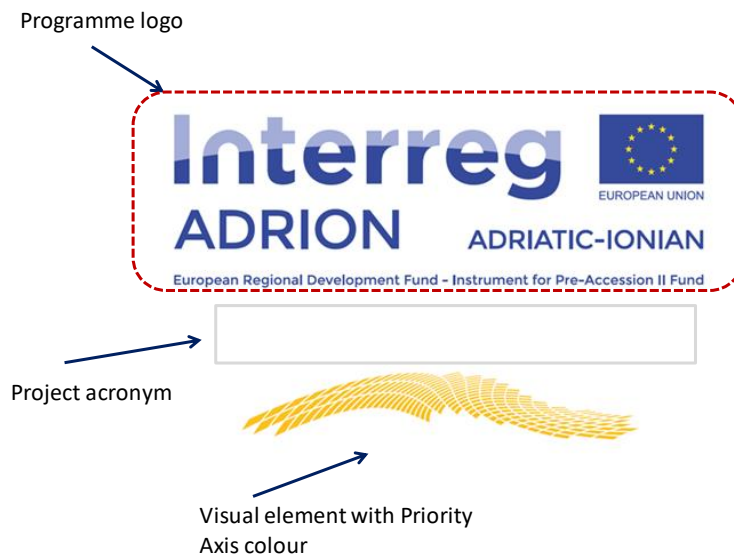
Project Logo

As a general rule, ADRION projects are not allowed to develop their own project logo: developing project logo is expensive and many logos do not help the audience in correctly linking the project to the supporting funding programme. For this reason, ADRION will provide personalised project logos for all projects in compliance with EU rules. ADRION shall provide each funded project its own logo in different formats.

Project logos shall be characterised by the combination of:

- a) The programme logo (containing the name of the programme, the EU flag, reference to European Territorial Cooperation – Interreg -, and to the co-financing source – European Regional Development Fund and Instrument for Pre-Accession – IPA II Fund);
- b) The project acronym as written in the project proposal;
- c) A visual element whose colour is attributable to ADRION priority axis in accordance with the logos adopted by the EU.

Example:



Font (Trebuchet) and size cannot be changed.

On websites and their subpages, web and smartphone applications, social media and other digital platforms and implementations, the logo has to be positioned in a prominent position. Position and size shall be appropriate to the scale of the material or document being used.

When the project logo is displayed on a website or other electronic application, it shall be visible inside the viewing area of a digital device without requiring a user to scroll down the page. On communication products such as conference bags, exhibition roll-ups or presentations, it also has to be placed in a prominent place.

The logo must be always placed in a central and visible top position of the produced material (i.e.: in the first/main page of a publication); only in very exceptional cases duly authorised by MA/JS it can be placed on the back cover of the publication.

The Union emblem can never be smaller than any other logo included in the same output; it shall have at least the same size, measured in height or width, as the biggest of the other logos. (i.e.: any logo used together with the EU flag cannot be higher or wider than the flag; when measuring the maximum height, only the height of the flag is taken into account, not the height of the flag + text "European Union").

For small promotional objects/items the obligation to make reference to the Fund shall not apply.

The coloured version of the logo shall be used on social/web pages, while in all other communication materials the coloured version must be used whenever possible.

A monochrome version might be used only in justified cases. Ideally the logo should be used on white backgrounds only. Using the logo on a coloured background is possible if there is no alternative, but it has to be a very light background.

Monochrome example for small promotional objects/items:



Priority Axes logos

ADRION adopts the logos provided by Interact for its Priority axes:

Priority Axis 1
Innovative Region



Priority Axis 2
Sustainable Region



Priority Axis 3
Connected Region



These invariable colours and icons must be used whenever reference to priority axis or its content is made in the documentation and communication material produced (see below).

Further specifications and instructions on the colours of the different priority axes, as well as of thematic icons for different priority axes can be found in the website of Interact:

http://www.interact-eu.net/library?field_fields_of_expertise_tid=37#1187-interreg-thematic-icons

More specific instructions and the Branding Manual can be found in the website of Interact (http://www.interact-eu.net/library?field_fields_of_expertise_tid=37#1279-manual-brand-design-full-integration-0).

