



**Baltic Sea Region**

**Programme 2007-2013**

## **Eligibility of expenditure & other financial issues**

Joint Technical Secretariat

Information Seminar for Project Partners  
on Baltic Sea Region Programme 2007 – 2013 projects  
implementation

Riga, 04 October 2011



Part-financed by the European Union  
European Regional Development Fund and  
European Neighbourhood and Partnership Instrument

# Content

1. General information
2. Audit and Control system
3. Eligibility of expenditure
4. Cost sharing
5. Optional templates for project partners

## Programme area

### 1. EU Member States (ERDF and ENPI):

Denmark, Estonia, Finland, Latvia, Lithuania, Poland, Sweden and Northern parts of Germany

### 2. Norway (Norwegian fund)

### 3. Partner countries (ENPI):

Belarus and North-western regions of Russia (no Financing Agreement signed)



# 1. Rules at different levels

- EU rules
- Programme rules
- National, regional, local rules
- Rules of the partner organisations

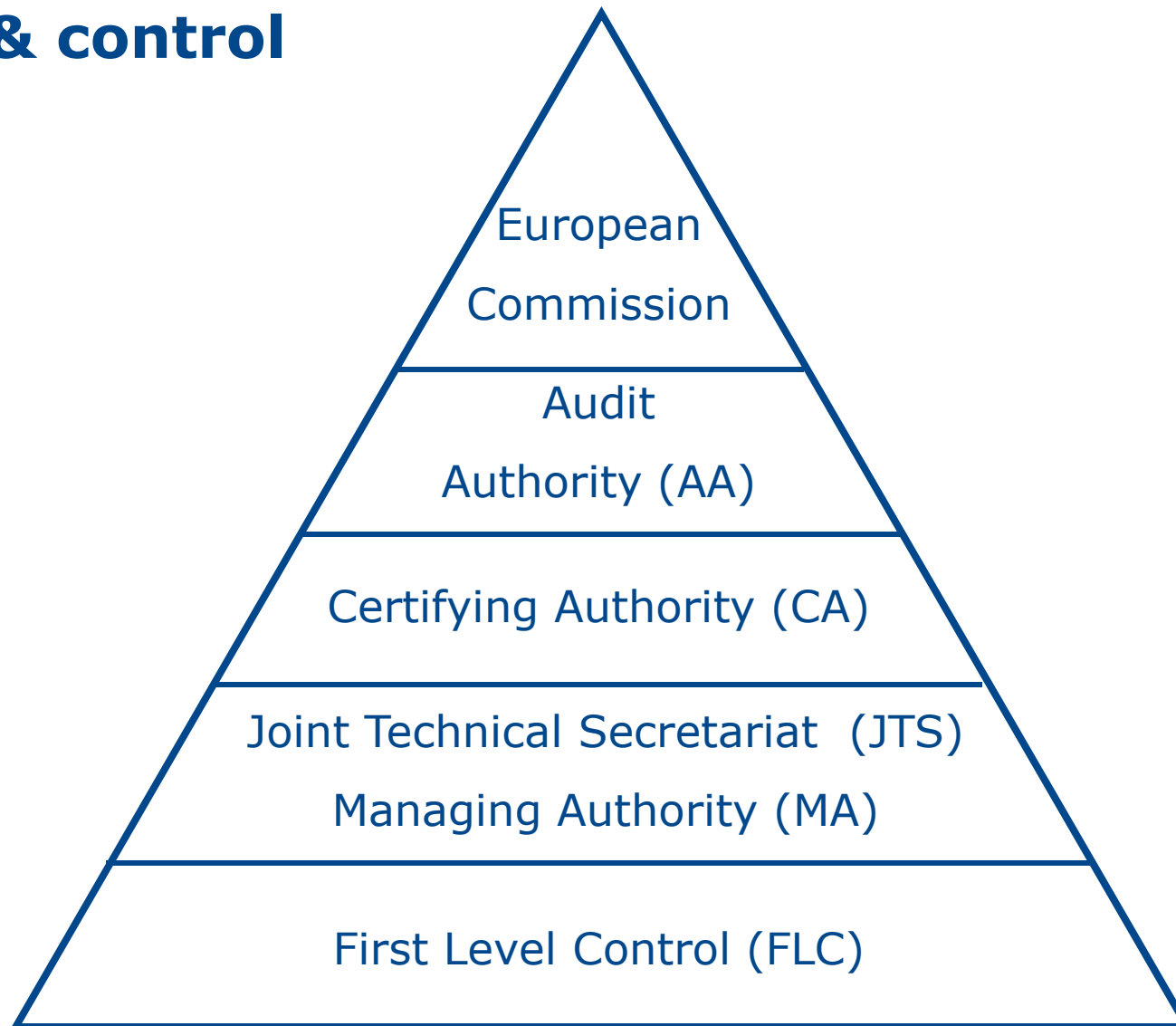


**The strictest rule apply !!!**

# 1. EU & programme rules

- **Programme Manual**
