



bringing neighbours closer

Latvia-Lithuania Cross Border Cooperation Programme

under the European Territorial Cooperation
Objective 2007-2013

PROGRAMME MANUAL

4th Call for Proposals

1 February 2011

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Abbreviations:

ERDF	European Regional Development Fund
EU	European Union
FA	Financial Analysis
FLC	First Level Control
JMSC	Joint Monitoring and Steering Committee
JTS	Joint Technical Secretariat
LP	Lead Partner
MA	Managing Authority
PP	Project Partner
PR	Progress Report

1. INTRODUCTION

Programme Manual provides further information on the provisions laid down in the Latvia–Lithuania Cross Border Cooperation Programme Under European Territorial Cooperation Objective 2007–2013, that was approved by the European Commission on 17 December 2007 (Decision No K (2007)6295) (hereafter referred to as “Programme”).

The focus of the Programme Manual is to provide guidance for potential applicants and project partners (PPs) on the full project life-cycle, starting from the preparation of the applications to the implementation, monitoring, reporting and finalization of the approved projects.

The Programme Manual can be updated whenever major changes in the Programme implementation system occur. Thus it is recommended to follow the latest version of the Programme Manual even for the earlier approved projects. The latest version is available on the Programme website: www.latlit.eu.

The Programme Manual is a part of the Applicant’s Pack that also includes:

- ▶ relevant European Union (EU) legislation;
- ▶ Programme Document;
- ▶ Application Form and Partner Declarations;
- ▶ Subsidy Contract;
- ▶ Model Partnership Agreement;
- ▶ national eligibility rules and legislation.

The above documents are available for download from the Programme website www.latlit.eu. Please check the Programme glossary on the website for definition of terms used in the Programme Manual.

Potential applicants are advised to study the above documents carefully as they provide detailed description of Programme’s aims, Priorities and Directions of Support, project selection criteria and implementation requirements. The text of this Programme Manual is the main guide for the applicants, project implementers and First Level Control (FLC).¹

Taking into account the results of the 1st, 2nd and 3rd Call for Proposals and the uneven fulfilment of the Programme indicators between Directions of Support Programme launches targeted 4th Call for Proposals aimed at the achievement of the missing Programme indicators. Please note that the thematic group “Information and communication technology” under the Priority I Direction of Support 2 and Priority II Direction of Support 2 “Increasing Attractiveness of the Border Region” are closed for the 4th Call for Proposals. For more detailed information please check chapter 3.3. of the Programme Manual.

The current version of the Programme Manual has been approved by the Joint Monitoring and Steering Committee on 12 January 2011.

¹ Please note that the information in the Programme Manual is based on the Programme Document, relevant Community and national legislation. If there is any conflict between the information provided in this Programme Manual and the Programme Document, national and Community legislation, the stricter rules take precedence.

2. GENERAL PROGRAMME INFORMATION

2.1 European Territorial Cooperation

European Territorial Cooperation Objective is a successor of the Community Initiative INTERREG. It is financed from the European Regional Development Fund (ERDF) which is focused on three main strands:

1. development of economic and social cross border activities;
2. establishment and development of transnational cooperation, including cooperation between maritime regions;
3. increasing efficiency of regional policy through interregional promotion and cooperation, networking and exchange of experiences.

In the framework of European Territorial Cooperation 2007–2013, Latvia and Lithuania will participate also in the following cooperation programmes:

- ▶ Baltic Sea Region 2007–2013 Programme;
- ▶ INTERREG IVC Programme;
- ▶ Central Baltic INTERREG IVA Programme (Latvia);
- ▶ Estonia–Latvia Cross Border Cooperation Programme (Latvia);
- ▶ Lithuania–Poland Cross Border Cooperation Programme (Lithuania);
- ▶ South Baltic Cross Border Cooperation Programme (Lithuania);
- ▶ Poland–Lithuania–Russian Federation Cross Border Cooperation Programme under European Neighbourhood and Partnership Instrument (Lithuania);
- ▶ Latvia–Lithuania–Belarus Cross Border Cooperation Programme under the European Neighbourhood and Partnership Instrument (Latvia, Lithuania);
- ▶ Estonia–Latvia–Russia Cross Border Cooperation Programme within European Neighbourhood and Partnership Instrument (Latvia).

2.2 Latvia–Lithuania Cross Border Cooperation Programme 2007–2013

The Programme will be implemented under the European Territorial Cooperation Objective. During the previous programming period Latvia and Lithuania have built an intensive cooperation relationship in the framework of Latvia–Lithuania–Belarus INTERREG IIIA Priority within the Baltic Sea Region INTERREG III B Neighbourhood Programme. Implementation of this Programme is aimed to bring the cooperation to a new level and to stimulate motivation for further acceleration of socio-economic development of the Programme's area.

The vision of the Programme is to develop a sustainable and dynamic European region located on the South–North and East–West transport, trade and tourism routes, with a diverse and clean environment, its own unique cultural and historical identity, well educated and well-being inhabitants, flexible to meet global economic and environmental challenges, attract productive investments and use the innovations for creation of prosperity on all its territory.

2.3 Legal Framework

Four levels of rules and requirements guide projects:

- ▶ EU legislation:

ERDF Regulation – Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999. The ERDF Regulation provides framework for activities financed from the ERDF, including the European Territorial Cooperation Objective Programmes.

General Regulation – Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1260/1999. The General Regulation sets general rules and requirements for all programmes of the EU structural funds.

Council Regulation (EC) No 1341/2008 of 18 December 2008 amending Regulation (EC) No 1083/2006 laying down general provisions of the European Regional Development Fund, the European Social Fund, in respect of certain revenue generating projects.

Council Regulation (EC) No 284/2009 of 9 April 2009 amending Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund concerning certain provisions relating to financial management.

Regulation (EC) No 397/2009 of the European Parliament and of the Council of the 6 May 2009 amending Regulation (EC) 1080/2006 on the European Regional Development Fund as regards the eligibility of energy efficiency and renewable energy investments in housing.

Regulation (EU) No 539/2010 of the European Parliament and of the Council of 16 June 2010 amending Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as regards simplification of certain requirements and as regards certain provisions relating to financial management.

Implementing Regulation – Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund. The Implementing Regulation determines detailed rules for Programme implementation.

Commission Regulation (EC) No 846/2009 of 1 September 2009 amending Regulation (EC) No 1828/2006 and Regulation (EC) No 1083/2006 concerning certain revenue-generating projects.

Council Regulation (EC) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities, Chapter 7, Article 27, Title V, Title VI.

Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de-minimis* aid.

European Union Strategy for the Baltic Sea Region, EU policies and principles, in particular on sustainable development and protection of the environment, equal opportunities, partnership, additionality, free competition and State Aid, public procurement.

- ▶ Programme Document;
- ▶ Programme Manual, Application Form, Subsidy Contract, Guidelines for FLC, other guidance documents on Programme level;
- ▶ National eligibility rules and legislation.

In all cases, Lead partners (LP's) and PP's have to follow the national legislation of their country as well. The national legislation applies also in cases when it is stricter than the EU legislation or Programme rules.

Member States have issued *national eligibility rules* for this EU Structural Funds programming period that have to be applied for the Programme:

- ▶ Cabinet of the Republic of Latvia Regulation No 89 of 27 January 2009 "Procedures by which Eligible and Non-eligible Costs for Latvian Project Partners and Provisions are Determined and

FLC in the Framework of EU Structural Funds Objective 3 European Territorial Cooperation is Ensured”.

- ▶ National Eligibility Rules for European Territorial Cooperation Objective Programmes Implemented in Lithuania.

Both documents are available on the Programme website:

http://www.latlit.eu/eng/how_to_implement/1st_level_control in the section devoted to the Lithuania and Latvia FLC.

2.4 EU Policies and Principles

There are several horizontal policies and principles that must be respected and followed during implementation of all EU financed activities. They include e.g. sustainable development, equal opportunities, partnership, additionality and free competition. All projects supported by the Programme should integrate the below mentioned principles into their activities.

Sustainable Development

Sustainable development means respecting the right of future generations to change the path of development, i.e. to further access resources that are difficult to renew or non-renewable and to maintain the elementary natural preconditions for life. In addition to the environmental aspect, sustainable development also covers economic, social and cultural aspects of sustainability.

Environment nevertheless remains the most important aspect of sustainable development. The applicants are asked to indicate in the Application Form whether the planned project activities might have influence, either positive or negative, to the environment, including on local and regional level. Negative impacts should be identified and applicants should explain how negative impacts will be prevented or mitigated. In case there is a risk that project might have significant adverse impact on the environment, an environmental impact assessment must be carried out in accordance with the national legislation.

Environmental provisions, whenever possible, have to include into the technical specifications of public procurement documents.

Equal Opportunities

The aim is to ensure equal opportunities for men and women prevent all kind of discrimination, e.g. based on sex, racial or ethnic origin, religion or belief, age or disability and provide them with equal access to implementation of the EU structural funds (see also Art. 16 of Council Regulation (EC) No 1083/2006).

Provisions on accessibility for disabled persons are included in the EU public procurement directives and they foresee that, whenever possible, the technical specifications set out in the contract documentation, such as contract notices, contract documents or additional documents should be defined in order to take into account accessibility criteria for people with disabilities or design for all users.

Projects that build organisational structures (e.g. men and women equally presented in project decision-making or in project target groups) or implement activities aiming at promotion of equal opportunities should describe these activities and report on the results.

Partnership

Projects shall fulfil the partnership principle by ensuring that all relevant levels of administration as well as all relevant types of organisations participate in the project activities. For example, participation of regional and local levels or, correspondingly, public authorities, economic and social partners (such as SMEs) and civil society, such as non-governmental organizations. However, a broad partnership should not take place by involving too many partners in one project. A large amount of partners often leads to a complicated management structure, contradictory targets between project partners and, thus, difficulties to implement the project successfully.

Additionality

The principle of additionality means that EU financing shall not replace public or equivalent financing by a Member State of similar sources. Projects selected for financing are expected to bring added value, i.e. create something that would not have been done without Programme's intervention. In addition, the organisations involved in the project activities cannot use Programme financing to replace funding for their statutory tasks (see also Art. 15 of Council Regulation (EC) No 1083/2006).

State Aid

Free movement of goods, services and people is one of the basic principles of the European Union. Therefore the objective of the EU state aid policy is to ensure that free competition is not distorted and trade among the Member States is not affected by public grants. The points of departure of EU state aid policy are Articles 87 and 88 of the Treaty establishing the European Community (EC Treaty). These articles generally prohibit state aid and define further steps to be taken by the Member States to grant aid that is in line with the state aid law.

The following EU legislation determines the State Aid rules:

- ▶ EC Treaty;
- ▶ Regulation (EC) No 1083/2006: Article 54;
- ▶ Commission Regulation (EC) No 1998/2006 of the 15 December 2006 on the Application of Articles 87 and 88 of the Treaty to *de minimis* Aid;
- ▶ Commission Regulation (EC) No 1628/2006 of the October 24 2006 on the Application of Articles 87 and 88 of the Treaty to National Regional Investment Aid;
- ▶ Council Regulation (EC) No 994/98 of May 7 1998 on the Application of Articles 92 and 93 of the Treaty Establishing the European Community to Certain Categories of Horizontal State Aid.
- ▶ Commission Regulation (EC) No 800/2008 of the 6 August 2008 Declaring Certain Categories of Aid Compatible with the Common Market it Application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation).

The latest applicable State Aid provisions are available under:

http://ec.europa.eu/comm/competition/state_aid/reform/reform.cfm.

State aid is defined as any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far it affects between Member States, be incompatible with common market.

The concept of undertaking covers any entity engaged in an economic activity, regardless of the legal status of the entity or the way in which it is financed. Therefore, applicants should be aware that the issue of the State Aid might become relevant even in case when a non-profit organisation participates in the project and competes with the profit-oriented organisation. The basis for the decision on the State Aid issue is not the legal form of an organisation, but the character of its activities in relation to the market.

Activity is considered as State Aid in case if all following criteria listed below is fulfilled:

- ▶ **state resources:** aid is granted by Member States or through state resources;
- ▶ **economic advantage:** transfer of resources or relief from charges which an undertaking normally has to bear;
- ▶ **selectivity:** favouring certain undertakings or the production of certain goods'; or selectivity of the use of project results by end users/target group;
- ▶ **distortion or threatens to distort competition:** if undertaking is involved in an economic activity and operates in a market where there is trade between Member States.

The Commission has defined the level of aid below which State Aid is not applied – *de minimis* aid by the Article 3 of the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the Application of Articles 87 and 88 of the Treaty to *de minimis*.

Please pay attention that activity which can be qualified as State Aid activities in the sense of EU regulations and Latvian and Lithuanian national legislation are not supported by the Programme. Activities falling under *de minimis* regulations are eligible exclusively for the Latvian LPs/PPs. The *de minimis* aid will be granted and monitored in accordance with respective legislation of the Republic of Latvia. For the Lithuanian LPs/PPs activities falling under the State Aid (including *de minimis* and block exemption regulations) are ineligible.

Is it State Aid? Some key concepts:

Undertaking: ...the concept of an undertaking in the context of competition law covers any entity engaged in an economic activity, regardless of the legal status of the entity or the way in which it is financed.

Economic activity: Any activity consisting in offering goods and services on a given market is an economic activity.

When an 'undertaking' is involved in an 'economic activity', there is a potential for State Aid.

State Aid does not just apply to private companies:

- ▶ The 'undertaking' definition can apply to private, public and public equivalent bodies.
- ▶ There are cases where public bodies are involved in economic activities so they are in no sense exempted from State Aid.
- ▶ Some organisations are involved in 'economic' and 'non - economic' activities e.g. a museum that also produces and sells DVDs.
- ▶ BUT beware of over - applying the definition of 'economic activity' – most public service activities remain non - economic.
- ▶ State Aid does not apply to operators supplying goods and services that have been the subject of a tender. Here procurement should in itself guarantee fair and open competition.

Not State Aid:

Support for **non - economic** activities:

- ▶ Funding for regulatory action and public functions of public authorities and the exercise of state prerogatives.
- ▶ Support for primary activities of research organisations relating to the provision of teaching and research.
- ▶ Support for state education.
- ▶ Support for health services operated as a public function of the state.

Support where there is **no advantage** conferred:

- ▶ Support for general infrastructure projects that do not benefit specific users e.g. streets, water - ways, cycle trails, improvement of public transport infrastructure or road networks, public amenities, sewage collection.
- ▶ Full market value purchases of goods and services (most effectively demonstrated by a competitive tender in line with EU and national procurement rules).

EU Strategy for the Baltic Sea Region

The Programme takes part in the implementation of the EU Strategy for the Baltic Sea Region including its Action Plan, therefore Projects co-financed by the Programme shall facilitate implementation of the EU Strategy for the Baltic Sea Region. The Strategy was adopted by the European Council on the 26 October 2009. The EU Strategy for the Baltic Sea Region addresses areas such as environmental sustainability, prosperity, accessibility and attractiveness, together with safety and security that are crucial for the European Union as a whole. It should be noted that the EU Strategy for the Baltic Sea

Region is understood as an integrated concept requiring the cooperation beyond single policy sectors, and across borders. The Strategy is available on the Programme's website: www.latlit.eu

2.5 Programme Management

Management structure of the Programme consists of the following bodies:

Joint Monitoring and Steering Committee (JMSC) – a body responsible for ensuring effectiveness and quality of Programme implementation through selecting projects for funding, monitoring their implementation, making substantial changes in Programme implementation procedures, monitoring the Programme implementation and proposing amendments to the Programme Document. Members of the JMSC are representatives from national, regional or local level, economic and social partners from Latvia and Lithuania.

National Sub-Committees – bodies, established in Latvia and Lithuania supporting work of the JMSC. They ensure wider participation of regional and local authorities, economic and social partners and non-governmental organisations in the implementation of the Programme by pre-discussing the national positions before the JMSC meetings.

National Authorities – national institutions responsible for the Programme development, Programme monitoring on behalf of the Member States and relevant policy making. Functions of the national authorities are implemented by the Ministry of the Interior of the Republic of Lithuania and the Ministry of Environmental Protection and Regional Development of the Republic of Latvia.

Managing Authority (MA) – a body responsible for efficient, correct management and implementation of the Programme. The Cross Border Cooperation Programme Division of the Development Instruments Department of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia carries out the functions of the MA. The signs Subsidy Contract with the LP of the projects and ensures that the CA receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification.

Certifying Authority (CA) – a body responsible for drawing up and submitting payment applications for the ERDF funds to the European Commission, receiving payments and paying out subsidies to the projects. The Cross Border Cooperation Programme Control Division of the Project Supervision Department of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia performs the tasks of the CA.

Audit Authority (AA) – a body responsible for ensuring that audits are carried out in order to verify effective functioning of the management and control system of the Programme and for ensuring that audits are carried out on projects on the basis of an appropriate sample to verify expenditure declared. The Audit Division of the Internal Audit Department of the of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia performs the tasks of the AA.