Disclaimer

Any notice or publication relating to the project made in any form and by any means, including Internet (e.g.: leaflet, brochure, publication, press release, document, website, and social media profiles), must state that it only reflects the author's view and that the programme authorities are not liable for any use that may be made of the information contained therein.

The following disclaimer must be used:

"This <document, product, event, website> has been produced with the financial assistance of the European Union. The content of the <document, product, event, website> is the sole responsibility of <Beneficiary's name/name of project partner> and can under no circumstances be regarded as reflecting the position of the European Union and/or ADRION programme authorities".

The disclaimer shall be placed at the bottom of the back page of a single-leaf printed material, or at the bottom of the last or back cover page of a multi-page document. It must match the language of the main text of the promotional material in question. For a bilingual publication, the disclaimer must be in English.

Communication materials

For the purpose of this manual, the communication materials³⁶ are meant any:

- Posters, billboards, plaques;
- Publications, reports (including minutes), brochures, flyers and other collaterals in printed or digital version;

³⁶ Also certificates of attendance or any other documents intended for the public or participants of the funded project have to respect the aforementioned requirements.

- Audio-visual materials: CD/DVD, films and video;
- Radio spots;
- Social media channels;
- Event materials;
- Website;
- Gadgets;
- Gifts.

As a general rule, indications provided above must apply to all the communication material.

Hereinafter some indications on specific cases are provided.

Posters

To properly inform the public, at the beginning of operations each LP and PP has to place at least one poster of minimum size A3 at a location readily visible to the public, like the entrance area of a building. In order to comply with the regulatory requirements, the poster has to display the Union emblem and include a reference to the Union Funds supporting the operation (all these elements are already included in the project logo), the aim/objective of the project (i.e. what the project wants to achieve to contribute to the Programme objectives).

The poster must be displayed at least at the location of the operation.

Please note that the poster cannot be replaced by interactive kiosk, TV, roll-up or banner since they are not considered to be displaying the information in the correct manner as required by the EU Regulation.

Billboards and plaques

Where the total public support for the operation exceeds EUR 500.000 and the operation foresees the realization of pilot actions including the purchasing of equipment, it is compulsory to establish a temporary billboard or plaque of a significant size during implementation in a location readily visible to the general public.

Such a billboard or plaque must be replaced by a permanent plaque or billboard in a location readily visible to the general public within three months after completion of the operation.

The permanent plaque or billboard shall recall the poster design including the programme and project logo, the name and the main objective of the operation, the activity supported by the operation, the combined project logo and the project website address. The name “European Union” shall always be spelled out in full. All the mentioned information shall take up at least the 25% of the billboard³⁷.

In addition, the billboard or plaque must include information on the total public support received by the project and the contact details of the LP or the PP (institution, contacts, e-mail and website).

Radio/video spots

³⁷ See Annex II of Commission Implementing Regulation (EU) No 821/2014 and its amendments.

In case of a radio spot, above a length of 30 seconds, both the reference to the European Union and the Funds shall be mentioned; in case of shorter spots, at least the message “Programme co-financed by the European Union” shall be mentioned.

Ideally, any spot should mention a website where more information is available.

Social media channels

Social media can be used to support project’s ongoing communication because they provide plenty of opportunities to connect directly with the target groups and public through two-way conversations and consequently create a greater impact on the community. When choosing the social media, the project must think of:

- Project objectives and target groups;
- Chosen social medium role in supporting offline communication;
- Necessary resources and costs.

The decision to create a social media account must, therefore, be considered carefully: while the channels themselves are offered for ‘free’, managing social media channels requires a long-term commitment by the project team.

Project website

As part of programme communication, projects are required to contribute to the content of ADRION portal aimed at promoting all funded operations. The project webmaster or other persons responsible for project website can gain access to the respective project webpages in order to create and update project contents.

No costs for website construction, design and maintenance are eligible but only those related to the content development and update (e.g.: photos, illustrations, artworks, broadcast recordings, films and videos, multi-media, info graphics, news and blog posts, uploading of documentation, update of project calendar and news, etc.).

However, in duly justified cases, such as campaign or specific marketing websites, projects may create websites. Should a product or other output of the project (e.g. awareness campaign) be promoted by a dedicated website in addition to the project website hosted by ADRION, a short description of the project, including its aims, planned results, project logo, and link to the project website hosted by ADRION portal have to be included on the homepage. The rules reported in the previous paragraphs shall apply.