  - Website: [eu.baltic.net](http://eu.baltic.net)
    - ✓ FAQ
    - ✓ Country specific information
    - ✓ Management Toolkit ...
  - Project Implementation Newsletter
- ( EU regulations & guidelines )
- ( Operational Programme )

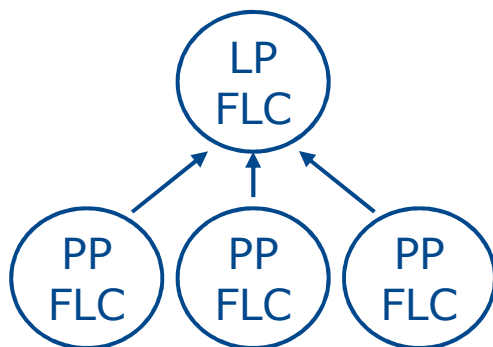
## 2. Audit & control



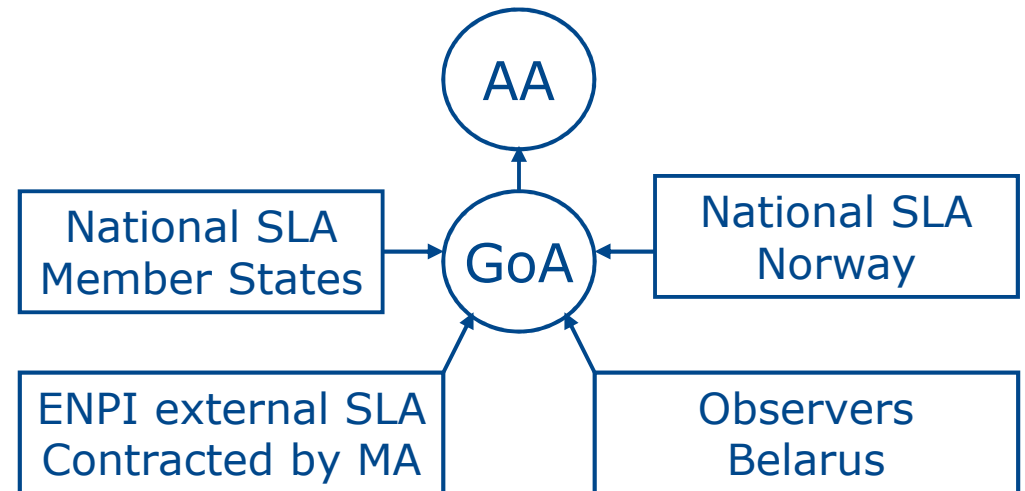
## First Level Control



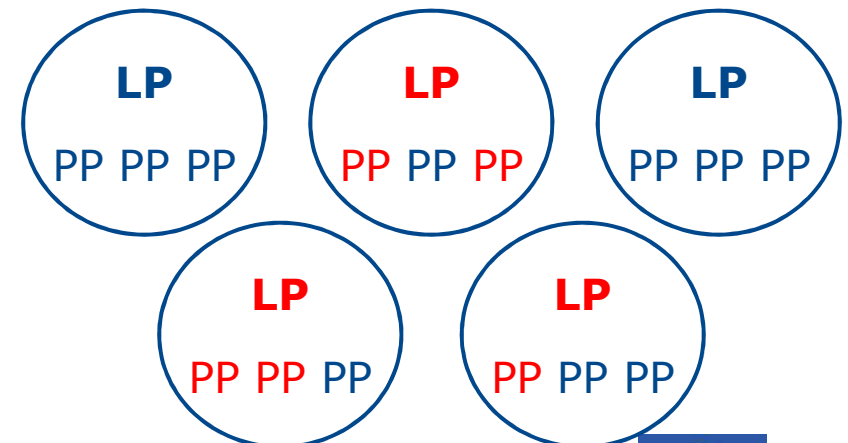
Each progress report



## Second Level Audit



Regular sample audits of projects



## **3A. Budget line specific rules**

**BL1** – Personnel

**BL2** – External services

**BL3** – Travel and accommodation

**BL4** – Equipment and investment

**BL5** – Other direct costs

## **BL1 – Personnel: Documentation**

### **Personnel costs of project staff**

- ✓ Employment/labour contract
- ✓ Payslips/other adequate accounting documents

### **Unpaid voluntary work**

- ✓ Written agreement
- ✓ Documentation of the work value calculation

- ✓ Signed time sheets
  - ✓ Payment proof (e.g. bank statement)
- ✓ Other documents required by first level controller