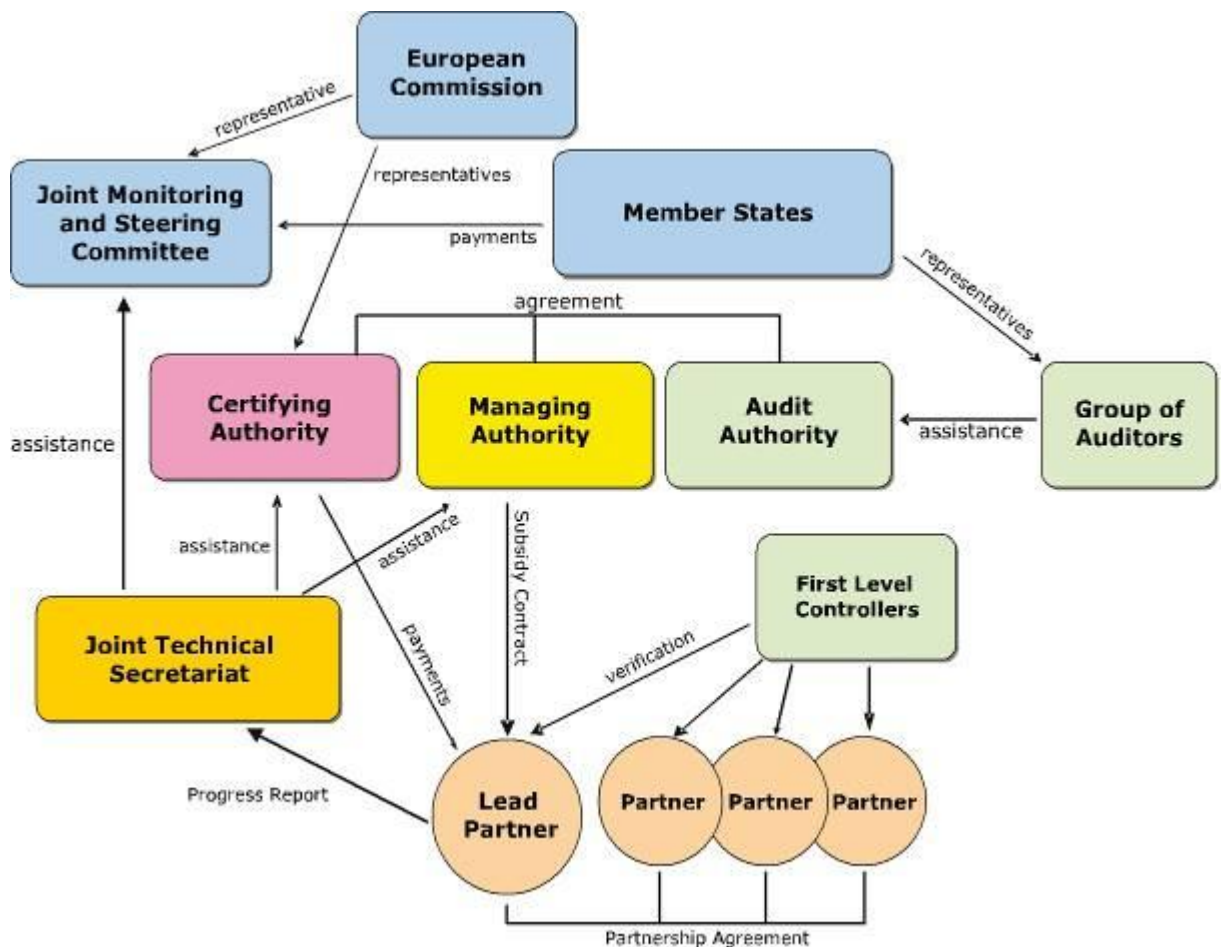
Concerning the functions of the MA, CA and AA of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia will ensure segregation of duties between the various bodies functioning within the Ministry's structure.

Group of Auditors – a body assisting the AA and carrying out the duties that are entailed with accomplishment, management and coordination of functions of AA. The Group of Auditors consists of the representatives of the AA and the Internal Audit Service of the Ministry of the Interior of the Republic of Lithuania.

Joint Technical Secretariat (JTS) – the main contact point for the projects which provides daily assistance to applicants and PPs during the preparation and implementation of the projects. The JTS shall assist the MA, the CA as defined in the agreements between each Member State and the respective authority, and the JMSC in carrying out their respective duties.

The JTS is hosted by the State Regional Development Agency of Latvia and is located in Riga. The JTS has a local travelling office in Lithuania (please see the schedule of travelling office on the website).

The following chart illustrates the Programme implementation structure:



2.6 Language of the Programme

The official language of the Programme, – i.e. the language of Programme Document, related official correspondence, legal, application and reporting documents, is **English**.

Application Form has to be submitted in **English only**; Feasibility study with a summary in English (if relevant) and other specific supporting documents of the application (e.g. technical documentation) can be submitted in Latvian or Lithuanian.

The same rule applies to the PR which has to be submitted in English, except for supporting documents, e.g. list of participants, agenda, studies, etc.

3. LATVIA–LITHUANIA CROSS BORDER COOPERATION PROGRAMME

3.1 Programme Objectives

The Programme aims at contributing to sustainable and cohesive socio-economic development of the border region in order to make it competitive for economic and business development and attractive for people living and visiting.

The specific objectives of the Programme are:

- to strengthen border area economic and social base and to increase competitiveness by establishing currently missing primary structures and capacities for development at regional level;

- to create favourable living conditions and to strengthen border region communities by improving quality and access of public services/supplies, effective management of environmental resources and raising the human capacity for further development.

3.2 Programme Area

The Programme area includes the following NUTS III regions:

- Latvia: Kurzeme, Zemgale, Latgale.
- Lithuania: Klaipėda, Telšiai, Šiauliai, Panevėžys, Utena and Kaunas (as adjacent region).

The Programme area is illustrated in the map below.



Adjacent region means that no more than 20% of the Programme total eligible public funds will be granted to projects from this area.

In duly justified cases and only if it is for the benefit of the Programme, up to a limit of 10% of the Programme's budget may be used outside the Programme area and the European Community.

3.3 Programme Priorities and Supported Activities

The Programme supports projects aimed at solving problems and enhancing regional development that need intervention on a cross border level. It fosters cross border cooperation in various fields, which by national laws and regulations of participating countries fall under the competence of regional and local actors.

The Programme does not support projects which can be implemented independently on each side of the border, considering that many problems of local, regional or national importance in the border areas can be solved applying cross border approach. Due to international nature of the projects, the proposed activities should also be in line with the inter-governmental cooperation agreements signed between Latvia and Lithuania for the relevant field.

In this Programming period cross border cooperation should aim for more challenging objectives: moving away from exchange of experience and organising one-off events towards sustained

cooperation in planning and implementing joint development activities with concrete and tangible results for regions on both sides of the border.

It is expected that cooperation within the Programme will lead to increased communication and traffic across the border, as well as greater mobility of population. Thus, the cooperation of municipalities, educational and social institutions may be necessary to improve the quality of services provided to the inhabitants.

The Programme consists of two Priorities, each of these covering several Directions of Support.

The Programme Priorities were selected based on the objectives of the Lisbon and Gothenburg Agendas, such as economic **growth & employment** by investing in education and research, support for small and medium-sized businesses, higher employment rates, common EU energy policy and **sustainable development** by combating climate change, sustainable transport, addressing threats to public health, manage natural resources, combat poverty and social exclusion, ageing population.

Priority I: Encouragement of Socio Economic Development and Competitiveness of the Region

Priority I is divided into two Directions of Support.

Direction of Support 1: Facilitating Business, Labour Market, Research and Technology Development

The activities promoting use of potential for better cross border interaction in research and innovation, business facilitation and development, joint marketing activities will be supported in the scope of this Direction. These activities should lead to increase in supply and productivity of labour force and regional mobility, compliance of the education and training system with demands of labour market and introduction of life-long learning possibilities. In this context, the activities supporting partnerships, contact making, exchange of experience, common development strategies and joint positioning are essential for encouraging economic development and competitiveness of the region. It should also be kept in mind that potential business development presents certain threats to the environment, therefore adequate measures tackling eventual deterioration of environment should be envisaged.

Project submitted under this Direction of Support shall include **at least one** of the below mentioned activities:

- ▶ reconstruction/creation of the business sites;
- ▶ creation of business support institutions (units);
- ▶ new networks for business and research cooperation;
- ▶ joint strategies and plans regarding improvement of business related infrastructure and business promotion services;
- ▶ research and technology action with durable and practical character;
- ▶ concept of science and technology parks;
- ▶ implemented projects involving cooperation of vocational education institutions and enterprises.

Please note that Project has to contribute to **two** Programme output indicators in case one of them is: "new networks for business and research cooperation" or "joint strategies and plans regarding improvement of business related infrastructure and business promotion services"

Direction of Support 2: Improvement of Internal and External Accessibility of the Border Region.

In the scope of this Direction support will be provided to development of new transport and logistics solutions in the cooperation area, promoting innovative information and communication technology services to make the region easier accessible from outside, repairing and restoring connections between different regions and urban and rural settlements.

Project submitted under this Direction shall include **at least two** of below mentioned activities:

- ▶ strategy on improvement of cross border road infrastructure;
- ▶ strategies on development/improvement of urban planning;
- ▶ concept on development of cross border transportation;
- ▶ new cross border bus lines created.

In general projects under this thematic group should be oriented towards soft activities related to fulfilment of the missing outputs indicators – preparation of strategies on cross border road infrastructure, development/improvement of the urban planning, concepts on development of cross border transportation, creation of the new cross border bus lines, including preparation of the feasibility studies and technical documentation of cross border relevance, e.g. directly related to the improvement of connections across border between two countries. On very justified cases pilot actions containing infrastructure component can be supported under this thematic group within the same project.

Priority II: Attractive Living Environment and Development of Sustainable Community

Priority II is divided into three Directions of Support.

Direction of Support 1: Enhancing Joint Management of Public Services and Natural Resources

Under this Direction support will be provided to finding joint solutions to common natural environmental problems, common management of protected areas and nature reserves, integrated coastal zone management, environmental education and raising awareness on environmental issues, cross border cooperation related to environmental monitoring such as early warning systems, cooperation in case of disasters, flood prevention and fighting forest fires. Majority of public services, such as energy and water supply must be provided on the same level/similarly on both sides of the border. It is crucial to determine how to best tackle the problems and improve the social situation for specific target groups in problem areas. The use of innovative methods and know-how's in social care services aimed at reduction of strain in public social services is important. Getting emergency services to respond jointly to a possible industrial accident is vitally important. Taking into account the presence of AB Orlen Lietuva and Ignalina Nuclear Power Plant companies in the Programme territory the emergency rescue plans in case of man-caused catastrophes are important. Investments in establishment of joint public services to be provided similarly on both sides of the border are also supported under this Direction. The municipal water and wastewater, as well as solid waste treatment infrastructure shall be addressed through national support and in general shall not be supported under this Programme. However, activities related to exchange of experience in this area, as well as activities aimed at identification of more efficient ways of providing these services in the border area could be supported.

Project submitted under this Direction of Support shall include **at least one** of the below mentioned activities:

- ▶ joint social services;
- ▶ joint transportation services;
- ▶ joint rescue teams (excluding joint fire brigades);
- ▶ joint public health services;
- ▶ joint environment protecting activities;
- ▶ joint environmental monitoring system;
- ▶ system for natural and technological risks prevention and early warning system;
- ▶ campaigns on raising environmental awareness;
- ▶ joint activities on preserving the protected areas;
- ▶ activities on improving joint waste management.

Please note:

- ▶ project has to contribute to the Programme output indicator "joint social services" in case project is applying for fulfilment of the output indicator "joint public health services".

- ▶ project has to contribute to **two** Programme output indicators in case one of them is “campaigns on raising environmental awareness”.

Direction of Support 2: Increasing Attractiveness of the Border Region

Direction of Support 2 is closed for the 4th Call for Proposals.

Direction of Support 3: Development of Active and Sustainable Communities (Small Project Facility)

Under this Direction of Support the local communities can exchange experiences of best practices on social issues and build up networks in education, implement culture, sport and leisure activities especially considering needs of young people. The activities should contribute to establishment of durable neighbouring relations in different fields. These activities also should focus on equal opportunities for both genders as well as different age groups.

Project submitted under this Direction of Support has to contain strong cross border character and contribute to the Programme output indicator:

- ▶ implemented joint projects among cross border institutions*.

*Cross border institutions are considered all bodies mentioned in the Programme Manual chapter 4.4.1.

3.4 Programme Funding

The Programme funding comes from the ERDF and it co-finances the projects developed and implemented by PPs. The total amount of the ERDF co-financing allocated under the Programme during the period 2007–2015 is EUR 60.082.466.

- ▶ Priority I: Encouragement of Socio Economic Development and Competitiveness of the Region – EUR 31.958.759
- ▶ Priority II: Attractive Living Environment and Development of Sustainable Community – EUR 28.123.707

Altogether, EUR 17 104 757,28 of the Programme funding is still available for the 4th Call as ERDF co-financing for projects:

- ▶ EUR 9 348 574,41 will be available under Priority I;
- ▶ EUR 1 million will be available under Priority II (EUR 756 182,87 that are available at the moment and EUR 243 817,13 that are calculated as possible savings from the projects approved under Priority II and that are finalized in 2010 and will be finalized within 2011 till the decision on project approval within 4th Call for Proposals will be made).

Please be informed, that changes in the Operation Programme on shifting EUR 7 million from Priority I to Priority II are under discussions with the European Commission and in case if changes in the Operational Programme will be approved by the European Commission, then EUR 8 million will be available for projects submitted within the Priority II.

Co-financing from the Programme can be up to 85% of the total eligible project costs. This means that PPs' own contribution must be a minimum 15% of total eligible project costs.

4. PROJECT GENERATION

4.1 Requirements for Projects

Programme support will be focused on activities that encourage socio-economic development of the region and make it attractive for people living and visiting. The following requirements are set for the projects development and implementation:

Cross Border Impact

Projects that receive funding from the Programme must have a **clear benefit for the cross border area and for all the PPs involved. Cross border cooperation must bring added value** to the project and improve its results by sharing the knowledge and experiences, products and services. Thus projects should address a common problem or strategic issue which the PPs attempt to solve together by developing and implementing the cross border approach, opposite to the purely national activities.

It is required that the potential applicants justify both the benefit of cross border cooperation compared to national and other types of cooperation and the impact of the project on the cross border area in the Application Form.

Cross border nature and socio-economic or environmental impact of the investments over border should also be clearly demonstrated by the project. That can be achieved through an extensive geographical coverage, by functional relations between different regions, by a model character of investments or by implementing investments which have the direct impact across the border, e.g. measures for protection of cross border wetland area; cross border business centres, systems of small ports along the sea coast, ICT solutions in peripheral areas, tourism routes, nature trails, technology for reduction of pollution in cross border area, etc.

The physical effect of the investments in the project should be beneficial to and serve the needs on both sides of the border, with clear cross border impact. Investments should constitute part of the overall cooperation strategy among the PPs involved.

It is considered that investments do not have sufficient cross border character and relevance in case they are local activities with weak or missing cooperation character; a series of investments interlinked only through a vague thematic connection or a series of investments with only an ex-post exchange of experience and no joint implementation or utilisation.

Cooperation Principles

- ▶ Joint development – project has to be developed jointly by the PPs in order to incorporate ideas from all PPs and to ensure a high level of commitment to the project;
- ▶ Joint implementation – project has to follow the principle of joint implementation of activities as opposed to implementing similar activities on each side of the border in parallel;
- ▶ Joint staffing – project team carrying out the project has to involve members from the partnership. There shall be appointed overall project coordinator and financial manager for the project, usually employed by the LP;
- ▶ Joint financing – all project PPs shall contribute to the project financially and joint project budget established.

Sustainable Development

Projects shall be targeted to renewed Lisbon and Gothenburg strategies aiming at strengthening economic growth, competitiveness and employment, improving quality of life and natural environment in the cooperation territory. Projects co-financed by the Programme shall also contribute to the implementation of the EU Strategy for the Baltic Sea Region.

Added Value

Projects should demonstrate innovative approach – they should differ from already available cross border solutions for given problem or given territory in order to avoid duplication of work and use of already known methodology.

Raising Competence

Projects should demonstrate that during their implementation actors involved will increase their capacity in running/implementing sustainable development policies.

Durability

Projects should aim at producing results and establishing structures that exist beyond the lifetime of the projects – the Programme funding should serve as start-up financing towards durable and sustainable solutions.

4.2 Project Size

Maximum project co-financing size depends on the type of the project (investment or non-investment), Priority and the Direction of Support under which the project is submitted.

The Table below indicates the minimum and maximum ERDF co-financing size that applicants can apply for:

	Minimum EUR, ERDF	Maximum EUR, ERDF
Priority I Direction of Support 1	20 000	1 million (investment project)* 350 000 (non-investment project) 200 000 (if NGO is LP)
Priority I Direction of Support 2	20 000	1 million (investment project)* 200 000 (non-investment project) 200 000 (if NGO is LP)
Priority II Direction of Support 1	20 000	1 million (investment project)* 200 000 (non-investment project) 200 000 (if NGO is LP)
Priority II Direction of Support 3	20 000	200 000

*investment project is a project in which budget line 6 consists of more than 50 % of the total eligible project budget.