Please refer to the JS for any additional information deemed necessary to avoid any ineligible costs.

Project web pages hosted by ADRION portal and/or specific projects web site must be updated at least once every two months.

Financing partners’ institutional websites

Both the LP and the PP shall display on their institutional websites the following information about the project:

- Project logo;
- Short description including project aims and results;
- Link to the ADRION website where the project is officially hosted.

The display of such information does not necessarily need to be displayed in the homepage of the institutional website. However, the dedicated webpage or section of the institutional website must be visible and easily reachable, emphasizing the EU financial support received.

Gadgets and gifts

Increasing the awareness-raising on the project is the most common reason for distributing promotional items (gadgets). They can be used as giveaways at events, such as exhibitions and conferences, or in broader awareness campaigns.

Promotional items are usually relatively small and inexpensive. All products must be branded with the project logo in accordance with the rules described in the previous pages to ensure their eligibility. Common promotional items can be:

- Pens and pencils;
- Notepads;
- USB sticks;
- Bags (e.g. cotton, linen, paper);
- Roll-ups;
- Lanyards.

All promotional materials should be produced in an environmentally friendly way (e.g.: FSC certified paper). Additional giveaways and promotional products are only allowed if sufficiently justified in the AF and approved by the MA/JS. They should be practical, coherent with the project goal if possible, and have a creative angle to make them memorable (as an example, a project dealing with bicycle transport to raise awareness on safety issues distributes fluorescent bicycle clips as gadgets).

Promotional materials that are not quality oriented can harm project's reputation; projects are therefore invited to think about how promotional materials will correspond to their overall reputation: are they 'green' enough in case you are an environment project? Will they actually work and continue to work throughout the project lifetime?

Promotional products are by definition produced in larger quantities; scale production is one key difference between promotional products and gifts. Project gifts are not meant to raise awareness but rather to improve relations. They help to express gratitude to one specific person while respecting applicable rules against corruption. An example of gift could be a bouquet of flowers wrapped with a band holding the project logo, handed over to the host or an important speaker at a project event.

Maximum eligible costs for gifts are reported in the paragraph *Budget line – External expertise and service costs*.

Templates (e.g.: poster) and targeted guidance shall be provided by the programme.

27. Capitalization activities

In the framework of the Interreg Programmes, Capitalisation has progressively become an important step due to the need to fund result-oriented projects as clearly highlighted by the EU Cohesion Policy 2014-2020.

ADRION shall be aimed at building the "capital" of the Programme, such as the knowledge based at projects' level including good practices, outputs and policy experiences by empowering funded projects to strengthen the quality and sustainability of deliverables and to enhance their dissemination to relevant stakeholders. In

addition, ADRION Capitalisation aims to shed light on future territorial needs and potentials in the Programme area.

ADRION capitalisation will look at combining different measures including projects' analysis as well as communication activities in order to extend the effects of the whole process.

ADRION intends to shape its capitalisation process taking into consideration the here-below main elements:

- The overall programme strategy formulated in direct response to the EU 2020 strategy of smart, sustainable and inclusive growth;
- The experiences and lessons learned of the Capitalisation approaches and practices already in place in other Interreg Programmes;
- The overall objective of the ADRION Programme which is *“to act as a policy driver and governance innovator fostering European integration among Partner States (Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia, Slovenia” [...])”*, stressing the role of the Programme as bridge between EU and non-EU member States;
- ADRION output indicators which look at strengthening the cooperation among the countries through networks, strategic analysis on key fields for the areas, and only to a little extent to develop small pilot projects;
- The presence of an EU Macroregional Strategy overlapping the Programme cooperation area and addressing very similar policy areas.

Given this framework, the objectives of the ADRION thematic Capitalisation are as follows:

- Make the knowledge and results generated by projects (ADRION Capital) widely accessible;
- Increase the impact of project results by promoting their re-use and transfer;
- Help build know-how in the Adriatic-Ionian region by raising awareness and improving communication of results in specific fields at local, regional and national level;
- Enhance Programme's impacts and future positioning.