## BL1 – Personnel: Please avoid that...

- Salary is not **actually paid** (e.g. taxes)
- **Timesheets** do not correspond to calculation / internal documents
- **Voluntary payments** (e.g. bonuses) included
- **Overheads/indirect administration costs** included

## BL1 – Personnel: Please know that...

- **Freelancers / independent contractors** in BL2
- Personnel costs of **other departments / internal agencies** also need timesheets
- **Daily / weekly working time** cannot exceed national limits
- **Travel and accommodation costs and insurance** for voluntary workers are eligible

## **Budget line specific rules**

**BL1** – Personnel

**BL2** – External services

**BL3** – Travel and accommodation

**BL4** – Equipment and investment

**BL5** – Other direct costs

## **BL2 – External services: Documentation**

- ✓ Contract
- ✓ Invoice (incl. project reference and service details)
- ✓ Payment proof
- ✓ Observance of public procurement rules / Bid-at-three rule!

## BL2 – External services: Please avoid that...

- **Project partners contract each other** or their employees
- **No actual payment**
- **Advance payments** reported, but:
  - No invoice
  - Service not (partially or fully) delivered yet
- External services **weakly described** in Progress Report and cost itemisation list

## BL2 – External services: Please know that...

- Usually **internal agencies / in-house consultants** belong to BL1+5
- **Public procurement** rules / bid-at-three rule always to be observed, also if:
  - Service only offered by a limited number of providers
  - Contract with associated organisation
  - Contract with supplier from outside EU
- **Entertainment costs** (e.g. guided city tour) not eligible
- Language and other **standard courses** not eligible

## **Budget line specific rules**

**BL1** – Personnel

**BL2** – External services

**BL3** – Travel and accommodation

**BL4** – Equipment and investment

**BL5** – Other direct costs

## **BL3 – Travel and accommodation: Documentation**

- ✓ Agenda / programme of the meeting / event
- ✓ Travel report / equivalent memo
- ✓ Original tickets and other original documentary evidence
- ✓ Payment proof

## BL3 – Travel and accommodation: Please avoid that...

- Costs exceed **national / EU limits**
- Travel in **first / business class** without justification
- **Subsistence allowance** for third person included
- Use of **car or taxi** if public transport is available
- Travel **outside EU and Programme area** without approval
- Travel not **connected to the project activities**

## BL3 – Travel and accommodation: Please know that...

- **COM per diem rates** are only upper limits, but no lump sums!
- **Purchase / leasing of a car** not eligible
- **CO<sub>2</sub> emission compensation** certificate not eligible
- Travel costs of **associated organisation or unpaid voluntary worker** are eligible
- Travel costs of external service providers usually belong to BL2

## **Budget line specific rules**

**BL1** – Personnel

**BL2** – External services

**BL3** – Travel and accommodation

**BL4** – Equipment and investment

**BL5** – Other direct costs

## **BL4 – Equipment and investment: Documentation**

- ✓ Contract
- ✓ Invoice (incl. project reference and service details)
- ✓ Payment proof
- ✓ Observance of public procurement rules / Bid-at-three rule!
- ✓ Equipment: calculation of depreciation costs

## BL4 – Equipment and investment: Please know that...

- Equipment / investment cannot be financed by **other financial instrument or project**
- Equipment which is already **fully depreciated cannot be reported**
- Equipment / investment has to be listed in **project data form**
- Equipment / investment has to comply with **information and publicity rules**
- Equipment of **part-time employees** is fully eligible

## **Budget line specific rules**

**BL1** – Personnel

**BL2** – External services

**BL3** – Travel and accommodation

**BL4** – Equipment and investment

**BL5** – Other direct costs

## **BL5 – Other direct costs:                      Documentation**

- ✓ Invoice (incl. project reference and service details)
- ✓ Payment proof
- ✓ Observance of public procurement rules / Bid-at-three rule!