For projects, requesting co-financing between EUR 20.000 and 50.000, investments are not encouraged.

4.3 Project Duration

If requested ERDF co-financing is up to EUR 200.000, maximum project duration can be 18 months. If requested ERDF co-financing exceeds EUR 200.000, maximum project duration can be 30 months.

4.4 Partnership Requirements

Projects have to involve at least one Lithuanian and one Latvian partner, which is registered or permanently located and actively operating in the Programme area.

As an exception, Latvian and Lithuanian state funded institutions and NGOs that are registered outside the Programme area and do not have permanent offices/do not operate in the Programme area can act as project LPs and PPs in the projects. In any case their participation must be crucial to project success and the additional competence or knowledge they bring should not exist in the eligible area. All benefit from the activities should remain in the Programme area. Please note that expenditure incurred by

PP(s) located outside the Programme area may be eligible if the project would have difficulty in achieving its objectives without that PP's participation.

All PP's have to contribute to the project financially. That is confirmed by Partner Declarations for the LP and PP's which are attached to the Application Form.

Once the project is approved, all PP's (except additional PP's) have to sign Partnership Agreement (see chapter 4.4.4.).

The number of PP's involved in the project is not the criteria determining if the project partnership is strong or weak. More important is PPs' expertise and authority necessary to carry out the planned activities, cross border representation as well as sufficient financial, technical and human resources to implement project activities. Moreover, the topics that project is addressing define also the profile and type of organisations that could be involved in the project.

Therefore the composition of project partnership should include:

- ▶ sufficient cross border representation;
- ▶ necessary sector expertise in the field of project activities;
- ▶ sufficient financial, technical and human resources to implement project activities, taking into account the complexity of the project.

4.4.1 Lead Partner

Each project has to appoint a LP, who is responsible for the submission of the application and for the whole project, including implementation and coordination of activities among the involved PPs and reporting. In case of approval of the project, the LP signs a Subsidy Contract with the MA, thus undertaking full financial and legal responsibility for the project. Responsibilities of the LP and PPs are set in Art. 20 of General Regulation and further specified in chapter 10 of the Programme Document.

The LP has to be registered or permanently located (i.e. permanent regional divisions/branches of national institutions/operation) in the Programme area, with exception identified in chapter 4.4., and must be:

- (1) local or regional public authority;
- (2) national institution;
- (3) public equivalent body, which means any legal body governed by public law:
 - (a) established for the specific purpose of meeting needs for the general interest and not having industrial or commercial character,
 - (b) having legal personality, and
 - * either financed, for the most part, by the state, or regional or local authorities, or other bodies governed by public law;
 - * or subject to management supervision by those bodies,
 - * or having an administrative, managerial or supervisory board, where more than half of the members are appointed by the state, regional or local authorities or by other bodies governed by public law;
- (4) NGO (in case of projects requesting ERDF co-financing up to EUR 200.000).

NGO is legal body: established for the specific purpose of meeting needs for the general interest and not having an industrial or commercial character, and having legal personality.

4.4.2 Project Partners

PP's can be all the bodies fulfilling the criteria listed in chapters 4.4. and 4.4.1. Legal entities not corresponding to one of the above mentioned categories are welcome to participate in the project as

additional partners.

4.4.3 Additional Partners

PP's coming from Latvia and Lithuania but not corresponding to one of the legal entities categories mentioned in the chapter 4.4.1. are considered as additional partners of the project. They are not taken into account when assessing the compliance with partnership requirements. Additional partners' participation must be covered from their contributions or from other relevant sources and they are not entitled to receive ERDF funding from the Programme.

4.4.4 Partnership Agreement

The PP's should provide full support to the LP for successful implementation of the project. In order to ensure high quality project that fulfils its objectives, Partnership Agreement between the LP and PP has to be concluded.

Signing of the Partnership Agreement is compulsory for all the PPs contributing financially to the project budget and receiving ERDF co-financing.

The Partnership Agreement includes information on each PP's role and responsibilities within the project, financial commitments and detailed PPs' budget.

As a minimum, the issues to be stipulated in the Partnership Agreement have to include:

- ▶ definition of responsibilities among the PP's;
- ▶ decision-making procedures and responsible persons in PP organisations;
- ▶ work plan;
- ▶ responsibility for the different work packages and their administration;
- ▶ working language(s);
- ▶ handling of potential changes in the project setup;
- ▶ procedures for solving disputes;
- ▶ financial management structure;
- ▶ cost sharing, if relevant;
- ▶ reporting obligations and related deadlines for timely submission of Partner Reports;
- ▶ inputs (certification of expenditure, activity and financial reports) to LP;
- ▶ payment procedures among the PPs;
- ▶ arrangements for recovering funds unduly paid to the PPs;
- ▶ physical or intellectual ownership of the project outputs and maintenance provisions after the project end;
- ▶ project documentation arrangements to ensure audit trail by PP's;
- ▶ detailed budget breakdown per work packages and budget lines for each PP's.
- ▶ A model form of the Partnership Agreement, including *Annex on detailed budget breakdown per PP's* is available on the Programme website www.latlit.eu, section *How to Implement*.

The Partnership Agreement must be concluded and the copy must be submitted by the LP to the JTS when submitting the signed Subsidy Contract: only then the project will receive the co-signed Subsidy Contract from the MA.

4.5 Project Outputs and Results

It is important that applicants define clear project outputs and results, contributing to the achievement of the project objectives, which should also be in line with the Programme defined indicators. Detailed

explanation on defining the project outputs and results is indicated in *Annex I of the Programme Manual*.

For estimation and report of the project outputs and results, it is relevant to identify sources of measurement such as official statistics, regional development agencies' data, interviews, reports, assessment sheets, institution's strategic plans, agreements, as well as define measurement units (figures, percentage). If the project is using percentage (%) as an indicator, the baseline information and target objective has to be indicated. E.g. if indicator is "increase of operating SMEs in the region by 5%", the applicant should indicate number of operating SMEs in the selected region before the project start and number of operating SMEs expected by the end of the project.

Outputs

The outputs are **tangible deliverables and visible outcomes or products** of the project activities and have a direct and immediate effect to specified target groups and stakeholders. They have to be identifiable, quantifiable products, easy to measure in physical or monetary units that make it possible afterwards to check whether or not the activity has occurred and evaluate it, for example: number of meetings, seminars or training sessions, number of people that received certificates, number and type of reports, number of cooperation networks established, number of policy tools developed, increased capacity of infrastructure object (m³, %), number of established infrastructure objects, etc.

Each project must specify and quantify the project outputs to be achieved during the project implementation. The project outputs should directly relate to the achievement of project sub-objectives and contribute to the project objective. The project receives funding for achievement of the planned outputs. Therefore, the planned outputs in the project will be closely monitored by the JTS!

As the Programme is aimed at the sustainable development of the border region, the projects are asked not only to indicate the outputs to be achieved within the project, but also to explain their durability – how the outputs will be used and who will retain their ownership after the project end.

A set of pre-defined project outputs is provided in the Application Form. The projects are required to select the most suitable project outputs as well as to define additional relevant project outputs and describe them. The examples are provided in the table below:

Project	Outputs
Reconstruction of vocational educational institution	850 m2 reconstructed; 3 new classrooms prepared; reconstructed old swimming pool is functioning as a sport hall; 750 students per year are expected; 2 experience exchange visits; 75 LV-LT students and specialists participated and established contacts; 1 joint strategy on current situation and future development opportunities for students of X and Y vocational educational institutions.
Development of SMEs activities in border regions	3 joint trainings on SME start-up; 50 persons in LV-LT trained on legal requirements SMEs activities in for establishment of SMEs and related financial management; 5 persons from border regions participants established SMEs; 1 joint feasibility study on current status and development opportunities for SMEs in border regions prepared in Latvian and Lithuanian language; at least 5 promising infrastructure objects identified for implementation of investments based on results of the study; 1 final cross border conference, 100 participants; renovation of premises (100 m2) for establishment of cross border business consultation centre, including painting of walls, change of 5 windows, installation of electricity systems, purchase of office equipment including 5 computers, 5 tables, 1 printer, 5 new business consultation experts employed; 1 cross border business consultation centre established and functioning; 150 individual consultations on SME start-up provided by the consultation centre with 150 persons in border regions from LV-LT consulted; positive feedback from 80% of the clients received;

	<p>1 joint website established and functioning; database of not less than 500 operating SMEs in the region, information on consultations published; 100 persons/per month visit website;</p> <p>1 joint network established involving 10 business institutions.</p>
Development of joint health services	<p>3 experience exchange visits; 120 LV-LT local and regional health care and planning experts participated; new network established involving 10 hospitals in border regions;</p> <p>information events for local inhabitants on established joint health care services across the border; 150 LV-LT participants; 1000 information leaflets produced and disseminated; positive feedback of cross border services received from at least 80% of information events participants;</p> <p>2 trainings for specialists on improvement of health care services to local inhabitants organized; 50 nurses in LV-LT trained and obtained certificates; 1 joined data base on health care institutions in border regions established including no less than 200 institutions; 2 joined services on provision on first aid established;</p> <p>exchange of information system established and coordination of health care measures ensured by functioning joined database; involving at least 10 hospitals; at least 500 patients receive access to health care services across the border.</p>

Results

The results are **direct and immediate effects on target group** resulting from the project outputs. Usually they are reached by the end of the project and imply qualitative value – change in the situation/ making improvements. They should also be measured in concrete units such as the number of new working places created, staff with increased qualification, etc.

The Programme established a set of **pre-defined results**. They express the Programme’s expectations towards projects and lay down the main aims of the Programme in different areas of support. Projects should contribute to at least one or more predefined specific results. It is required that each project has to select the expected result(s) that is most suitable for its objectives in the scope of the selected Priority and Direction of Support as well as describe it and quantify, if possible. Therefore please study the results carefully when developing your project application.

The Programme result indicators are provided in the table below:

<p>Priority I Direction of Support 1 “Facilitating Business, Labour Market and Research and Technology Development”</p> <ul style="list-style-type: none"> ▶ created new working places; ▶ improved business infrastructure; ▶ increased variety and amount of available business support services; ▶ increase in number of Research and Technology development activities in the region; ▶ more qualified labour force; ▶ improved educational infrastructure.
<p>Priority I Direction of Support 2 “Improvement of Internal and External Accessibility of the Border Region”</p> <ul style="list-style-type: none"> ▶ more developed cross border transportation; ▶ more developed cross-border transportation infrastructure.
<p>Priority II Direction 1 “Enhancing Joint Management of Public Services and Natural Resources”</p>

- ▶ created means for performing joint public services;
- ▶ created means on protecting the environment at cross border level.

Priority II Direction of Support 2 "Increasing the Attractiveness of the Border Region"

Closed for the 4th Call for Proposals.

Priority II Direction of Support 3 "Development of Active and Sustainable Communities (Small Project Facility)"

- ▶ greater interaction among various institutions and people on both sides of the border.

5. APPLICATION AND SELECTION PROCEDURES

5.1 Project Development

Detailed instructions on how to fill in the Application Form are provided in the Form itself. The Programme Manual also provides important information on project development and implementation requirements.

The projects have to be developed in close cooperation among the PP's. Assistance and advice can always be requested from the JTS. If you have questions in terms of project development and Application Form, please do not hesitate to contact the JTS. There is also a possibility for individual consultations in the JTS office which is located in Riga, Latvia and in the regions in Lithuania during the Call for Proposals upon prior booking.

In order to provide detailed information to the applicants on filling in the Application Form, explain the most important project implementation requirements, as well as provide opportunity for additional individual consultations, information seminars are organized by the JTS. Further information about the seminars and other assistance available is published on the Programme website: www.latlit.eu

5.2 Submission of Application

Calls for Proposals

There are regular Calls for Proposals launched by the JTS. Information prior to each Call for Proposals is published on the Programme website: www.latlit.eu. Please note that relevant sections of the Programme Manual being updated for each Call for Proposals. The whole application round (from launch until decisions on the projects to be supported) approximately takes 6 months.

The 4th Call for Proposals is open from **1st February 2011 until 3rd May 2011.**

In the 4th Call for Proposals applications can be submitted for:

- ▶ I Priority 1 and 2 Directions of Support;
- ▶ II Priority 1 and 3 Directions of Support.

Application

The application must be submitted by the LP on behalf of the whole partnership. The LP has to submit the following original documents that constitute the application:

- ▶ Cover Letter, with list of contents;
- ▶ Application Form;
- ▶ Partner Declarations;
- ▶ Supporting documents, if relevant.

Cover Letter with a list of contents

The Cover letter must be filled on the official letterhead, signed by the authorised representative of the LP and indicate the content of the application: a list of attached documents and number of pages of each document.

Application Form

The Application Form has to be submitted in English. The Application Form has to be signed by the authorised representative of the LP institution having the authority to approve financial commitments on behalf of the LP institution. The Application Form has to be bounded.

Partner Declarations

Partner Declarations of the LP, PP's and additional partners have to be attached to the Application Form. The Partner Declaration form is a legally binding statement confirming that the respective PP is committed and able to participate in the project both legally and financially, and able to deliver the required outputs. It confirms that the PP:

- ▶ undertakes to comply with the principles of good partnership practice;
- ▶ does not receive any other Community funding for the activities in the project;
- ▶ contributes financially or in kind to the project (the concrete amounts have to be specified);
- ▶ indicates Value Added Tax payer/non-payer status;
- ▶ guarantees that its legal status complies with the eligibility rules set by the Programme.

A Partner Declaration must be completed and signed by the person authorised to make financial commitments on behalf of the PP organisation. All information in the Partner Declaration must correspond to information presented for each PP in the Application Form (e.g. budget, title of the organization in original and English languages, authorized to sign the documents person). Only the standard forms presented in the Applicant's Pack should be used and the wording may not be amended. The Partner Declaration form must be completed on the official letterhead of the PP institution. There are separate forms to be used for LPs, PPs and additional partners.

Supporting documents:

1. LPs and PPs that are NGOs are required to submit the following certified by LP/PP copies or originals of documents in their national language:

- ▶ Registration certificate;
- ▶ Statutes;
- ▶ Original statement from the national tax authority on payment of taxes issued not later than one month before submission of the application;
- ▶ Establishment agreement;
- ▶ Balance Sheet and Activity Report for the Lithuanian PPs (balansas, veiklos rezultatų ataskaita); Balance Sheet, Calculation of Revenue-Expenditure for the Latvian PPs (bilance, ieņēmumu-izdevumu aprēķins) for the previous year 2010.

2. LPs and PPs that are permanently located and actively operating in the Programme area, but their legal address is outside the Programme area, have to submit documents proving evidence of existence of the local office or operation in the Programme area (e.g. establishment agreement; statutes, etc.).

3. In case the project includes (re)construction works, **two full sets** of technical documentation in line with the national building legislation (including feasibility study (if relevant), technical project, environmental impact assessment, permits for building, defect acts, ownership documents and/or long term rental of land agreements for (re)construction works, etc.) in original language have to be submitted. These documents are required to obtain evidence that in case the project is approved the tender procedure for construction works can begin immediately. Furthermore, the detailed breakdown of (re)construction costs has to be included.

4. In case reconstruction works are planned within the project, yet according national legislation technical documentation is not necessary, ownership documents and defect acts shall be submitted.

5. In case total costs under the BL6 "Equipment and Infrastructure" or total costs for preparation of the technical documentation for investments under BL4 „External Services" exceed EUR 50.000 the applicant has to submit a joint Feasibility study for all project including the following information:

- ▶ executive summary;
- ▶ current regional situation in the particular field;
- ▶ detailed description of the planned investments and (re)construction works in the project (in case of elaboration of technical documentation – after the project);
- ▶ information on ownership of outputs, land and buildings, description of management plan for the future.

The task of the Feasibility study is to provide a detailed justification and specification of investments, already listed in the Application Form. The Feasibility study can be compiled in Lithuanian or Latvian languages with a summary in English.

Submission of Application

The Application Form and the Feasibility study shall be submitted to the JTS electronically to e-mail info@latlit.eu. The date of receiving the electronic version of the Application Form and Feasibility study must be not later than **3rd May 2011, 2 p.m.**

One original hard copy (duly signed and stamped) of the Cover letter with a list of contents, bound and signed Application Form, Partner Declarations and, if relevant, supporting documents shall be sent by mail in one package to the JTS and it is considered as the official application. The date of the **post stamp** on the envelope must be no later than **3rd May 2011.**

The hard copy of the application must reach the JTS within two weeks after the deadline of submission of the application. Original hard copy of the application can be delivered personally to the JTS office on date of the deadline from **9 a.m. until 4 p.m.**

If LP does not receive the original Partner Declarations by the set deadline, the faxed or scanned copies of the original Partner Declarations have to be attached to the application submitted by the LP to the JTS. The original Partner Declarations must be sent by mail directly to the JTS by the respective PP with the date of the post stamp no later than **3rd May 2011.**

The application can be submitted as e-document, signed with valid electronic signature no later than **3rd May 2011, 2 p.m.** In this case the electronic version is considered as the official application. However, please note that if any of the documents cannot be submitted as e-documents (e.g. Partner Declarations), the LP has to send them by mail with the date of the post stamp no later than **3rd May 2011** following the above described procedure of submission of hard copy of application. The LP may be requested to provide additional documents before signing the Subsidy Contract.