In order to achieve the above objectives, Capitalisation shall be tackled at different levels:

- a) at project level,
- b) at territorial level (through the support of local and regional authorities),
- c) at programme level (through integrated measures aimed to increase the visibility of project results to citizens and key decisions-makers as well as the transfer of project-generated knowledge).

Target groups

Given its cross-cutting nature, the Capitalisation process requires the involvement of a quite extensive list of target groups. Based on ADRION current experience, the presence of the EUSAIR macro-regional strategy and Programme implementation, ADRION Capitalisation shall be addressed to the needs and specific purposes of several target groups:

ADRION projects working on similar or complementary topics: Capitalisation can help build synergies and improve the quality of projects outputs through mutual exchange.

End-users of ADRION project outputs: Project outputs end-users, the bodies and individuals who will ultimately benefit from the ADRION project outputs.

ADRION stakeholders (EUSAIR, Public and Private bodies in the Adriatic-Ionian region): The macro-regional strategy EUSAIR can benefit from ADRION project results to increase the knowledge in key areas of the Adriatic-Ionian region as well as, vice versa, it can promote project results, offering networking opportunities, increasing the project results' visibility and dissemination.

Local/regional/national authorities can use capitalisation to improve the public policies in integrating cooperation results. Private bodies and academia can benefit from the knowledge generated by projects.

ADRION Programme bodies: Through Capitalisation, ADRION Monitoring Committee and National Contact Points may better identify future territorial needs and potentials based in the Programme's area.

Mainstreaming OPs, INTERREG Programmes, projects and stakeholders outside the programme area: Capitalisation can improve the implementation of Interreg programmes as well as quality of Interreg projects; Capitalisation can promote the added value of ADRION programme outside its cooperation area.

Policy makers: Communicating project's results can influence the decision-making process within governmental bodies.

Type of activities

Capitalisation activities are planned in relation to the life cycle of projects. The set of activities will broadly depend on the projects achievements in terms of reaching the objectives and it will be effective when the first deliverables and outputs are available to share the common experiences.

The proposed set of activities are thus divided into 3 main phases interconnected to one another and affecting all ADRION funded projects:

- a) Collection of project results
- b) Analysis of the results, building the Programme knowledge
- c) Dissemination and promotion.

Collection of project results

These activities include the production and management of data usable for a capitalization purpose. This requires that programmes' beneficiaries produce good quality data and information which shall be properly identified, gathered and classified for further comparison, analysis and dissemination.

Digital Library

ADRION aims to develop a digital library to give visibility to projects achievements in a structured way. The digital library will be a collector of all project's outputs/deliverables and it will be designed as a repository of the Programme. The digital library will be embedded into the ADRION website in order to ensure wide visibility. The content of the digital library will be classified according to the type of resources outputs/deliverables (strategy; action plan; collection of best practice; study; guidelines).

Analysis of the results, building the Programme knowledge

This step is supported by the Thematic Clusters (see below) which will share information and results from one project to another within the same Thematic Cluster. Clustering projects per topic helps build the knowledge of the Programme and strengthen the links between projects working on similar topics, this will

allow a greater exploitation of project achievements. Moreover, the actions that will be carried out within the thematic clusters will be aimed to enhance the visibility and impact of both projects and Programme.

Dissemination and promotion

These actions are strictly linked to communication and responds to the need of translating project results into information well reachable by the relevant stakeholders by using different communication tools: on-line tools, publications and events.

Events

- Dedicated sessions on Capitalisation during ADRION annual events;
- Capitalisation events dedicated to the development of ADRION Thematic Clusters;
- ADRION National Capitalisation Events in cooperation with NCPs for strengthening dissemination of project results at territorial level.

Online tools

- ADRION website: section dedicated to project achievements through storytelling;
- Specific section on the website per ADRION Thematic Cluster. Each page will group together the activities developed within the framework of the Thematic Cluster (brochures, case studies, joint analysis, etc.);
- Creation of a group in a social network such as LinkedIn for each ADRION Thematic Cluster.