## BL5 – Other direct costs:

## Please know that...

- The following is not eligible:
  - General costs allocated on a **percentage or pro rata basis** (Overheads (indirect administrative costs))
  - National transfer charges, exchange rate losses and debit interest
  - Awards and prizes
- Rooms cannot be provided as **in-kind contribution**

## **3B. Horizontal rules**

1. No contracting between project partners

2. Conflict of interests

3. Budget flexibility

**4. Public procurement**

**5. Bid-at-three rule**

**6. Publicity rules**

7. VAT and other financial charges

8. Cash in-flows

9. Interest and equivalent benefits

**10. Use of programme co-financing outside the EU and programme area**

# 1. No contracting between project partners

- No contracting for carrying out project activities
- No profit margin
- Cost-sharing  Contracting



## 2. Conflict of interest

- Person involved compromised by family, political etc. reasons
- All necessary precautions to be undertaken



## 4. Public procurement

- Principles: transparency, equality and objectivity

### Special issues

- Limited number of service providers
- External service providers in the preparation phase
- Lead Partner's liability regarding other Project Partners
- NGOs not falling under the laws applicable to public institutions



## 5. Bid-at-three rule I.

- Value of purchase **below** the institutional, national and Community thresholds

### **BUT**

- Value of purchase **above 1,000** EUR excl. VAT
- Collection of 3 offers
- Proper documentation

Update by end  
November  
expected



## 6. Publicity rules

- Indication of the EU's participation
- Indication of the BSR Programme 2007-2013

- Recovery of funds unduly paid!

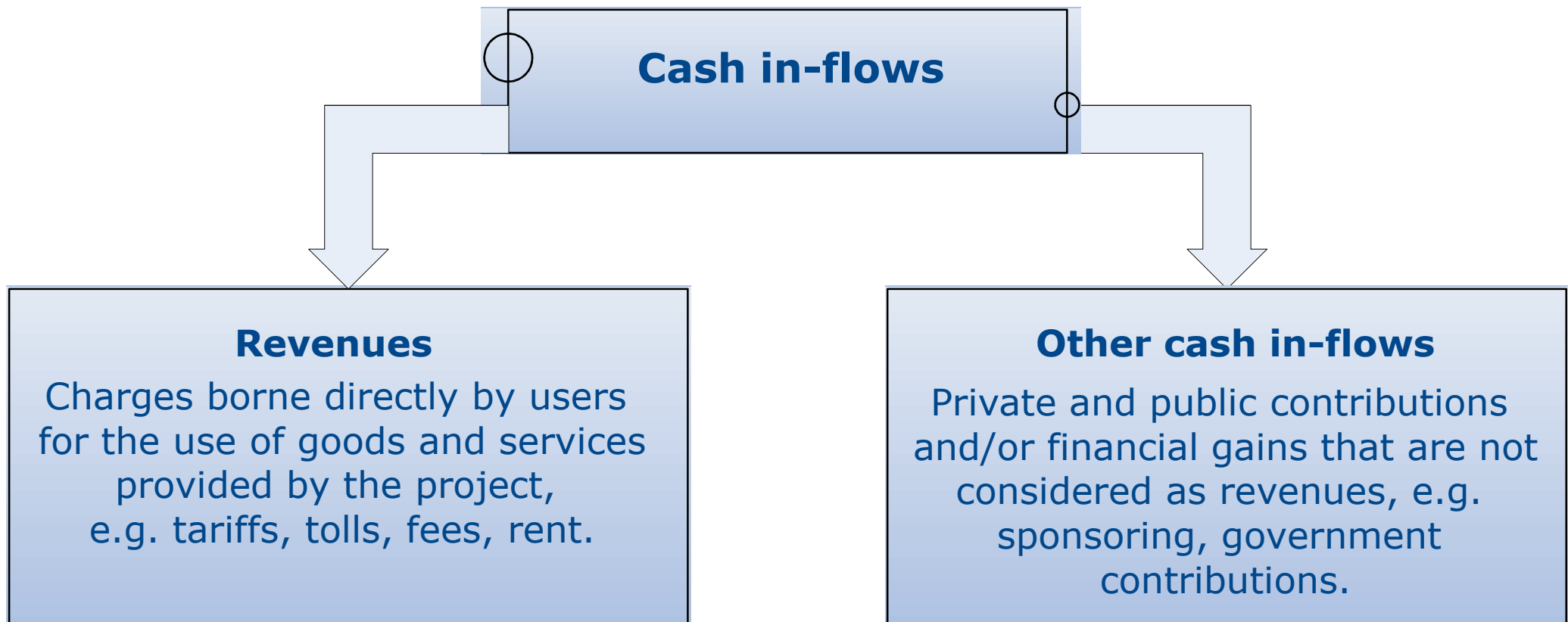


## 7. VAT and other financial charges



- **Only not recoverable VAT** is eligible
- **Financial charges** e.g. for transnational transactions, bank accounts of project **are eligible**
- **Debit interests, exchange rate losses are NOT eligible**