The application has to be sent to the following address:

Latvia–Lithuania Cross Border Cooperation Programme
Joint Technical Secretariat
State Regional Development Agency

Ausekļa str. 14–8

LV–1010 Rīga, Latvia

Fax: +371 6735 0623

Email: info@latlit.eu

E-document to be sent to: e-documents@latlit.eu

5.3 Assessment Procedure

After registration at the JTS, each application is subject to a two-step assessment procedure.

At first, applications are checked against the technical eligibility criteria – i.e. if they have fulfilled the technical requirements of the Programme (see chapter 5.3.1). The technical eligibility check is performed by the JTS. The necessary verifications are carried out in co-ordination/cooperation with the relevant national authorities. In case the application does not fulfil the technical eligibility criteria, it is

not assessed for quality.

When carrying out of verifications of applications for compliance with technical eligibility criteria, the JTS may request to submit following missing supporting documents or their corrections:

- ▶ originals of the Partners Declarations in case originals of the Partner Declarations were not submitted, but copies of the Partner Declarations were attached to the Application;
- ▶ originals of the Partners Declarations in case partners Declarations were not submitted;
- ▶ corrected electronic version of the Application Form in case electronic version of the Application Form do not match with a hard copy of the Application Form;
- ▶ Lead Partner Declaration printed on the official letterhead of the PP institution in case Partner Declaration is not submitted on the official letterhead of the PP institution.

Please take into consideration that the JTS may request also other additional documents. Requested documents shall be submitted to the JTS within 5 working days from receipt of the letter from the JTS.

In cases the Application Form is not signed, the signed Partner Declarations (at least as copies), the Feasibility Study and the technical documentation are not attached to the hard copy of the project Application package, the project LP is not additionally requested to submit them and the Application is considered as not eligible.

Secondly, applications that fulfil the technical eligibility criteria are subject to quality assessment. The JTS and external experts, if necessary, carry this out. The quality assessment, which is based on the quality criteria (see chapter 5.3.2.) results in a ranking list to be submitted to the JMSC for selection.

The assessment of strategic relevance of applications is undertaken by the JMSC at its meetings. The members of the JMSC organize the National Sub-Committee meetings involving sector ministries and social economic partners before the JMSC meeting. In the scope of National Sub-Committees the submitted applications are being evaluated regarding their compliance to the relevant sector policies and their contribution to local, regional and national development objectives.

5.3.1 Technical Eligibility Criteria

The following technical eligibility criteria are used in the technical eligibility check:

- ▶ Application is received no later than by the specified deadline in electronic version and a hard copy (date on post stamp) or in electronic version as e-document.
- ▶ Application is duly filled in, signed, stamped and dated.
- ▶ Electronic version of the Application Form is not damaged.
- ▶ At least one Lithuanian and one Latvian PP is participating in the project.
- ▶ LP and PP(s) are eligible (type).
- ▶ All PPs contribute to the project financially.
- ▶ Co-financing rates have been observed.
- ▶ Partner Declarations of all PPs, supporting documents and Feasibility study for investments/ technical documentation, if relevant, are attached.
- ▶ Project duration is within the set limits.
- ▶ Project budget is within the set financial limits.

5.3.2 Quality Criteria

The following criteria are used in the quality assessment:

Policy context:

- ▶ Project is relevant to the Programme objectives.
- ▶ Project has a cross border nature and impact on both sides of the border.

- ▶ There is no duplication with current or completed projects.
- ▶ Project clearly demonstrates the added value and innovative approach.
- ▶ Project is in line and contributes to local or/and regional (policy) planning documents, facilitates implementation of the EU Baltic Sea Strategy and the relevant EU policies, in particular sustainable development, equal opportunities and impact on the environment.

Project and Partnership:

- ▶ The proposed methodology and approach is coherent with the project rationale.
- ▶ Coherence between the problem/issue, project objectives and planned results is clearly defined.
- ▶ Project activities outside the Programme territory are justified and needed in order to achieve objectives of the project (if relevant).
- ▶ Proposed time plan is realistic for implementation of the proposed activities.
- ▶ Proposed partnership is balanced and relevant for solving problem that is addressed by the project.
- ▶ Project fulfils the principles of joint development, joint implementation, joint staffing and joint financing.
- ▶ Involvement of the PP(s) outside the Programme area is crucial for success of the project and brings benefit to the Programme area.
- ▶ Expected results are concrete, measurable and relevant to the target groups.
- ▶ There are provisions to ensure the financial, institutional and administrative durability of the project results.

Budget and finances:

- ▶ There is coherence between planned project activities, results and the proposed budget.
- ▶ Proposed investments are relevant and coherent with the project rationale and objectives.
- ▶ Proposed costs are realistic and in compliance with market prices.
- ▶ The proposed budget is in line with sound financial management principles (economy, efficiency, effectiveness).
- ▶ Division of project budget among the PPs is balanced (justified).

Management and promotion:

- ▶ Project has clear management and coordination structures and procedures.
- ▶ Clear and fair division of management and tasks among PPs is proposed.
- ▶ Project has clear project implementation quality management system.
- ▶ The LP has experience in project management and financial management.
- ▶ There is a clear and relevant strategy for dissemination of project results.

5.4 Selection of Projects

All applications are presented to the JMISC. Decisions on projects to be funded are made by the JMISC based on the results of quality assessment.

During the JMISC discussions of the applications that have passed the quality assessment the JMISC members may communicate the argumentation of the National Sub-Committees.

After the JMISC has taken the funding decisions, the LPs of the rejected projects receive a letter from the JTS explaining the grounds on which the application has failed.

LPs of the approved projects receive a letter from the JTS stating the decision of the JMISC, grounds for the approval and the total maximum ERDF co-financing approved. The decision may include certain

conditions deriving from the results of the assessment. The fulfilment of the conditions would not include any substantial alteration of the approved projects. Only in case all conditions are fulfilled the final decision on funding has been made by JMSC. If any condition remains unfulfilled, the application shall be rejected.

The LPs are responsible for communicating decision of the JMSC to the PPs.

Decisions on approval or rejection of project Applications taken by the JMSC are not the subject of the appealing.

6. CONTRACTING

After the project is selected for funding and conditions set by the JMSC are fulfilled the JTS prepares a Subsidy Contract to be concluded between the MA and the LP of the approved project.

The JTS sends the Subsidy Contract to the project LP within two months after the final decision if all the conditions of the JMSC are fulfilled, unclear issues explained and the project finally approved. The LP has one month to sign and return the Subsidy Contract together with the Partnership Agreement to the JTS. The MA co-signs the Subsidy Contract and sends it to the LP only in case the Partnership Agreement is attached. The project has to start no later than one month after the LP has signed the Subsidy Contract.

The Subsidy Contract determines the rights and responsibilities of the LP and the MA, the scope of activities to be carried out, terms of funding, requirements for reporting and financial controls, etc. A model of Subsidy Contract is available on Programme website: www.latlit.eu, section How to Implement. It is highly recommended that applicants become familiar with the provisions of the Subsidy Contract before submitting the application.

7. PROJECT IMPLEMENTATION

7.1 Project Management

7.1.1 Lead Partner Principle

All projects must follow the Lead Partner Principle. Therefore each project has to appoint one LP that will take full financial and legal responsibility for the proper implementation of the entire project towards the MA.

In particular, the LP is responsible for:

- ▶ signing and submitting the application to the JTS;
- ▶ signing the Partnership Agreement with all PPs in which rights and responsibilities of parties are defined;
- ▶ signing the Subsidy Contract with the MA;
- ▶ setting up and maintaining efficient and reliable project implementation system (strategic, project and financial management), i.e.: ensuring efficient use of the project's resources;
- ▶ co-ordination of activities and tasks among the PPs and ensuring that these tasks are subsequently fulfilled;
- ▶ ensuring proper communication with and among the PPs and wider public;
- ▶ representing the project – the LP serves as a contact point to the JTS concerning the implementation of the project and should ensure continuous communication between the Programme (JTS) and the project partnership;
- ▶ progress of the project as far as its financial and physical execution is concerned, and in particular, for ensuring the delivery of outputs and results in line with the approved application;
- ▶ establishing adequate project monitoring and evaluation system that ensures timely delivery of project outputs and results in a proper quality;
- ▶ timely and correct reporting to the FLC and JTS;
- ▶ requesting and receiving payments, which then are timely forwarded to the PPs;
- ▶ ensuring that the EU and national legislation concerning financial management, FLC, public procurement, information and publicity and State Aid rules are respected and observed by the PPs;
- ▶ checking that the expenditure is supported by invoices or documented by accounting documents, has actually been paid out by the PPs within the reporting period for activities described in the approved application and that the products or services have actually been delivered;
- ▶ observance of the project spending plan;
- ▶ ensuring production and maintenance of all documentary evidence required for control and audit purposes on LP and PP level;
- ▶ submission of all the PPs' calendars for the planned construction/renovation works by including the start date of the works, location and deadlines for the submission and payment of works to the responsible project manager of the JTS within 2 weeks after the contract on construction/renovation works is signed, if relevant;
- ▶ in case any project is granted *de minimis* aid, ensuring reliable control system securing compliance with EU regulations and Latvian national legislation in the field of *de minimis* law in all levels of granting *de minimis* aid, including final beneficiaries.

However, PPs are responsible to implement their part of project activities in line with the Application

Form and the Programme requirements. In accordance with the Article 20(3) of the ERDF Regulation, each PP participating in the project shall:

- ▶ assume responsibility in the event of any irregularity in the expenditure which it has declared;
- ▶ repay the LP any amounts unduly paid in accordance with the agreement existing between them;
- ▶ be responsible for information and communication measures for the public;
- ▶ keep available all documents related to the project in accordance with the requirements of Article 90 of the General Regulation.

The responsibilities of the LP and PPs are defined in the Partnership Agreement and Subsidy Contract.

7.1.2 Management and Coordination

In order to be able to run the project efficiently, the LP has to set up an efficient and reliable management and coordination system. The coordination includes issues related to the thematic activities, as well as administrative and financial management of the project and its accounts. Another important task of the project coordination is to prepare regular PR and final PR at the end of the project.

The LP of the project has to appoint or sub-contract a **project coordinator**, who is qualified to handle the thematic coordination of the project activities, able to act as a driving force in the partnership and mobilise the PPs in order to achieve the objectives stated in the project. In case the project coordinator is subcontracted, a responsible contact person from the LP organisation should be appointed and has to be available both during project implementation and at least six months after the project's end date to enable a smooth closure of the project. Moreover, the LP should describe in the Application Form how information flow and supervision of subcontracted external project coordinator and/or financial manager will be ensured by the LP.

The tasks of the project coordinator include, but are not limited to the following:

- ▶ co-ordination of activities and division of tasks among the involved PPs and ensuring that these tasks are subsequently fulfilled;
- ▶ monitoring the progress of the project and ensuring the delivery of planned outputs and results;
- ▶ securing an efficient use of the project's resources;
- ▶ being a contact point for the project;
- ▶ ensuring continuous communication between the Programme (JTS) and the project partnership as well as among the PPs;
- ▶ preparation and submission of the PR to the JTS.

In order to ensure effective and efficient communication with the Programme management, the project coordinator has to have a good knowledge of English and previous experience in project management.

LP also has to appoint or sub-contract a skilled financial manager who is responsible for the adequate and orderly accounting practice and proper management of the project's budget, including the ERDF co-financing. The financial manager should ensure:

- ▶ sound book-keeping system;
- ▶ proper documentation of payments and payment flows, well-functioning audit trail;
- ▶ compliance with the EU and national legislation as well as Programme rules on financial management, eligibility of costs and public procurement;
- ▶ clear communication of the aforementioned rules and regulations to the PPs, e.g. through regular contacts with book-keepers in PP institutions, PP training, provision of information and regular updates, a close contact with FLC, etc.;
- ▶ observance of the budget allocations;
- ▶ follow up of the project's spending plan, including the set-up of reliable cash flow forecasts and

tight control of the incurred cash flows in order to avoid the consequences of the decommitment of funds;

- ▶ timely preparation of Partner Report to the FLC;
- ▶ timely preparation of the financial part of the PR.

The financial manager has to work in close cooperation with the project coordinator of the LP and the local coordinators/book-keepers in PP institutions in order to ensure efficient overall financial management of the project.

The tasks of the project coordinator and the financial manager can be carried out by the same person in case of small scale projects with total eligible project budget up to EUR 50.000.

In addition, each PP must nominate a **local project coordinator**, who is the contact person with the project coordinator, and a **bookkeeper**, who is responsible for project book-keeping in the PP organisation.

It is very important that the project coordinator and the financial manager are involved already in the development phase of the project. It is highly recommended to involve the permanent staff from public institutions for project management and implementation tasks that will help to sustain the established network of cooperation after closing the project activities.

The JTS has to be informed immediately in written if the LP project coordinator, financial manager or the contact person of the project have been changed.

The LP shall appoint a contact person from the LP organization to be in contact with the JTS at least 6 (six) months after Project end date in order to finalise the project final PR. The LP shall also inform the JTS on LP contact person to be contacted on project related matters during the time period of 5 (five) years after the final payment of ERDF co-financing has been made to the project from the Programme.

Each project has to determine the necessary procedures for decision-making and coordination. In case of large scale projects, it is advised to establish a Steering Group, which is composed of important stakeholders in the particular field and/or PP representatives, who are not involved in daily work of the project. Suggested tasks of the Steering Group could include monitoring and guidance of the project implementation, as well as reviewing and approving work plans and reports.

Working groups, task forces and advisory groups could be established to coordinate the daily implementation of activities, to fulfil specific tasks, to carry out certain activities, etc. Small projects are also advised to foresee decision-making mechanisms and explain them in the Application Form. Adequate representation of involved PPs should be observed in establishing decision-making and co-ordination mechanisms, and over-complication of the structures is to be avoided.

7.1.3 Monitoring and Evaluation

In order to be able to assess the progress of the project, each project establishes a monitoring and evaluation system. The monitoring and evaluation system should be built on the achievement indicators and should concern the following aspects of implementation.

- ▶ **Progress towards achievement of the project's goals.** This shall be determined based on the output and result indicators presented in the Application Form;
- ▶ **Effectiveness and efficiency of implementation.** Is the project progressing in line with the initial time plan presented in the Application Form? Is the budget plan implemented and are allocations per budget category observed? How do the project's achievements relate to the encountered expenditure (cost-benefits)?
- ▶ **Quality of management and co-ordination.** Are management and co-ordination procedures efficient and resources sufficient?
- ▶ **Quality of project results:** Tools and techniques to monitor the quality of project implementation (e.g. evaluation sheets, interviews, reports, external expert evaluation) and

structure (defining who sets the criteria, who monitors the quality, what external and internal constraints exist, etc.) shall be defined in the Application Form.

7.2 Changes in Project

The content and budget of the Project shall be planned as precisely as possible. However, in justified cases it is possible to implement certain changes, yet PPs cannot request to increase the ERDF co-financing. The LP of the Project is obliged to communicate project changes to the JTS as soon as PPs are aware of them.

The following changes in the project are possible:

Budget Reallocation

The project can reallocate the budget between the BLs and/or work packages up to 30% of the total eligible project budget. As a rule, the budget reallocation can be requested only once during the project implementation. Only in well justified cases, the project can apply for subsequent budget reallocation. As an exception, changes exceeding 30% reallocation between BLs/work packages are to be considered by the JMSC.

Budget reallocation changes shall be:

- ▶ justified;
- ▶ foster more efficient achievement of project objectives and results;
- ▶ fulfil the eligibility criteria set for the project budget and costs.

Project Activities and Outputs

Following types of project activities and output changes on exceptional cases are possible:

1. increase/decrease amount of the existing project output, extension/reduction of range of the existing activity (considerable change of the project output/activity that was initially planned in the project application);
2. creation of a new project output and/or activity (inclusion of new output and/or activity that was not previously planned in the project application).

Please note, that the total amount of the changes in the field of the project activities and outputs shall not exceed 30% of the BL6 "Equipment and Infrastructure" or EUR 500.000.

Changes in the project activities and outputs shall be:

- ▶ justified;
- ▶ foster more efficient achievement of the project objectives and results.

In case the main objective of the project is affected, new outputs/activities are requested, total amount for increase of existing/creation of new outputs in the Project exceeds EUR 200.000, the decision is taken by the JMSC.

In case the project changes are requested in the field of soft outputs, the main objective of the project is not affected or requested changes of project outputs do not exceed EUR 200.000, the decision is taken by the MA/JTS.

Prolongation of the Project Duration

Project can be prolonged up to six months as a maximum if following conditions are fulfilled:

- ▶ the extension is justified,
- ▶ the project can be successfully finished within the requested extended project duration, and

- ▶ the request for the extension of the duration is submitted not later than one month before the end of the project, which was set in the Subsidy Contract.

Changes in the Project Partnership

Changes in the project partnership shall be:

- ▶ justified;
- ▶ do not affect the fulfilment of the eligibility criteria set for the PP and partnership (see chapter 4.4.).