Thematic Clusters

The thematic clusters will help contribute to the ADRION Capitalisation process by building the critical mass of the Programme in each relevant thematic sector. Projects will exchange on data, information and knowledge in order to improve output's quality and more importantly, identify common goals. In particular, the ADRION thematic clusters will be aimed to:

- Support the creation of added value for the projects and the Programme by increasing synergies between projects;
- Help the development of thematic analysis and the identification of new areas/field of intervention to be funded for the future Programming period;
- Help increase the promotion of the projects in a more strategic way: ensure the dissemination and the transferability of project results both beyond the partnership and after the end of the Programme.

ADRION has already defined the Thematic Cluster topics of intervention according to the following criteria:

- Strategic key areas of the Adriatic-Ionian region;
- Topics existence in accordance with what supported by the current funded projects;
- Relevant projects' critical mass within a specific area/topic to allow effective exchanges and result oriented synergies;
- Link with policy objectives and related specific objects of the new Cohesion Policy (a Smarter Europe, a Greener, carbon free Europe, a more Connected Europe, a more Social Europe, a Europe closer to citizens).

Each cluster will represent a theme relevant for the Programme and will include representatives of ADRION funded projects. The projects resulting from the first call will be the first to be part of the cluster which will progressively include the ones funded under the second and third call.

The Thematic Clusters will be open to the participation of EUSAIR TSGs representatives in order to strengthen the collaboration between ADRION funded projects and EUSAIR's governance.

Thematic Clusters can also include external experts and/or representatives from other Programmes as observers.

In the framework of the 1st call for proposals the following Thematic Clusters are envisaged:

Thematic Cluster	<i>Rationale</i>
Blue Growth and related smart growth	<i>It comprises a wide range of sectors that are each other inter-dependent and contribute to the overall Blue-Growth frame: energy; aquaculture; bio economy; biotechnologies; shipbuilding and nautical sector development.</i>
Coastal and Marine Environment management	<i>It includes the necessary elements to handle the management of coastal and marine spaces in an integrated way: preservation/protection of biodiversity; risk prevention and disaster resilience; pollution diffusion and waste management; sustainable blue economy growth support.</i>
Towards sustainability in cultural and natural tourism destinations	<i>It addresses to the multifaceted aspects characterising tourism, like: sustainable water management in coastal areas, common branding, revitalization of not tourist area of minor relevance and promotion of local agri-food sectors, digitalization of cultural heritage, innovative tourism management approaches.</i>
Integrated multimodal sustainable water and land transport	<i>It addresses to low carbon integrated transport, logistic services, port and hinterland operations and feasibility of related investment</i>
Urban and interurban low carbon intermodal mobility for passengers	<i>It addresses to sustainable mobility service for urban and inter-urban areas.</i>

Projects interested in being part of a Thematic Cluster shall express their interest in written to MA/JS. In case not all PPs are interested in participating, not interested PPs shall simply not be involved although the project duration shall be extended. Thematic Clusters are encouraged to envisage the involvement of relevant stakeholders along their activities to ensure the creation of synergies and added value beyond what already achieved.

Capitalization principles and activities to be implemented within the Thematic Cluster are defined by the Programme beforehand: each Thematic Cluster can draw up its own work plan and outputs along a pre-defined menu. Proposed set of activities and budget shall nevertheless prior be approved by ADRION MA/JS.

The following list of selected activities has been identified:

1. Organization and actively participation to at least 3 Thematic Cluster meetings with the involvement of all projects involved in that Thematic Cluster;

2. Participation to the ADRION Annual Event (May 2020) and/or ADRION capitalization events where the presentation of outcomes of the capitalization activities and discussion on the potentials of the themes covered shall be envisaged;
3. Contribution to the update of the new ADRION web section on Thematic Cluster;
4. Organization of at least 1 macro-regional event for the dissemination of Thematic Cluster outcomes and potentials; and/or at least 1 joint stakeholders' meeting addressing common interest;
5. Elaboration of a joint brochure and /or report on the outcomes of Thematic Cluster activities and its potentials;
6. Elaboration of specific analysis in the fields/sectors/ themes covered by the specific TC and/or position paper/policy paper / recommendations for influencing the policy debate in the theme of the Thematic Cluster;
7. Identification /elaboration of project ideas to be financed in the framework of the next programming period;
8. Extension/widening the existing created networks;
9. Widening the scope of the planned outputs, as result of cross-fertilization activities performed (e.g. revision of the project strategy/action plan considering the new multidisciplinary approach).