## 8. Treatment of cash in-flows



## Examples of cash-in flows

### Investments in infrastructure

- Revenues: User fee: Info points, science parks, technology centres
- Other cash in-flows: Government contribution for construction

### Other goods and services

- Revenues: Service fees, attendance fees for project workshops
- Other cash in-flows: Contribution of private equity to the development of courses

## A. Treatment of revenues

- Project Data Form
- Project implementation
  - In the Progress report
  - Information to FLC
  - Deduction from the eligible expenditure
- Project closure
  - Reference period/5 years following the project completion



## B. Treatment of other cash in-flows

- Public contributions
  - NO double financing
  - co-financing NOT higher than partner's contribution
  - funding under ONLY one operational programme
- Private contributions
  - NOT ELIGIBLE – Complementary activities (FR\_8)
  - e.g. airline company sponsoring air fares of PP



## 10. Use of programme co-financing outside the EU

### 10% rule (ERDF)



#### Who/What is concerned?

(Parts of) project activities  
... located outside the EU ...  
... could be inside the  
programme area  
(e.g. BY, NO, RU).



#### Condition?

Expenditure for the  
benefit of the regions  
of EU in programme area



#### Limit?

ERDF co-financing to the  
expenditure  $\leq$  10% of  
total ERDF co-financing

**!!! NOT applicable to Norwegian and Belarusian partners !!!**

## 10. Use of programme co-financing outside the EU

- NOT applicable to Norwegian and Belarusian partners

### Special issues:

- Hiring an external service provider outside the EU territory
- Involvement of Russian organisations
- Norwegian partner as implementing partner

## Use of the EURO (Exchange rate calculation)

- All funds in EUR
- Other currency to EUR
- Monthly accounting **exchange rate** of the European Commission  
<http://ec.europa.eu/budget/inforeuro/>
- When converting 4 digits after the comma
- Financial report chapter of the Programme Manual

# Monthly accounting exchange rate of the EC



European Commission > Budget

What's new ? | Publications | Documents | Links | InforEuro Home

Site map |

2009-5

[Download in table format](#) [Download in CSV format](#)

Accounting rate of the euro and conversion rate used for the calculation of, for instance, the reimbursement of medical expenditure, mission costs and subsistence costs, travelling time allowance and travel expenses of persons from outside called to meetings by the European Commission.

The Commission would point out that this document is strictly informative in nature and does not give the users any rights.

The rates indicated are the market rates for the penultimate day of the previous month quoted by the European Central Bank or, depending on availability, provide the delegations or other appropriate sources close to that date.

Num. country code	Country	Alpha country code	Currencies	ISO code	Rate
<b>Currencies quoted daily by the European Central Bank</b>					
068	Bulgaria	BG	Lev (New)	BGN	1,955800
061	Czech Republic	CZ	Czech koruna	CZK	26,690000
008	Denmark	DK	Danish krone	DKK	7,448300
053	Estonia	EE	Estonian kroon	EEK	15,646600
064	Hungary	HU	forint	HUF	289,200000
054	Latvia	LV	Latvian lats	LVL	0,709200
055	Lithuania	LT	Lithuanian litas	LTL	3,452800
060	Poland	PL	zloty	PLN	4,414000
066	Romania	RO	New Romanian Leu	RON	4,188300
030	Sweden	SE	Swedish krona	SEK	10,759700

## 4. Cost sharing – Please avoid...

- Procedure:
  - No cost sharing agreement
  - Implementing partner does not invoice the cost shares
- Reporting:
  - **Double reporting of project partners' cost shares**
  - No overview on the cost shares for the Lead Partner
  - Advance payments for cost shares reported
- First level controller of Implementing partner does not validate all costs

## 5. Partner report & other templates

Partner report:

- includes Cost itemisation list
- Only own costs of the partner !  
(shared costs not included or indicative only)
- Increased risk: Double-reporting of cost shares

Further optional templates on **eu.baltic.net**



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**Programme 2007-2013**

## **Programme eligibility rules**

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