The project can apply for changes in the project partnership in case legal status, title of the LP/PP organization is modified, a particular PP is “dropping out” from the project and a new PP is taking over its responsibilities.

Modification of the Duration of the reporting Period(-s)

- ▶ Changes are justified;
- ▶ As a general rule, merged reporting period is not longer than 9 months.

Procedure for handling project changes

All minor changes (e.g. changes in contact information, minor rescheduling of activities, deviations from the spending targets, small deviations from specifications of outputs, changes between the costs of items within one budget line and work package, etc.) can be reported as ‘deviations’ to the JTS through the six-month PR. However, in case PPs are facing minor changes of activities they are advised to communicate to the JTS and get assurance that certain rescheduling is considered as minor change. The JTS is responsible for the practical administration of changes for running projects.

The LP is obliged to submit the request for changes by e-mail and original mail to the JTS for approval, when the project budget, duration, partnership, outputs and/or activities have been changed. A standard form for the Request for changes is available on the Programme website: www.latlit.eu, section “*How to Implement*”. When filling in the request for changes form please: a) indicate what was initially planned in the project application: name of activity/cost item, work package, budget line and the current situation; b) describe the requested changes and justification for them: describe the necessary changes, purpose of them and indicate from which sources changes will be covered, if relevant, by indicating number of works package, budget line and cost of item; c) provide justification of changes; d) describe the impact of request changes to project implementation – how proposed changes will help to achieve project objectives in more efficient way and will foster cooperation?

In case a new PP is replacing a “dropout” PP, the Request for Changes and a new Partner Declaration shall be submitted to the JTS.

In case of budget reallocation, the LP is asked to submit the Request for Changes and the Budget Reallocation Calculation Table.

After approval of the submitted changes a revised version of the Application Form, Feasibility Study, if relevant, have to be sent to the JTS electronically; new Partner Declaration, if relevant, other supporting documents, if requested, has to be sent to the JTS in hard copy within set deadline.

The change enters into force when the LP receives information regarding the Notification Letter on the acceptance of the requested changes. Addendum to the Subsidy Contract is prepared by the JTS and sent to the LP for signing.

7.3 Publicity and Information Requirements

As the EU finances the Programme, all PPs have to comply with the publicity and information requirements laid down in the Implementing Regulation (Article 8, 9 and Annex I), Programme Document and this

Programme Manual. Moreover, the guidance is published on the Programme website www.latlit.eu, in order to explain the practical application of the publicity and information requirements.

The communication measures on the project level should be aimed at two main objectives:

- ▶ dissemination of the results achieved and the good practices implemented;
- ▶ ensuring transparency in the use of EU funds.

It is therefore highly recommended that project designs an internal plan for information and publicity activities and allocates the resources in the Application Form in order to ensure effective internal and external communication.

Please note, that if the publicity and information requirements are not observed or partly observed, the related events, publications, etc. may be considered as not eligible for ERDF co-financing.

Each project should fulfil these minimum publicity and information activities:

1. Send at least one press release after the project started and one press release by the end of it;

Practical tip: the requirement does not indicate sending the press release the same day as the project started; please rather relate it to the major activity/event/news/results of the project that is of an interest to a wider public.

2. Indicate the logo, project title/or short title, main activities/or benefits, amount of funding, contact of LP/PP when publishing the information on the project.
3. Publish information on project at PPs websites.
4. Submit information at least two weeks in advance on the project upcoming public events and major project management meetings to the Programme website www.latlit.eu, section *Events, Add your Event*.
5. Send a copy of any publicity and information material produced with the PR.
6. Keep at least one copy of the prepared publicity and information materials at LP/PP institution(s) for control and audit purposes.

Use of Logos

The Programme logo consists of these elements:

1. EU emblem and reference note "part financed by European Regional Development Fund";
2. Latvia–Lithuania Cross Border Cooperation Programme 2007–2013 emblem;
3. Programme slogan "bringing neighbours closer".



Use simplified version of the Logo for very small items:



The use of the Programme logo is obligatory on all communication materials and tools (both hard copy

and electronic), project documents and outputs produced by the co-financed project. Use of the Programme logo is also obligatory when using other logos, like project's or PP's own logo.

Programme logo has to be at least the same size as the other emblems/logos used and be the first from the left side if other logos or emblems are used.

It is possible to use colour, grey and black and white versions of the Logo. The Programme logo with detailed rules on its design and sizes is available for download from Programme website www.latlit.eu.

Websites

Information about the project has to be published on operating project PPs' websites. If new websites are created from project funds they must contain link to the Programme website: www.latlit.eu and official EU site: <http://www.europa.eu> and the Programme logo at the front page of the website.

In case a website only contains an article about the project, the Programme logo has to be published in the same window as the article.

Publications

Electronic or printed publications, such as booklets, leaflets, newsletters, studies, analyses, documents, etc. and other written materials, including articles and press releases, must display Programme logo.

In case the project designs its own corporate identity, i.e. letterheads, business cards, presentation templates, etc., it must include the Programme logo.

The same rules set above must be applied to electronic information and audio-visual materials, e.g. presentations, CD-ROMs, information in electronic means, internet.

Any publication/product containing opinion must include the following statement: *This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of <name of the PP> and can under no circumstances be regarded as reflecting the position of the European Union.*

Events

The information on the project upcoming public events and major project management meetings has to be submitted to the Programme website www.latlit.eu using option – *Add your event* no later than two weeks before the event.

The organisers of events i.e. conferences, seminars, fairs and exhibitions, which are financed by the project have to display the EU flag in the event venue. Programme logo has to be on documents, i.e. agendas, lists of participants, handouts and presentations.

Purchases

Equipment or other purchases made within the project have to carry stickers with the Programme logo. In case many small items are purchased in the framework of the project, it is advised to put a poster in the room, institution or site for which the purchase has been made.

On very small items, such as pens, printed EU emblem is sufficient. On the souvenirs like T-shirts, bags etc. the Programme logo has to be printed.

Equipment and Infrastructure

Every co-financed piece of equipment and/or infrastructure must comply with the information and publicity rules and must be marked with the following label, which must not be removed at least 5 years after the finalization of the project:



Projects that receive more than EUR 500.000 public funding for infrastructure or (re)construction activities must put up a billboard during the project implementation and, no later than six months after completion of the project, a permanent explanatory plaque. The plaque must state the type and name of the project and Programme logo. Both items should be visible and of significant size and the above-mentioned reference to the EU contribution should cover up at least 25% of the space.

However, it is highly recommended to put billboards and permanent explanatory plaques for smaller infrastructure objects.

8. FINANCIAL FRAMEWORK

8.1 Start and End Date of the Project

The start and end date of the project shall be fixed in the Subsidy Contract by:

- indicating the date when any of the PPs incurred the first costs, meaning that amounts have been charged or paid or financial obligations have occurred; or
- indicating the planned start date.

The start date is important for calculating the end date of each project, as the project duration may not last longer than specified in the approved Application Form.

The earliest date on which the activities can start and the expenditure can be incurred is on the next day after the project has been approved by the JMCS with the only exception being the Preparation Costs. The latest, a project has to start within one month after the LP has signed the Subsidy Contract.

When determining the end date of the project, it is important to take into consideration that all payments have to be made until this date in order to be eligible (incl. payment for the financial control and preparation of the last PR).

All projects have to end by 31 December 2014 at the latest.

8.2 Payments to the Projects and Use of Currency

Payments to the projects are made on a reimbursement basis and no advance payments from Programme are available, unless national co-financing from state budgets is available for PPs.

PR, approved by the JTS, serves as a basis for CA to transfer the ERDF co-financing to the LP account.

Taking into account the decision made by the JMCS of the Programme during its 3rd meeting on 24-25 September 2009 projects are offered to apply simplified ERDF co-financing payment method. The method foresees two separate payments to the LP for costs reported via each PR:

- 1st payment – 70% of ERDF co-financing from the total eligible costs paid by the project partners and reported via PR are paid to the project the LP after PR is verified by the FLC and received at the JTS.
- 2nd payment - rest of the ERDF co-financing amount from reported eligible costs will be paid to the LP after approval of the PR by the JTS and certification of costs by the CA. In case if non-eligible costs have been discovered during the approval of the PR, they will be automatically deducted from total reported costs, therefore 2nd payment could be paid less than 30% of total

requested ERDF co-financing. If non-eligible costs exceed 30% of the ERDF co-financing, 2nd payment will not be made and the difference will be deducted automatically from the next PR or in case of final PR – reimbursement procedure will be initiated.

The simplified ERDF co-financing payment method applies to Projects from 1 July 2010 except if the project decides/-ed not to apply it or if the final PR is submitted and payments for construction works made during the reporting period constitute more than 25% of total reported eligible costs.

Payments will be made in euro only. Please note that any foreign-exchange commissions and losses are not eligible for co-financing and have to be covered by the project. The expenditure in national currency (other than euro) must be converted into euro with an accuracy of four digits after the comma (e.g. 1.0234). PPs have to follow the daily exchange rate of the Bank of Latvia and the Bank of Lithuania.

In order to avoid the rounding differences the expenditure in the financial report must be rounded to two decimals after the comma.

It is the responsibility of the LP to distribute the funding among all PPs in time, after having received the payment from the CA. It has to be decided among the PPs, which PP(s) covers the currency exchange risks and costs related to the national transfer of funds within the project, as it is not eligible expenditure.

8.3 Project Revenue

The treatment of revenues is regulated in the Article 55 of General Regulation, where a revenue-generating project is defined as follows: "...any operation involving an investment in infrastructure the use of which is subject to charges borne directly by users or any operation involving the sale or rent of land or buildings or any other provision or services against any payment" and which stipulates that "the eligible expenditure on revenue-generating projects shall not exceed the current value of the investment cost less the current value of the net revenue from the investment over a specific reference period".

During the quality assessment of the project applications, the JTS identifies project applications in which project partners plan to generate or might generate revenue during the project implementation phase or 5 years after completion of the project based on the planned investments or developed services and to which it is objectively possible to estimate revenue in advance (hereinafter-revenue generating projects).

If revenue generating projects are approved by the JMSC, project partners are requested to submit a Financial Analysis (hereinafter-FA) according to the Methodology for Preparation of the FA elaborated by the JTS and approved by the MA. Submission of the FA is considered as one of the condition set by the JMSC for project final approval.

The aim of FA is to identify the difference between forecasted revenue and expenses during the project life-cycle. The result of drawing FA is a calculation of financial gap for project implementation, which is amount of finances required for project implementation and achievement of set goals taking into account planned investment costs and net revenue generated during the project life cycle. More information about FA could be found at Programme website –

(http://www.latlit.eu/eng/how_to_implement/revenue_generation).

Projects where objectively is not possible to estimate revenue in advance or which cannot be recognised as revenue generating projects do not have to prepare the FA. For such projects revenue which is directly associated with use of benefits created as a result of project implementation and generated during the project implementation and within the 5 years after final payment from the Programme is made shall be calculated and deducted from eligible costs in full or *pro-rata* depending on whether it was generated entirely or partly by the co-financed project before the final balance payment to the Project is made. The ERDF co-financing is calculated on the basis of the total cost after deduction of any revenue. Revenue must be stated in the Partner Report and must be deducted from the eligible expenditure.

All PPs are responsible for keeping accounts of all their revenues in order to track down the revenues and to have the required documentation available for control and audit purposes.

8.4 Cost sharing

Sharing of costs in project means division of certain project costs between PPs according to transparent and equitable method. Examples of costs that can be shared in the project: project website, publications, joint study, etc.

It is required to have a sufficient documentation covering the calculation basis and method, the type of costs (what costs are shared between the PPs), the expenditure incurred and paid out (invoices, accounting data, etc.) and other specifications that might be necessary in order to verify the acceptability and eligibility of the method by the controllers and auditors. It is recommended that PPs check the acceptability of the method with their FLC.

The following actors are involved in the cost sharing procedure:

1. LP and its FLC
2. Implementing PP and its FLC

Implementing partner is the PP who is responsible for generating the relevant costs (contracting external expert, equipment, etc.) that will be shared later on. The implementing partner is responsible for the maintenance of the full accounting documentation according to the book-keeping rules of its country.

If relevant, the implementing partner is responsible for fulfilling the required public procurement or contracting requirements, etc.

3. Paying partner(s) and their FLC

Paying partner(s) are all PP(s) that have signed the cost sharing agreement and cover their part of shared costs.

The cost sharing procedure consists of the following stages:

I. Signing the agreement

The agreement on the cost sharing among the involved PPs has to be signed in written form either by adding Annex on cost sharing to the Partnership Agreement or signing a separate agreement. It is important that the LP and implementing partner establish a system that will prevent the double reporting of the shared costs. The written agreement on cost sharing should contain the following information:

- ▶ estimated total amount of expenditure;
- ▶ kind(s) of expenditure;
- ▶ indication of the implementing partner/paying partner(s);
- ▶ shared cost between PPs division method and relevant justification.;
- ▶ financial liability and procedure in case of ineligible costs are discovered or recovery of funds is requested.

II. Carrying out activity by the implementing partner(s)

The implementing partner executes the planned activity, including contracting of all external experts and suppliers. The implementing partner shall ensure that activities and contracts comply with the applicable eligibility rules (e.g. public procurement rules).

III. Payment and verification of shared costs

The implementing partner pays the full amount of the shared expenditure (e.g. invoice(s) from suppliers or external experts etc.) and ensures that the costs are identifiable in its accountancy and financial management system. The FLC of the implementing partner verifies the total amount of the contract and the applied cost sharing method.

The implementing partner submits a financial note on the shared costs including the relevant documentation to each related PP and the LP with:

- ▶ identification of the implementing partner; identification of the relevant paying partner;
- ▶ identification of the cost sharing subject and method;
- ▶ breakdown of costs that were paid by the implementing partner, including a brief description and the relevant paying partner's share per cost item and in total;
- ▶ a document certifying the eligibility and payment of the costs (e.g. signed verification by the FLC on cost sharing for implementing partner).

It is the responsibility of the implementing partner to guarantee that all costs related to the common activities are confirmed by the FLC.

IV. Reporting

The date when cost shared expenditure is paid by the implementing partner is considered to be the official date of the payment, i.e. it means that the costs shared shall be reported during that reporting period by implementing partner and paying partner(s). In the Partner Report each PP involved in cost sharing shall indicate only the amount of its contribution, not the total amount of the contract.

All cost sharing expenditure shall be reported in the PR. The LP FLC ensures that no double reporting of shared costs takes place. The LP FLC verifies the PR including the shared costs allocated for each relevant PP.

The level of detail of the required documentation should be agreed on beforehand with the relevant PPs and the LP, preferably in written form. The implementing partner is not allowed to add any profit margins for itself in the total amount of shared costs. Only actual costs can be shared.

Please note that the Programme cannot take any responsibility for the actual application of the cost sharing. The cost sharing method, when the LP is withholding a certain amount of PPs' expenditure after receiving payment from CA, is not eligible.

9. PROJECT BUDGET

The total project budget is the total amount of financial resources that are available to meet the project expenses over its duration. It is composed of the following financial resources:

- ▶ **ERDF co-financing** – funding provided from the ERDF, that is generated by eligible PPs, which is additional to the national financing.
- ▶ **National financing** – eligible contribution (national public and/or national private funding) provided from the PPs to the project budget that generates the ERDF co-financing.
- ▶ **Eligible project budget** – sum of ERDF co-financing and the national financing.
- ▶ **Non-eligible project budget** – financing that is not eligible contribution to generate ERDF co-financing, such as recoverable Value Added Tax, financing provided by the additional partners.
- ▶ **Total project budget** – the sum of total eligible project budget and non-eligible project budget.

9.1 Eligibility of Expenditure

The eligibility of costs is defined in the Programme Document, this Programme Manual, Subsidy Contract and relevant EU and national legislation (see chapter 2.3). Expenditure can only be reported if the following principles are fulfilled:

- ▶ costs directly related to the project are eligible costs;
- ▶ must have occurred at the earliest on the next day after the project has been approved by the JMSC, within the project duration, with the only exception being the preparation costs;
- ▶ calculation is based on real costs. It means that only costs incurred by an eligible PP, accounted for and proved by delivery of works, services or supplies (at least partial delivery, with exception

of advance payments according to signed contracts with suppliers and contractors) within the eligible project implementation period can be considered as project costs;

- ▶ costs are definitely born by the LP or PP(s) and would not have arisen without the project;
- ▶ expenditure has actually been paid out. Expenditure is considered to be paid when the amount is debited from the PP institution's bank account. The bank statements usually prove the payment. The date when the invoice was issued, recorded or booked in the accounting system does not count as a payment date;
- ▶ expenditure is directly linked to the project. Costs related to activities not described in the Application Form are not eligible;
- ▶ expenditure is reported under the correct budget line and corresponding work package;
- ▶ expenditure is reported in the same reporting period as it was paid. Exception to this rule could be applied in situation when wages and taxes of employee in accordance with the expenditure principle are recorded in the accounting system during the reporting period, but actual payment accrued during the next reporting period;
- ▶ shared costs are reported in the reporting period when the implementing partner has made payment;
- ▶ expenditure does not exceed in the Application Form indicated: a) eligible project budget; b) each PP budget.
- ▶ Eligibility of costs is geographically bound to the Programme area. In duly justified cases and only if it is for the benefit of the Programme area, PPs can travel and implement activities outside the Programme area and the European Community. The costs are eligible only in case they are specified in the Application Form or *a priori* approved by the MA during the project implementation and are vital to the success of the project with exception to participation in the Lead applicant and Partner search forum of the Programme.