Activity No 1 and 2 and 3 are compulsory for all Thematic Cluster; additionally, each TC must choose at least two further activities among those proposed.

The list of activities dedicated to capitalisation shall be clearly included in the Work Package devoted to communication.

EUSAIR representatives will be invited by the Programme to participate to ADRION events and possibly identify joint activities to promote together ADRION project results in line with the macro-region pillars and policy goals. In this context EUSAIR can help ADRION projects broaden the network of visibility and increase accountability in terms of quality and relevance to the policy linked to the cooperation area.

Other Interreg Programmes will be invited to join ADRION events to provide with exchange opportunities across Programmes.

Project closure

28. Requirements and quantification of expected project outputs

As reported in paragraph 4 - *Output indicators – what the programme funds* - of the Programme manual, planned final outputs have to be attested by adequate supporting documentation.

They must comply with some minimum requirements in order to ensure a streamlined approach among all funded projects.

These key final project outputs shall be further collected and promoted also through the programme capitalization library (see paragraph 27).

28.1 Cooperation network

Cooperation network is to be understood as the systematic and management of internal and external links (communication, interaction, and co-ordination) between people, teams or organizations with a long-term perspective in order to improve performance³⁸.

The constitution of the network as the final project output must be formalized through a structured document containing at least three of the following elements:

1. Overall goal of the network, highlighting the link with the leading goal of the funded project;
2. Reference to the used tools (if any) and activities developed by the project to be used and/or further implemented by the network;
3. Network governance;
4. Network membership: characteristics, duties and obligations (e.g.: continuing the implementation and development of what started within the project, further implementation of activities based on what achieved by the project);
5. Methods and strategy to widen the network;
6. Openness to additional members: conditions and requirements;
7. Network duration.

The document attesting the formal constitution of the network must be signed by all institutions partners of the project (i.e. signed expression of interest and/or any other form attesting it); a copy must be sent to MA/JS with the last project progress report at the latest.

28.2 Strategy and action plans

The strategy is to be understood as an integrated framework endorsed by all the project partners to address common challenges faced by a defined geographical area which thereby benefit from strengthened cooperation contributing to the identified achievements.

The action plan is the strategic document that defines precisely how the good practices will be implemented in the strategy/policy papers of each participating region/country³⁹.

³⁸ As reported in the Programme Manual

³⁹ Ibidem.

The conceiving of the strategy as final project output must be formalised through a structured document containing at least three of the following elements:

1. Strategy vision in relation to the initial contribution provided by the project in relation to the affected geographical area through the involvement of partners, how it is intended to review it in relation to endogenous and exogenous situation to ensure its alignment with the original goal;
2. A mission statement according to which what the project is currently doing in relation to the said goal, to whom is addressed and how;
3. The state of play according to which your strategy is based on: it can be, e.g.: the result of one of the outcomes of the funded project or an ad hoc swot analysis, or any other analysis able to support the strategy vision and related action plan;
4. Identification and definition of long-term goals that the strategy intends to achieve; they are related to the duration of the strategy (from 3 to 5 years);
5. Strategy duration: it is expected that the strategy lasts from at least 3 to 5 years in order to ensure time enough for achieving the set goals. Set goals should be further disentangled according to sub-year/shorter goals;
6. Goals definition: the SMART approach (Specific, Measurable, Achievable, Realistic, and Time-based) is to be adopted;
7. Must be publicly available.

The action plan must contain at least three of the following elements:

1. Realistic actions in relation to each objective to be reached and the related timeline envisaged;
2. Includes an integrated approach ensuring the logic sequence of actions and link to the planned strategic goals;
3. Includes all necessary elements to ensure the achievement of the planned strategic goals;
4. Resources to ensure its implementation;
5. Must be publicly available and make public the reached achievements.

The document attesting the formal constitution of the strategy (i.e. signed expression of interest and/or any other form attesting it) and/or the action plan must be signed by all institutions; a copy must be sent to MA/JS with the last project progress report at the latest.