PPs are allowed to cover travelling costs to Programme events organized by the Programme management bodies outside the Programme territory and travelling costs to the meetings with FLCs if it is located outside of the Programme territory without prior approval by the MA.

In total up to a limit of 10% of the Programme's budget may be used outside the Programme area and the European Community.

9.2 General Rules Applicable to Project Budget

9.2.1 Sound Financial Management

The precondition for eligibility of all expenditure is in compliance with the principles of *sound financial management* as stipulated in Council Regulation no 1605/2002 of 25 June 2002, namely in accordance with the principles of economy, efficiency and effectiveness:

- ▶ the **principle of economy** requires that the resources used by the institution for the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price;
- ▶ the **principle of efficiency** is concerned with the best relationship between resources employed and results achieved;
- ▶ the **principle of effectiveness** is concerned with attaining the specific objectives set and achieving the intended results.

9.2.2 Sub-Contracting between Project Partners

PPs financially contributing to the project and receiving ERDF funds from the Programme as well as additional partners are not allowed to sub-contract each other or employees of PP organisations in order to carry out project activities. This does not apply to the system of cost sharing.

9.2.3 Avoiding Conflict of Interests and Corruption

The LP and PP(s) must undertake all necessary precautions to avoid conflicts of interest and must inform the JTS immediately about any situation constituting or likely to lead to any conflict of this kind.

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

All PPs have to follow the national public procurement laws for the sub-contracting activities in order to avoid situations where conflict of interests or corruption might occur.

9.2.4 Double Financing

During the Programme period (1 January 2007 – 31 December 2014) the project can receive funding only once within the Programme for the same activities.

All costs that were already co-financed from any EU funds or were fully covered by other international, national, regional and/or local funds are not eligible as this is considered double-financing. In case of co-financing provided from a state budget the costs can be considered as eligible providing that the amount does not exceed the PP share (15%) to the project.

9.2.5 Ownership of Project Results

The project results within five years from the completion of the project shall not undergo a substantial modification from the indicated in the application:

- ▶ affecting its nature or its implementation conditions or giving to a private or a public body an undue advantage; and
- ▶ resulting either from a change in the nature of ownership of an item of infrastructure or the cessation of a productive activity.

Ownership, title, industrial and intellectual property rights of the outputs and results of the project and other documents relating to the project shall be vested in/remain with the LP and the PPs.

In case if project activities include investment in infrastructure or productive investment than according to rules set in the Article 57 of General Regulation the LP and PPs have to ensure that project outputs and results will not undergo a substantial modification caused by a change in the nature of ownership of an item of infrastructure or the cessation of a productive activity which affects the nature or the implementation conditions of the project or gives to a firm or a public body an undue advantage.

Without prior consent of the MA, neither the LP nor the PPs are allowed to transfer ownership, titles, industrial and intellectual property rights for outputs of the project related to investment in infrastructure or productive investment during the project duration and at least 5 (five) years after the project end date.

In case project results will be modified substantially within five years after the end of the project recovery of the funds as unduly paid might imply.

9.2.6 Public Benefit

The project results should be aimed at public use and be freely accessible (i.e. available on website), e.g. prepared guidelines, teaching materials, studies, public infrastructure, etc.

9.2.7 Reporting of Expenditure

Expenditure can only be reported if the following principles are fulfilled:

- ▶ calculation is based on real costs. It means that only costs incurred by an eligible PP, accounted for and proved by delivery of works, services or supplies (at least partial delivery, with exception of advance payments according to signed contracts with suppliers and contractors) within the eligible project implementation period can be considered as project costs;
- ▶ costs are definitely born by the LP or PP(s) and would not have arisen without the project;
- ▶ expenditure has actually been paid out. Expenditure is considered to be paid when the amount is debited from the PP institution's bank account. The bank statements usually prove the payment. The date when the invoice was issued, recorded or booked in the accounting system does not count as a payment date;
- ▶ expenditure is directly linked to the project. Costs related to activities not described in the

Application Form are not eligible;

- ▶ expenditure is reported under the correct budget line and corresponding work package;
- ▶ expenditure is reported in the same reporting period as it was paid. Exception to this rule could be applied in situation when wages and taxes of employee in accordance with the expenditure principle are recorded in the accounting system during the reporting period, but actual payment accrued during the next reporting period;
- ▶ shared costs are reported in the reporting period when the implementing partner has made payment;
- ▶ expenditure does not exceed in the Application Form indicated: a) eligible project budget; b) each PP budget.

It must be possible clearly identify which expenditure has been allocated and reported in the project and to ensure that expenditure is not reported twice (in two different budget lines, reporting periods, projects/funding schemes). Therefore, the LP and PPs involved in the implementation of the project and receiving ERDF co-financing from the Programme must maintain:

- ▶ **separate accounting system;**
- ▶ **project specific accounting code** (General Regulation, Art. 60(d)) to record project costs in the accounting system and to ensure marking – project index or short title, work package.
- ▶ **Work Package and PP title by writing it or stamping** on the original invoices, checks/payment orders and agreements. If space is available, also Programme title should be indicated.
- ▶ **book-keeping lists/overviews** – i.e. list of all expenditures for all transactions relating to the project without prejudice to national accounting rules.

Fulfilment of the above mentioned requirements will ensure that project funds are explicitly separated from the PP's general budget and can be clearly identified, as well as properly managed and monitored.

The LP and the PPs must ensure that all accounting documentation related to the project is available and filled separately and that all related payments of the project have a clearly distinguishable book-keeping code, even if this leads to a dual treatment of accounts. This requirement allows to file and keep original accounting documents related to the project in a centralized filing system, e.g. in organisation's financial unit according to the national legislation requirements and to make the approved copies of the accounting documents, file and keep them separately in a project folder with a reference to the place where the original documents are kept. The project folder should also contain the evidence of the project outputs, where possible (e.g. copies of brochures, photos).

Accounts must be kept in euro or in national currencies. However, the PR to the JTS must be accounted in euro.

It is the LP's responsibility to ensure an adequate audit trail is documented at all levels of the project, including PPs' expenditure, which implies that the LP has an overview on:

- ▶ who paid,
- ▶ what was paid,
- ▶ who verified, and
- ▶ where the related documents are kept;
- ▶ who is the contact person of the PP.

The LP should request that all PPs keep the documents related to the project in a safe and orderly manner at least until the end of year 2021. The documents are archived either as originals or as certified copies on commonly used data media (in compliance with the national regulations). In case of retaining the documents electronically, national security standards must be met. If deemed appropriate, the LP may ask for copies of accountancy documents from the PPs.

9.2.8 Requirements to Bank Information

Complete and correct bank information in the Application Form and PR guarantee fast transfer of the ERDF co-financing. LPs of the projects are very much encouraged to ensure that BIC (SWIFT) and the IBAN are correct and do not contain any space characters. Moreover, the information on the name, address, town and country of the bank and the account holder should be provided.

The JTS has to be immediately informed, in case bank information of the LP or one of the PPs has been changed. The LP of the project bears financial responsibility for additional transaction costs, if incorrect data has been provided to the Programme

9.3 Description of the Budget Lines

The project budget is divided into 8 budget lines, up to 5 work packages with duration of six months reporting periods. The ERDF co-financing will be granted to the expenditure directly related to the particular project with the reference to the following budget lines:

- ▶ BL1 Personnel
- ▶ BL2 Direct Administration Costs
- ▶ BL3 Indirect Administration Costs
- ▶ BL4 External Services
- ▶ BL5 Travel and Accommodation
- ▶ BL6 Equipment and Infrastructure
- ▶ BL7 In Kind Costs
- ▶ BL8 Preparation Costs

The budget table in the Application Form describes the budget of the whole project.

It is important that all PPs are involved in the preparatory and planning work of the project application that results in strong partnership and well justified and realistic budget allocations. The involvement of financial managers during preparation of the project budget is essential.

9.3.1 Personnel Costs

Personnel costs (including salaries, wages, employment taxes, social security, health insurance and pension contributions) of the staff directly engaged in the project and employed by the PP institution on the basis of an employment/labour contract according to the law applicable in the country of the PP location are eligible under this budget line (e.g. project coordinator, financial manager, IT specialist, engineer, researcher, etc.).

Personnel costs have to be calculated based on national legislation requirements and the principles described in Latvian and Lithuanian national eligibility rules. These costs must be certified on the basis of documents, which allow the identification of real costs paid by the PP concerned, e.g. job agreements

and/or decrees which identify person's tasks and remuneration in the project, time sheets, evidence of calculations for the determination of the value of staff time used for the project. The actual salary rate has to be applied!

Each staff member working for the project has to fill in a timesheet indicating the main performed activities for the project and the amount of working hours. At minimum, the timesheet must:

- ▶ be filled in separately for each employee involved in the project;
- ▶ contain information on the hours worked for the project on monthly basis;
- ▶ briefly state the activities performed within the project;
- ▶ be signed by the employee and his/her supervisor.

A standard form of a timesheet must be used. It is published on the Programme website www.latlit.eu, section *How to Implement*.

PPs have to ensure that staff costs are properly counted and no double financing has occurred.

NB: Costs paid on the basis of service contracts and/or author agreements to individuals or companies and similar contracts based on civil law cannot be placed under this budget line. They have to be placed under the BL4 "External Services".

Costs related to the daily work of staff members, which would be carried out regardless of the project implementation, are not eligible.

9.3.2 Direct and Indirect Administration Costs

Administration costs have to be office related costs. They can be included either under the **BL2 Direct Administration Costs** or under the **BL3 Indirect Administration Costs**. The administration costs must be directly linked to the project and fulfil the following conditions:

- ▶ they are essential for the project's implementation and would not have been incurred if the project had not been carried out and;
- ▶ backed up by invoices or other probative equivalent accounting documents directly attributable to the project (direct costs); or
- ▶ they have been counted *pro rata* according to justified and clear method and backed up by evidence documents (indirect costs).

BL2 Direct Administration costs – administration costs, backed up by direct bills such as costs of consumables, photocopying; mailing; charges for trans national financial transactions; bank guarantees requested by legislation, etc. If possible, consumables to be reported as project expenditure should be purchased separately from other office consumables.

BL3 Indirect Administration Costs, i.e. overhead costs – is a share of regular monthly payments for rent, electricity, heating, water, sewerage, data/communication, depreciation costs and other similar costs directly related to project activities and calculated *pro rata* according to justified and clear method. The calculation of the indirect administration costs must be available upon request. Usually the calculation is based on the working time of staff members and office space used for the project. The cost of depreciation of equipment, for which there is a direct link with the project is eligible expenditure, provided that:

- ▶ national or Community funding have not contributed towards the purchase of such equipment;
- ▶ the depreciation is calculated in accordance with the relevant accountancy rules; and
- ▶ the cost relates exclusively to the period of co-financing of the project.

NB: Purchase of office furniture, computers and other office equipment cannot be placed here. They have to be placed under the BL6 "Equipment and Infrastructure".

Administration costs of the external experts must be included in the costs listed under the BL4 "External Services".

Please note that indirect administration costs can be up to 5% of the total eligible project budget.

9.3.3 External Services

Costs paid on the basis of contracts and against invoices to external service providers who are sub-contracted to carry out certain tasks of the project, such as:

- ▶ studies and surveys;
- ▶ translation;
- ▶ costs for FLC;
- ▶ speakers for workshops;
- ▶ trainers, facilitators at events;
- ▶ external project management;
- ▶ IT consultants;
- ▶ costs related to the organisation of meetings and events (renting of premises and equipment, interpretation, printing, catering);
- ▶ promotion costs, including inserts in newspapers, TV shows, press conferences, press releases, costs for design, translation, printing of marketing materials, brochures, etc.

The work done by an external expert, consultant or other supplier is eligible provided that the following conditions are fulfilled:

- ▶ work is essential for the project;
- ▶ costs are reasonable according to the standard rates in the country where the contracting PP is located;
- ▶ average market rates resulting from public procurement procedures are applied;
- ▶ quality of produced outputs is ensured.

The project cannot sub-contract its own PP(s) or employees of PP(s) organisations who are directly employed or/and in any form engaged in project as external experts.

When reaching the thresholds set in the national public procurement rules (see chapter 9.4.), they must be followed in selecting a company or individual providing external expertise. All contracts for external services must be backed up by the necessary documentation required by the national public procurement rules. All documents must be retrievable (e.g. tender documentation, documentation on delivery of outputs).

The type of expertise that is planned to be sub-contracted must be specified in the Application Form.

In case the total costs for preparation of technical documentation for investments under this budget line exceed EUR 50.000 the applicant has to submit a Feasibility study (see chapter 5.2).

A standard form of a *List of participants* for reporting on events must be used. It is published on the Programme website www.latlit.eu, section *How to Implement*.

As a general rule entertainment costs, artist's fees cannot be covered from the project budget, with exception under the following conditions:

- ▶ activities are essential for implementation of the project and lead to durable cooperation, e.g. project aimed to improve cultural cooperation in the border region, and
- ▶ activities and costs have been specified in the approved Application Form, BL4.

NB: Transportation costs, including event related transportation, must be placed under the BL5 "Travel and Accommodation".

The following costs are not eligible:

- ▶ any services provided by another unit (internal) of the same PP organisation (e.g. translator, IT expert performing any tasks for the project). These costs should be reported under BL1 Personnel;
- ▶ sub-contracting that adds the cost of execution of the project without adding proportionate value to it;
- ▶ money prizes, donations;
- ▶ entertainment costs, artists fees, with the exception indicated in the paragraph above.

9.3.4 Travel and Accommodation

Travel and accommodation costs of employees of the PP institutions and related to their participation in project meetings, seminars or events and supported by the documentary evidence for the travel such as business trip requests and reports, agenda, travel tickets, invoices, boarding passes, etc. Travel costs are eligible only if they are directly related to and essential for the effective delivery of the project.

Per diems, travel costs (public transport, including ferry, plane, train, bus and taxi, travel insurance and visa costs), rent of transportation, compensation for the use of personal car and accommodation are reported under this BL.

Per diems can be paid only to persons, who are working in PP organisations based on employment contracts.

In well-justified and documented cases, the PPs have a possibility to cover travel and accommodation expenses of guests/target group and to report them under this budget line.

The most economic or reasonable way of transport must be used. Please note that despite of the PP's legal status (e.g. non-governmental organisation, public equivalent body) the subsistence allowances rates as well as accommodation costs must not exceed the set limits for the public authorities under national legislation.

When reaching the thresholds set in national public procurement rules (see chapter 9.4.), these must be followed in selecting a company or individual that carries out the assignment.

NB: The travel and accommodation costs of external experts participating in project activities have to be budgeted under BL4 "External Services".

The following costs are not eligible:

- ▶ costs exceeding national limits (e.g. rate per room per night); unless justification and allowed according to the national legislation;
- ▶ travels in the first or business class, unless it is clearly proved that there was no other option or that this was the most economic/less expensive option (documentation on the justification required);
- ▶ use of car or taxi if public transport is available, unless duly justified justification is required);
- ▶ daily travels of project personnel from home to office and back.

9.3.5 Equipment and Infrastructure

Purchases, (re)construction or repair works carried out within the framework of the project based on contracts and/or paid against invoices to external suppliers shall be budgeted under this BL. The types

of investments, i.e. equipment or infrastructure, have to be in line with the aim of the Programme and crucial to the achievement of the project's objectives. Note that the co-financing for investments is seen as an investment grant, meaning that costs for depreciation of the subsidised investment cannot be accounted for in the project's book-keeping.

The applicant is asked to provide a breakdown of investment costs in the Application Form. Therefore please make sure that all cost items of equipment or infrastructure are listed in the Application Form, specifically in the BL6.

Investments are financed only in case they are necessary for reaching the results, or guaranteeing the durability of the project results. A cross border character and relevance of the investments should be evident, e.g. by established geographical coverage, functional relations and joint implementation, having a model character. They should form a part of an overall cooperation strategy implemented by the PPs (see chapter 4.1).

Investments co-financed by the Programme should be aimed at public use and their ownership and the way of use cannot be changed within five years after the project has been finalized. Otherwise the Programme has the rights to reclaim the funding.

The examples of equipment can be IT equipment (PC, monitor, printer, incl. common software); special software; scanner; office furniture; exhibition equipment, etc. The amount for equipment has to reflect the actual use of these items in the context of the project.

The purchase costs of second-hand equipment are eligible if the following three conditions are fulfilled:

- ▶ the seller of the equipment must provide a declaration stating its origin, and confirm that at no point during the previous seven years it has been purchased with an aid of other financial instruments (EU, national or other grants);
- ▶ the price of the equipment must not exceed its market value and must be less than the cost of similar new equipment; and
- ▶ the equipment must have the technical characteristics necessary for the project and it has to comply with applicable norms and standards.

In case the project plans to install the infrastructure, the relevant PP has to be the owner of the land and/ or have the building rights on the land. The examples of infrastructure can be e.g. information centres, nature trails, information signs, etc.

When reaching the thresholds set in national public procurement rules (please see chapter 9.4.), these must be followed in selecting a company or individual.

Furthermore, the applications for projects which include construction or renovation works have to be in line with the national building legislation. One copy of a full set of documents required under the national building laws must be submitted to the JTS together with the Application Form (see chapter 5.2).

The LP shall submit a project's calendar of the planned construction/renovation works including the start date of the works, location and deadlines for the submission and payment of works to the responsible project manager of the JTS in 2 weeks after the contract on construction/renovation works is signed.

In case the costs under this budget line exceed EUR 50,000 the LP has to submit a Feasibility study (see chapter 5.2).

Every co-financed piece of equipment and investment must comply with the information and publicity rules (see chapter 7.3).

9.3.6 In Kind Contribution

In kind contribution, except for unpaid voluntary work, is not eligible. Each PP can report the value of unpaid voluntary work only up to the amount of PPs' contribution, i.e. up to 15% of its total eligible expenditure.

Unpaid voluntary work is defined as a work that is done on a voluntary basis for which the person does not receive any remuneration from whatever source or which is not part of his/her paid assignment within the organisation he/she is working at. For example:

- ▶ students carrying out research for the project;
- ▶ volunteers working for a non-governmental organisation and not receiving any salary/wage for the work done within the project.

Unpaid voluntary work must be:

- ▶ essential to the project;
- ▶ based on a written agreement;
- ▶ proved by timesheets indicating the hours worked for the project and signed by a person and his/ her supervisor;
- ▶ minimum monthly or hourly official national net salary level is followed when calculating the value of in-kind contribution.

NB: Staff costs for personnel working in one of the PP institutions based on employment contract and receiving a regular salary do not count as in-kind contribution, but as the cash contribution, since staff costs are actually paid by the PP institution.

9.3.7 Preparation Costs

The preparation costs are costs directly linked to the development of the project application in the framework of the Call for Proposals of the Programme.

Preparation costs are eligible if the payments are made not earlier than 24 months before the JMSC decision and latest the day before the JMSC decision. Preparation activities and costs have to be listed in the Application Form.

Only preparation costs of the feasibility study and the technical documentation (investment project, technical project, environmental impact assessment, permits for building) of the project, translation of these documents and translation of the Application Form are eligible as preparation costs.

The maximum amount of preparation costs can be up to 5% of the total eligible project budget but no more than EUR 50.000, whichever is lower.

Preparation costs have to follow the rules applicable to the BL4 "External Expertise" as well as all rules on eligibility of costs.

The co-financing rate for the PP is also valid for co-financing of the preparation costs. Preparation costs are eligible only for projects that are approved by the JMSC.

9.4 Competition and Public Procurement

The purchase of goods and services, as well as the ordering of public works, by public services or other public bodies, is subject to national public procurement rules, Community rules, where applicable, and relevant internal rules of the contracting PP. The public procurement rules for contracting, purchasing of material and equipment or services have to be followed by all PPs apart from their legal status, i.e. non-governmental organizations as well, when operating with public or the EU funds. Stricter rules have to be applied.

Projects should indicate the project data (i.e. project index, project title, PP, Programme title and logo) in the tender documents, whenever possible.

The procurement rules aim at securing transparent and fair conditions for competing on the common market as well as at more efficient use of public funds („value for tax payers money") and should be followed by the PPs when commissioning the services, works or deliveries.

The following Community rules govern the public procurement:

- ▶ EC Treaty: rules and principles apply also to contracts outside the scope of the Public Procurement Directives. These principles include the free movement of goods (Article 28 of the EC Treaty), the freedom to provide services (Article 49), non-discrimination and equal treatment, transparency, proportionality and mutual recognition.
- ▶ Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of the procedures of the award of public works contracts, public supply contracts and public service contracts;
- ▶ Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures for entities operating in the water, energy, transport and postal services sectors.
- ▶ EU COM Interpretative Communication 2006/C 179/02 on the Community law applicable to contracts awards not or not fully subject to the provisions of the Public Procurement Directives.
- ▶ EU COM Guidelines for determining financial corrections to be made to expenditure co-financed by the structural funds or the cohesion fund for non-compliance with the rules on public procurement (EC/21/11/2007, COCOF 07/0037/02/-EN). Guidelines indicate procedure for the financial corrections, i.e. reduction of the value of the contract, to be applied in case of irregularities in the application of Community regulations on public procurement to contracts co-financed by the structural funds.
- ▶ Handbook of Green Public Procurement (can be found in the Programme website: http://www.latlit.eu/eng/programme/legal_framework1/eu_legislation)

The latest legislation on public procurement is available at: http://ec.europa.eu/internal_market/publicprocurement/index_en.htm

The main principles to be respected throughout the entire process of public procurement are **equal treatment, non-discrimination, transparency, free movement and competition**. These fundamental principles of public procurement as well as value for money principle (economy/efficiency/effectiveness) also apply to purchases of services and goods below the threshold values.

The principles of equal treatment and non-discrimination imply an obligation of transparency, which consists of ensuring for the benefit of potential bidder, a degree of advertising sufficient to enable the contract to be subject to competition. The obligation of transparency requires that an undertaking located in another Member State can have access to appropriate information regarding the contract before it is awarded, so that, if it wishes, it would be in a position to express its interest in obtaining the contract.

For individual cases where a very modest economic interest is at stake (e.g. low amount of the contract), the effects of fundamental freedoms are to be regarded as too uncertain or indirect.

Fundamental principles of the Treaty imply obligation to ensure impartiality of the contract award procedures: non-discriminatory description of the subject matter of the contract; non-discriminatory description of conditions; mutual recognition of diplomas, certificates; appropriate time limits; transparent and objective approach.

The **adequate advertising** means publication of a tender: on the contractor's entity's webpage and/or on portal sites for contracting advertisements and/or national official journals and/or official journal of the EU; undertakings in other Member State must have access to appropriate information and be in a position to express their interest.

The principle of not splitting of tenders must also be followed. It is therefore recommended for PPs to implement joint public procurement for purchase of similar type of services and supplies in the project were it leads to cost efficiency.

Contracts cannot be awarded to candidates or tenders who, during the procurement procedure are subject to a conflict of interest.

The implementation of the public procurement procedures should be well documented. The projects are requested to ensure that the whole procedure of public procurement and decisions taken as well as grounds for approval/rejection of candidates has been clearly documented. Projects, which cannot provide documentary proof of compliance with public procurement rules, risk losing ERDF co-financing.

The following documents in procurement steps, starting from the selection of the procedure to justification of decisions made are recommended to be stored:

- ▶ justification for the use of the selected procedure;
- ▶ copy of the relevant publication, advertising;
- ▶ names of tenders, successful or otherwise;
- ▶ tender evaluation reports (proper selection and award);
- ▶ contract details;
- ▶ reasons for abandoning the procedure (if applicable);
- ▶ complains submitted by tender (if any) and replies;
- ▶ public procurement documents (notes, terms of reference, offers/quotes, order forms, and contracts as well as proof of delivery) required in accordance with the national legislation, etc.

In case you have questions regarding application of the Public procurement rules, please consult at the Procurement Monitoring Bureau of the Republic of Latvia (<http://www.iub.gov.lv>) and Public Procurement Office under Government of the Republic of Lithuania (<http://www.vpt.lt/rtmp8/dtd/index.php?pid=1097589885&lan=LT>).

9.5 Value Added Tax and Other Financial Charges

Value Added Tax does not constitute eligible expenditure; unless it is genuinely and definitively born by the PP. Value Added Tax which is recoverable by whatever means cannot be considered as eligible even if it is not actually recovered by the PP. Only non-recoverable Value Added Tax borne by the PP that may not be refunded or offset by the tax authorities or by any other means may be included in the PR.

Financial charges (e.g. charges for transnational financial transactions) and, where required, also guarantee costs are eligible. This does not apply to debit interests and exchange rate losses, which have to be borne by the LP and PPs.

9.6 Examples of Non-eligible Costs

The following expenditure is considered ineligible expenditure for co-financing from the Programme funds:

- ▶ Value Added Tax, other taxes and charges, if these are legally recoverable;
- ▶ sub-contracting costs between PPs;
- ▶ any costs paid outside the eligible project period, except preparation costs;
- ▶ already included in other budget lines or cost items;
- ▶ do not show direct link to the project activities;
- ▶ sub-contracted activities if relevant public procurement rules were not followed;
- ▶ luxury goods and services, money prizes;
- ▶ already supported by a European or other international or national grant;
- ▶ bank transfers within Latvia and Lithuania;

- ▶ service charges arising on finance leases and hire-purchase agreements, depreciation, amortisation and impairment of assets purchased with the help of Government or European Community grants, routine or essential maintenance of a capital facility;
- ▶ staff costs arising from the statutory responsibilities of the public authority, which would be carried out regardless of the project implementation;
- ▶ taxes on fringe benefit;
- ▶ payments for political or religious activities;
- ▶ loan charges, debit interests, foreign-exchange commissions and losses, and other purely financial expenses, except the costs related to opening and maintaining a separate bank account for project purposes;
- ▶ costs involved in closing the company;
- ▶ fines, financial penalties and expenses of legal disputes;
- ▶ bad debts;
- ▶ contingencies and contingent liabilities;
- ▶ decommission of nuclear power stations;
- ▶ interest on debt;
- ▶ purchase of land;
- ▶ expenditure on housing (in a meaning of Article 7 of ERDF Regulation).

9.7 Geographical Eligibility

Eligibility of costs is geographically bound to the Programme area.

In duly justified cases and only if it is for the benefit of the Programme area, PPs can travel and implement activities outside the Programme area and the European Community. The costs are eligible only in case they are specified in the Application Form or a priori approved by the MA during project implementation and are vital to the success of the project.

PPs are allowed to cover travelling costs to Programme events organized by the Programme management bodies outside the Programme territory and travelling costs to the meetings with FLCs if it is located outside of the Programme territory without prior approval by the MA.

In total up to a limit of 10% of the Programme's budget may be used outside the Programme area and the European Community.

10. PROJECT MONITORING, REPORTING AND CONTROL

10.1 Reporting

Project expenditure must comply with the principle of **real costs**. It means that only costs paid by the PPs, accounted for and proved by delivery of works, services or supplies (at least partial delivery, with exception of advance payments) within the eligible project period can be considered as project costs. The project costs should be reported in the reporting period during which they were paid.

10.1.1 Deadlines

Project implementation is divided into six-month periods. The first and the last reporting periods can be shorter or longer. The exact reporting periods are established for each Call for Proposals. For each six-month period, a PR has to be submitted to the JTS.

The following deadlines must be observed by the project:

1. Within two weeks (10 working days) after end of reporting period each PP submits the Partner Report to its FLC. Partner Report form is available for download at Programme website: www.latlit.eu.
2. Based on the data from the verified by the FLCs Partner Reports, the LP prepares the PR for the whole project. The PR must be submitted to the LP's FLC no later than two weeks (10 working days) before the deadline of submission of the PR to the JTS.
3. The LP submits to the JTS verified by its FLC PR within three months after end of the reporting period. Please note, that in case the submission of the PR is delayed, the JTS will contact the LP asking to provide the reasons for a delay and might set a new deadline for submission. If the LP fails to submit the PR due to its or PPs fault within the set deadline or at all, the PR might be rejected or project might be terminated in accordance with the rules of the Subsidy Contract.

10.1.2 Submission of Progress Reports

The JTS sends out a pre-filled PR form, based on the information in the Application Form, to the LP shortly before the end of each reporting period.

The PR consists of an **Activity Report**, **Financial Report** and **Confirmation by the FLC**. It serves as a basis for payments and is used for reporting on the Programme's progress to the JMSC and the European Commission.

The **Activity Report** includes information on the project's progress, as well as a comparison of initially established targets to those achieved. The report also requests information on project output indicators.

The **Financial Report** contains a retrospective accounting of the total costs paid during the reporting period. The report must contain information on both cash and in-kind expenditures. Costs not accounted for or not reported in due time are not reimbursed. The LP ensures that the expenditure stated in the Financial Report has not been included in previously submitted **Financial Reports**.

The PR must be submitted by the LP to the JTS both electronically as well as in hard copy.

The hard copy of the PR has to carry the signature and stamp of the LP and the confirmation of the LP's FLC on the verification of the entire expenditure and activities at a project level.

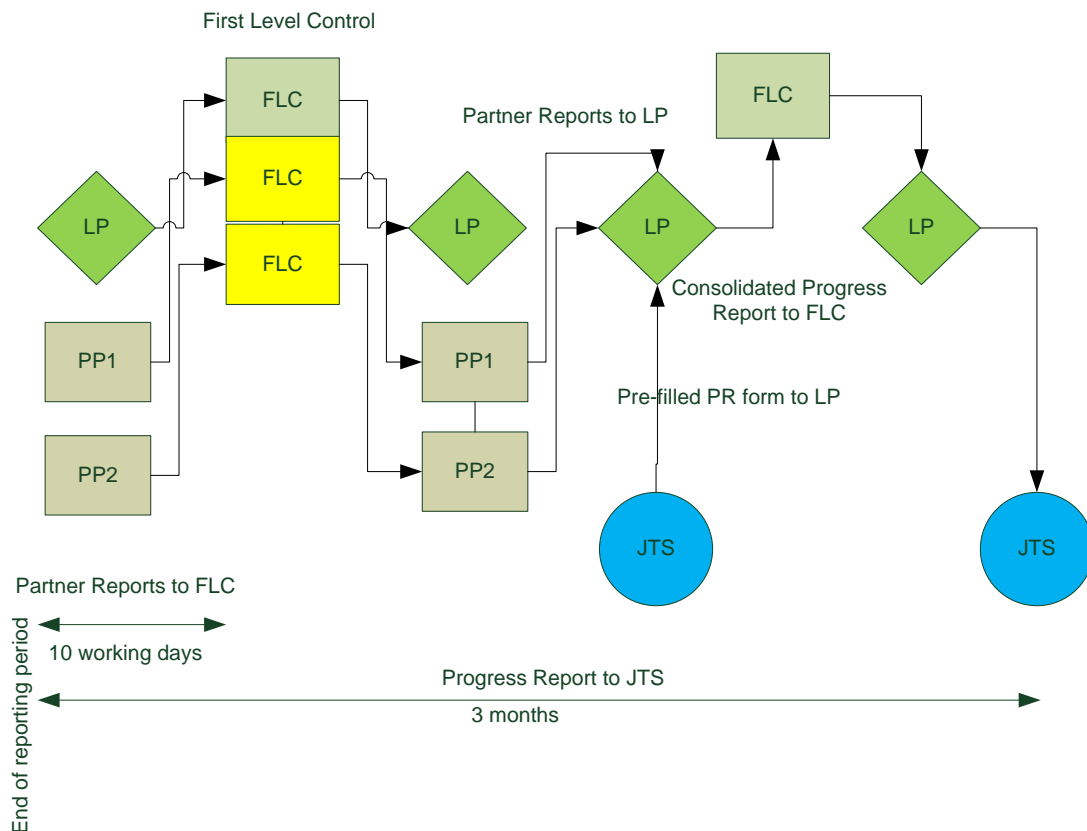
The PR must be filled in English. Supporting documents, (e.g. publications, studies event agendas, press releases, pictures, lists of participants and etc.) can be in presented Latvian and Lithuanian and have to be marked according WP's.

Together with the PR, the LP has to submit copies (hard copy or in electronic form) of evidence documents for the activities implemented and expenditures incurred within the reporting period including:

1. In case of organization of meetings and events, as a minimum:
 - ▶ meeting/event agenda;
 - ▶ memo/minutes/report of the meeting/event, if available; list of participants with signatures for each day;
 - ▶ photos from major meetings/events;
 - ▶ evaluation summary from trainings/skills raising events/workshops/consultations based on individual participant's assessment sheets;
 - ▶ handouts.
2. In case of outputs produced by the sub-contractors:
 - ▶ developed documents (e.g. studies, research, programmes);
 - ▶ information and publicity materials (e.g. press articles, leaflets, CDs, websites print-outs, brochures, small promotion materials such as pens, etc.).
3. Pictures of infrastructure objects built and equipment purchased.
4. Copies of Confirmations by the FLCs for all PPs.
5. Original Certificate of Proficiency of the Lead Partner FLC together with the first PR or whenever the controller has changed.

A model form of PR for information purposes can be downloaded from the Programme website www.latlit.eu, section *How to Implement*.