28.3 Pilot actions (small scale investments and demonstration projects)

A pilot action is to be understood as testing, evaluating and/or demonstrating the feasibility, effectiveness and replicability in a transnational perspective. It must have an experimental or demonstration character. It can cover either the testing of innovative solutions or the demonstration of the application of existing solutions to a certain territory/sector. Additionally, it shall be limited in its scope (area, duration, scale etc.) being unprecedented in a comparable environment. A pilot action includes a clear transnational effect being jointly strived for and evaluated by the partnership, showing a clear potential to be transferred to other institutions and/or territories beyond the project.

The description of the implemented pilot actions must be formalized through a structured document containing at least three of the following elements:

1. Overall goal that suggested the conceiving and implementation of pilot action(s), its rationale, how it has been designed, including the further identification of implemented tool(s); the goal must be also supported by technical evidence and adequate provision of data and information;
2. Thorough description of the supporting methodological approach highlighting elements of novelties, excluded and adopted approaches and reasons why;
3. How the pilot action has been implemented and its results, including the environmental impact;
4. How outcomes of pilot action shall be collected and made publicly available;
5. The role of the project partners/institutions in the pilot action implementation;
6. Where the achieved results are stored and planned pilot action follow up.

The document attesting the definition and implementation of the pilot action and achieved results must be sent to MA/JS with the last project progress report at the latest.

28.4 Number of enterprises cooperating with research institutions

The output indicator related to the cooperation between the enterprises with research institutions must be understood as the quantification of ways of initiating, establishing or strengthening of cooperation between enterprises and research institutions.

The cooperation between enterprises and research institutions must be formalized in the following forms:

- Cooperation agreement/memorandum of understanding;
- Voucher schemes and/or research driven projects;
- Innovation audits;
- New proposals realized in partnership;

The documents attesting the formal collaboration must be signed by the institutions involved. A copy must be sent to MA/JS with the last project progress report at the latest.

MA/JS shall verify sources of data and methodologies adopted by projects for calculation and quantification.

28.5 Increase in expected number of visits to support sites of cultural and natural heritage and attractions

The output indicator related to the increase in expected number of visits to support sites of cultural and natural heritage and attractions shall be quantified through the number of new tourists, visiting the targeted by the project sites. In case the increase of expected number of visits is also virtual, e.g.: through the use of downloaded apps, virtual visits through newly created websites, they also must be included in the calculation. Evidence of provided data can be gained through e.g.: registered tourists, number of tickets sold, number of persons who download the apps, number of visits to web sites etc.

Included figures shall be counterchecked with category General public in the “Target group reached” section of project progress report.

MA/JS shall verify sources of data and methodologies adopted by projects for calculation and quantification.

29. Project closure

The final request for payment must be sent within three months after the date of project end. It must include all incurred and paid expenditure of the reference period - and of previous periods (if still to be verified).

The following exceptions apply:

- a) Social charges expenditure related to staff costs paid the month after the project closure;
- b) Costs incurred and paid after the project closure upon condition that they are limited to the preparation of the final report (see below) and of controller(s), if this is the case.

In relation to the above, it is strongly recommended that final events and/or deliverables are finalized not at the very closure to the project, in order to ensure their due payment.

Project closing and final payment cannot be initiated if other processes related to the project are not closed such as audit report, irregularity and recovery procedures. In those cases, the final payment to the project is suspended until the closing of other processes.

Transfer of funds from the LP to PPs must be done without delays: the MA/JS reserve the right to check that transfer of funds has been successfully finalized.

29.1 Final report

After the finalisation of the project implementation, within the last project progress report, the LP must prepare the final report.

The final report contains a comprehensive overview of the project achievements mainly focused on qualitative elements, like: the project contribution to programme and project objectives, the outputs delivered, how the relevant target groups were involved and how they will use these outputs; the measures ensuring durability and transferability of the outputs, the added value of cooperating on transnational level

The final report shall be sent to the MA via JS at the latest three months after the project end date.

30. Durability and ownership

All project's main outputs produced during the project implementation must remain in the ownership of the LP or PPs for at least five years after the project end date.

According to art. 71 of the Regulation (EU) No 1303/2013, the project comprising investment in infrastructure or productive investment shall repay the contribution from the EU Funds if within five years of the final payment to the beneficiary or within the period of time set out in State Aid rules, where applicable, it is subject to any of the following:

- (a) A cessation or relocation of a productive activity outside the programme area;
- (b) A change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;

(c) A substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

Should any of the above conditions not be complied with by any of the PPs, the MA/JS must be informed accordingly. Sums unduly paid in respect of the project shall be subject to a procedure of recovery.

The project's webpage, if developed during project implementation and financed by the Programme, has to be maintained for at least five years after the project end date.

Ownership, and (joint) intellectual property rights of project outputs belong to the LP and PPs. The LP must ensure the dissemination of project outputs and results amongst a wide public. Furthermore, the MA, the JS and the NCPs of ADRION can make use of project outputs and achievement for communication purposes.

31. Specific conditions following health emergency

Following the health emergency, the following additional conditions apply:

Travel and events

In case travels and events are cancelled and payment of fees or penalties by projects' partners is requested or reimbursement is refused⁴⁰, this expenditure may be framed as *force majeure* and should be treated accordingly (ref. to art. 20 of the Subsidy Contract).

In order to consider such expenditure as eligible, it is required to provide all the necessary evidence to controllers in charge of verifying that all conditions below are fulfilled:

- a) the expenditure refers to an activity foreseen in the Application Form of the project or authorised by the Joint Secretariat; and
- b) the expenditure is referred to an activity which was cancelled or not attended - if organised by third parties - due to the need of minimizing the risks associated to COVID 19 and/or following an express travel ban by public institutions/and or institutions of the lead partners/project partners; and
- c) the expenditure has been paid by the beneficiary and evidence is provided; and
- d) all possible means to obtain a reimbursement have been set in place by the beneficiary and evidence is provided (through e.g.: copies of sent communications, copies of web screen shots of travel companies where information on reimbursement is provided etc.); and
- e) evidence on the eventual reimbursement/partial reimbursement received is provided.

Other possible situations not foreseen above could be examined on a case-by-case basis.

Participation to online meetings and events

Participation to online meetings and events, even if they are organized outside the programme area and require the payment of a fee, is considered as eligible upon condition that it is coherent with the topics and overall goal of the granted project.

Eligibility of staff cost for employees in a stand-by situation or with a reduced working time

Following national/regional emergency measures, partner institutions are sometimes forced to put employees partially or fully in a stand-by situation or to reduce their working time as, for example:

- a) temporary unavailability for remote working due to lack of the necessary technical conditions;
- b) following the need of reducing the number of people present in the office at the same time; and/or
- c) following the need to ensure employees with children to look after them due to the temporary closure of kindergartens, crèches, or schools.

The above conditions could be considered as *force majeure* and affect staff costs.

Staff expenditure linked to this specific condition are considered as eligible; below the conditions to be adopted according to the different calculation methods of staff costs.

Staff costs calculated full time or part time: costs related to temporary stand-by can be considered **as eligible** and comparable to costs for holidays or sick leave. However, any possible payments or reimbursements from

⁴⁰ In case it is not possible rebooking or vouchers to be spent within the project activities according to Interpretative Guidelines on EU passenger rights regulations in the context of the developing situation with Covid-19 (2020/C 89 I/01) [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020XC0318\(04\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020XC0318(04)&from=EN)

any other source that reduces costs actually incurred by a partner organization due to any national, regional or internally agreed mechanism (e.g. temporary unemployment benefits paid by the job centre/employment agency, childcare schemes reimbursed by social security etc.) must be deducted.

Staff costs calculated on a fixed percentage: **the same approach described for full time applies.**

Staff costs calculated on a flexible number of hours/month: **costs cannot be considered as eligible** as no hours are worked on the project and due to the flexible project involvement, and it is therefore not possible to determine the share of time the employee would have usually worked on the project in that month.

Eligibility of expenditure for Covid tests

In case project partners' staff/stakeholders/controllers/experts who are required to travel for the implementation of activities related to the projects/verification of activities and expenditure are requested to provide a negative Covid test to enter a foreign partner state or visit institutions, this expenditure is considered as eligible, provided that it is not recoverable by other financial sources and it is paid or reimbursed by the partner organisation/expert.

The supporting documents must include:

b) the proof that the test is compulsory required for entering in the Partner State or visit the institution; and

c) the reasons for the travel (e.g.: the programme or agenda of the project event to be attended).