Please see the picture illustrating the reporting and payment procedure below:



The reporting and payment procedure can be summarised as follows:

- ▶ PPs implement their part of activities in the project, cover related costs and retain the accounting documents constituting the audit trail (contracts, invoices, time sheets, calculation and payment evidence, etc.), as well as output documents showing the implementation of the project's activities (minutes of meetings, studies, manuals, policy documents, training materials, etc.);
- ▶ each PP, including the LP, submits a Partner Report to Latvian or Lithuanian FLC body within 2 weeks (10 working days) after end of reporting period. Partner Report is available for download at the Programme website www.latlit.eu, section *How to Implement*. Partner Report has to be submitted with project documents (Application Form, Subsidy Contract, Partnership Agreement, approval of project changes) and with all the supporting book-keeping documents (e.g. receipts, invoices, bills, employment contracts, service contracts, lists of participants). Based on the Partner Report the Confirmation by the FLC is issued for each PP's activities and expenditure for the particular reporting period;
- ▶ JTS sends the pre-filled PR form to the LP before end of reporting period;
- ▶ PPs submit their verified Partner Reports with the Confirmations by the FLCs to the LP, who compiles the PR for the whole partnership. The LP submits the PPs' FLC confirmations and the PR for the whole project to its FLC no later than two weeks (10 working days) before deadline of submission of the PR to the JTS;
- ▶ the LP's FLC verifies that the information provided by the PPs has been verified and confirmed by their FLCs in compliance with the country specific control requirements and that the PPs' information has been accurately reflected in the PR;
- ▶ for the audit trail, the LP retains the inputs to the PR received from the PPs;
- ▶ the LP submits the verified PR to the JTS;
- ▶ JTS checks it and, if necessary, sends clarification requests to the LP. Once all points have been clarified, the PR is approved;
- ▶ JTS forwards the PR to the CA;
- ▶ CA certifies the costs, and after the sample checks, if relevant, makes payment to the account of the LP (1st payment – 70% of ERDF co-financing from the total eligible costs; 2nd payment - rest of the ERDF co-financing amount from reported eligible costs if the project applied for simplified ERDF co-financing payment method).
- ▶ LP makes payments to the accounts of the PPs.

10.1.3 Final Progress Report

After finalisation of the project the final PR has to be submitted to the JTS. This report provides information on all project outputs, results and objectives achieved. The procedure for submission of final PR is the same as for the submission of the regular PR.

10.2 JTS Monitoring of Progress Reports

The MA and the JMSC are responsible for ensuring the implementation quality of the Programme. They carry out monitoring by reference to financial indicators and the indicators referred to in the Art. 12(4) of the ERDF Regulation specified in the Programme. In addition to the indicators defined in the Programme, the projects establish additional indicators adjusted to their specific needs and targets. The practical monitoring of the projects implementation is implemented by the JTS.

Every six months LP of the project submits the PR to the JTS. These PR are the central source for monitoring progress of project implementation.

The JTS shall also carry out the project visits with the aim to monitor progress of the project implementation, provide advice or tackle the problems in partnership, monitor the delivery of project outputs and results. The JTS can also involve external expertise for verifying the project implementation and progress made.

The JTS monitors all components of the PR, such as the description of activities, the report on achievement of the planned outputs, the lists of expenditure, as well as confirmation of expenditure by FLC. The achievement of the planned outputs is monitored in relation to the work plan presented in the Application Form. During the financial monitoring the JTS cross-checks whether what has been verified by the FLC complies with the provisions of the Subsidy Contract and the Programme rules as well as with the Application Form.

If the information delivered in the PR is insufficient, the JTS will ask for further information or clarification from the LP. If necessary, the JTS, MA or CA may also ask the LP to provide more in-depth documentation, such as the overall report/checklist on the controls performed at project level, the documents listed in the confirmation of the verification of the expenditure, copies of invoices, timesheets, etc. The LP should provide the answers to the JTS within the set timeframe. If there are no further questions concerning the respective PR or other outstanding issues regarding the project, the PR is approved and the payment procedure is started.

The PR shall be approved by the JTS latest within six months after the submission of the PR.

10.3 Verification of Expenditure (First Level Control)

The FLC implies 100% checks of the project expenditure for each PP that are carried as desk checks and on-the-spot checks. It is a duty of both the LP and the PPs to cooperate with the FLC bodies, present any documentary evidence or information deemed necessary to assist with the evaluation of the accounting documents as well as give access to their business premises.

The Programme has prepared the *Guidelines for First Level Control*, which must be used by the selected FLC (hereafter referred as to "controller") when carrying his/her tasks. The Guidelines are published on the Programme website www.latlit.eu, section *How to Implement*.

Please note that Lithuanian PPs should budget costs for FLC (ca 3-4% of PP budget) in the project budget. In Latvia, the FLC is carried out free of charge.

National bodies responsible for the First Level Control

The national control bodies separately controls each PP. Latvia and Lithuania shall ensure that the controllers can verify the expenditure within a period of three months.

In Latvia, the FLC is carried out by Latvian State Regional Development Agency which is a centralised first level control body. The contacts of the Latvian FLC body are:

State Regional Development Agency
Elizabetes 19, Riga
LV-1010
Email: tspkd@vraa.gov.lv
Tel.: +371 6735 0632
Website: www.vraa.gov.lv

In Lithuania, a decentralized system established by the Ministry of the Interior of the Republic of Lithuania. Lithuanian PPs must choose external controllers according to the requirements which are set in the Rules of Implementation of European Territorial Cooperation Objective Programmes in Lithuania (approved by the order of the minister of Interior of the Republic of Lithuania No 1V-359 of 10 June 2010) using the public procurement procedure and conclude the service contracts with the selected audit company using the model of contract recommended by the Ministry of the Interior and following requirements set in the *Requirements for Audit in Lithuania*. The list of certificated auditors is provided by the Lithuanian Chamber of Auditors. The Ministry of the Interior checks if controllers meet the requirements for qualification (in accordance with public procurement procedure documents, contracts, etc.).

During the project implementation, change of the FLC institution in Lithuania is not allowed except in well justified cases approved by the Ministry of the Interior of the Republic of Lithuania.

The contacts of Lithuanian body responsible for the FLC are:

Ministry of the Interior of the Republic of Lithuania
Division of Territorial Cooperation Programme of Regional Policy Department
Sventaragio street 2
Vilnius, LT-01510
Tel.: +370 52718966
Fax: +370 52718782

Contact person: Head of Division of Territorial Cooperation Programme of Regional Policy Department:
Ms. Deimantė Jankūnaitė

Email: deimante.jankunaite@vrm.lt Website: www.vrm.lt

Requirements to the First Level Control

The controller should be competent in different fields related to finance and project management. More in depth competence is needed in addition to qualification required according to the respective NATIONAL FLC system:

- in international and national accounting standards and accountancy in general;
- in applying the regulatory framework of the structural funds, national legislation, including national eligibility rules and requirements for FLCs, Programme rules;
- in project management, in order to be able to compare the expenditure reported in the reporting form with the developed activities and to see if the implementation is in line with the approved Application Form;
- appropriate knowledge of English language in order to understand Programme documents and requirements.

The controller must be absolutely **independent** from the PP organisation. Independency must be ensured according to the terms of reference indicated by the European Commission (European Commission recommendation on statutory auditors' independence in the EU: a set of fundamental principles according to 2002/590/EC; International standard on quality control N°1 (IFAC); Code of ethics of the INTOSAI, Auditing standards Chapter II-2.2. Standards with Ethical significance).

To ensure that the controller is clearly aware of the special requirements on FLC, is avoiding conflict of interest and observes confidentiality of information, the controller shall sign a Certificate of Proficiency of Project Partner/Lead Partner FLC, available at the Programme Guidelines for FLCs

Tasks of FLC

The FLC verifies both **expenditure and the activities**. The verification by the controller follows a two step approach:

- verification of expenditure and activities declared by the PP and LP in individual Partner Reports (verification at PP level);
- verification of the entire expenditure and activities declared by the project in the respective joint project PR (verification at project level).

The controllers' task is to verify that:

- the costs are eligible;
- the conditions of the Programme, Application Form and the Subsidy Contract have been observed and followed;
- the invoices and payments are correctly recorded and sufficiently supported;
- the costs are reported under the correct budget line and work package and are attributed to the reporting period when they are paid;
- the activities have actually taken place and the sub-contracted supplies and services have been delivered or carried out;

- ▶ the Community rules have been respected especially with regard to information and publicity, public procurement, equal opportunities and protection of the environment as well as relevant national legislation has been respected, in particular national eligibility rules.

The checks have to be obligatorily documented with the help of a control checklist and a control report. The controller must maintain close contact with the JTS managers in order to ask for assistance whenever there is doubt linked to the above points.

I. Verification at PP level

All controllers at the PP level are required to:

- ▶ verify the expenditure incurred by the controlled PP;
- ▶ verify the contents of both the activity and financial component of the Partner Report;
- ▶ draft a report/checklist on the control performed;
- ▶ sign and submit the confirmation by the FLC to the PP/LP;
- ▶ sign and submit the declaration of proficiency to the PP/LP.

II. Verification at project level

The LP submits the PR, together with the confirmations of the controllers of the PPs to the LP's controller, who then verifies the PR for the entire project.

Each project PR is made up of two parts: the activity part and the financial part (see chapter 10.1.2). **Both parts** have to be verified in its contents by the LP's controller.

In addition, the LP's controller has to check and confirm that all PPs' inputs to the PR were confirmed by their responsible controllers and the country specific control requirements have been respected.

10.4 Audit (Second Level Auditing)

In addition to the FLC, the Audit Authority assisted by the Group of Auditors is responsible for carrying out the audits on projects and shall ensure the compliance with Article 62 (1) b of the General Regulation and Article 16 to 18 of the Implementation Regulation. Audits on projects are performed to provide assurance that certified total amounts related to activities financially supported by the Programme are justified by detailed accounting documentation and source documents available for Programme beneficiaries as to provide assessment on legality and regularity of expenditures payments verified by the CA. Auditors will check whether eligibility rules on EU, Programme and national level have been followed thus proving eligibility of expenditure.

The projects will be selected annually on a basis of appropriate sample. In case a project is sampled, it will be checked both at LP and PP level by the national competent auditors (second level auditors) that are members of the Group of Auditors.

The national auditor of the country where the LP is located (lead auditor) will be in charge of leading the audit and organizing the schedule of the audits at PP level: each national auditor will be responsible for auditing the PPs located in his/her territory, unless agreed differently by the Group of Auditors.

The audit starts when the lead auditor launches the audit and informs the LP about the aim and schedule of the checks. The national auditors involved will get in contact with the PPs and schedule audits accordingly. The audit implies both desk checks and on-the-spot checks.

It is the duty of the LP and of all the PPs involved in the sampled project to facilitate the audit activities and to provide requested documentation and access to locations and premises.

The responsible auditing bodies of the EU and the auditing bodies of the participating MSs or other national public auditing bodies, are entitled to audit the proper use of funds on the project level.

The audits shall verify that the following conditions are fulfilled:

- ▶ the project meets the selection criteria for the Programme, has been implemented in accordance with the approval decision and fulfils any applicable conditions concerning its functionality and use or the objectives to be attained;
- ▶ the expenditure declared corresponds to the accounting records and supporting documents held by the LP/PP;
- ▶ the expenditure declared by the LP/PP is in compliance with Community and national rules;
- ▶ the public contribution has been paid to the LP in accordance with Article 80 General Regulation.

After finalising the desk checks and on-the-spot checks each audited PP will receive a report from its national auditor and will have a limited period of time to debate the auditors' findings. Comments from the audited PP will be reported in the auditors' reports.

Once all the contradictory procedures have been closed, the lead auditor will compile the **lead auditor report** and inform the AA, the Group of Auditors and the JTS/MA about the outcomes and suggest follow-up actions, if needed.

The JTS will contact directly the LP in the follow-up process and also channel the proper data to the CA. The LP remains at all stages the counterpart of the JTS/MA in case of any recovery of funds.

Costs incurred during the auditing by the LP and PPs might be reported to the JTS and considered eligible for funding, if they comply with the eligibility rules (see chapter 9).

10.5 Other Possible Checks

Besides the audits and verifications mentioned above the European Commission, the European Court of Auditors, national bodies, JTS/MA, CA may carry out audits on project implementation and financial management. Projects may be selected for checking even after they have ended. That is why it is important to ensure good documentation system and safe storage of all project documents at least until 31 December 2021.

10.6 Project Closure

All projects should close their activities within the time frame (project period) stated in the Subsidy Contract.

It is important that all costs up to the date of finalisation are included in the final PR, as it will not be possible to report potential costs for closure of the project afterwards. All costs that are to be reported to the JTS must have been paid ("gone from the bank account") within the approved time frame (project period) of the project. This implies that costs for closing the project (e.g. costs for FLC in Lithuania of the last PR) must be incurred and paid within the last reporting period.

With regards to the project closure, it is important to be aware of the following:

- ▶ The Programme rules on information and publicity must be respected for all products produced with the assistance from the Programme including the time after the closure of the project.
- ▶ Any substantial modification of the project, from approved in the application, within five years from the project's completion must be avoided. The project must not undergo any substantial change: a) affecting its nature or its implementation conditions or giving to a firm or a public body an undue advantage; and b) resulting either from change in the nature of ownership of an item of infrastructure or the cessation of a productive activity. Not fulfilling these conditions can imply a recovery of the funds unduly paid.
- ▶ The Partnership Agreement must clearly state the ownership and further maintenance and use of the outputs and results.
- ▶ The LP and PP(s) must allocate the contact person for five years for communication with the Programme management bodies.

- ▶ The LP and PPs (for their parts) are at all times obliged to retain all files, documents and data about the project on standard data storage media in a safe and orderly manner for control and audit purposes at least until 31 December 2021.

The following list gives an overview of the documents that should be available at LP/PPs (for their parts) premises for control and audit purposes:

- ▶ approved Application Form; Subsidy Contract;
- ▶ Partnership Agreement, with amendments, where applicable;
- ▶ relevant project correspondence (financial and contractual);
- ▶ Partner Reports and PR;
- ▶ details on budget by the PP, list of declared expenditure by the PP; PPs controllers' confirmations (and checklists/control reports);
- ▶ bank account statements proving the reception and the transfer of ERDF funds;
- ▶ invoices;
- ▶ bank account statements/proof of payment for each invoice;
- ▶ method used by all PPs outside the EURO-zone for converting national currency into euro;
- ▶ personnel costs: calculation of hourly rates, information on actual annual working hours, labour contracts, decrees, timesheets, payroll documents and time records of personnel working for the project, etc.;
- ▶ list of sub-contracts and copies of all contracts with external experts and/or service providers;
- ▶ calculation of administrative costs, proof and records of costs included in overheads;
- ▶ public procurement documents, including notes, terms of reference, offers/quotes, order forms, contracts as well as evidence of delivery of goods and services;
- ▶ proof of outputs and activities: studies, training programmes, minutes of meetings, signed participant lists, agendas, etc.;
- ▶ at least one copy of the prepared promotion materials (brochures, souvenirs, etc.);
- ▶ record of assets, physical availability of equipment purchased in the context of the project;
- ▶ other project related documentation.

These documents must be grouped together in project folder, archived and kept in the LP's/PP's premises until 31 December 2021. The documents can be kept either in the form of originals or in versions to be in conformity with the original on commonly accepted data carriers. The procedure for the certification of the conformity of these documents held on data carriers with the original documents must be in line with the provisions set by the national authorities and shall ensure that the versions held comply with the national legal requirements and can be relied on for audit and control purposes. In case of retaining the documents electronically, internationally accepted security standards must be met.

10.7 Irregularities

In the Article 2 (7) of the General Regulation the 'irregularity' is defined as '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 EU by charging an unjustified item of expenditure to the general budget'.

Examples of irregularities include:

- ▶ an incorrectly calculated payment claim received by the JTS that is corrected before payment is made;
- ▶ evidence indicating that items of ineligible expenditure have been included in the calculation of ERDF co-financing previously claimed and paid;

- ▶ evidence that project has failed to implement the European Commission's requirements on publicity or public procurement;
- ▶ evidence that project has failed to make progress in the delivery of the agreed outputs and/or results for which the ERDF co-financing was awarded;
- ▶ evidence that the partnership has not set up an adequate system to control and monitor the project expenditure.

Irregularities can be identified in several ways:

- ▶ by the LPs;
- ▶ by first and second level control bodies;
- ▶ by the JTS, MA or CA on the basis of signals from the field or from PR and payment claims;
- ▶ by the MSs while auditing the project.

In accordance with Article 28(4) of the Implementing Regulation, irregularities shall be reported by the Member State in which the expenditure is paid by the LP implementing the project. The Member State shall inform the MA, the CA and the AA at the same time.

In case the FLC or the audit find an irregular use of funds granted, it might imply follow up actions such as: withdrawal or reduction of the co-financing, recovery of granted funds.

In these cases, the procedures listed in Article 27 to Article 36 of the Implementing Regulation shall be applied.

10.8 De-commitment Rule

The Programme funds are subject to the de-commitment rule. ERDF budget commitments at the Programme level are made on a yearly basis.

According to Article 93 (1) and (2) of the General Regulation each annual ERDF budget allocated to the Programme in the year 2008 until 2010 must be spent within the three following years. Each annual ERDF budget of 2011 to 2013 must be spend by the Programme within the two following years. ERDF funds which the CA does not claim from the European Commission in time are automatically de-committed from the Programme's budget and therefore lost. De-commitment imposes risk on the Programme's success, therefore regular control of Programme spending and implementation of risk-preventing counter measures are part of Programme's management.

The payment claims to the European Commission are based on the projects' certified and reported expenditures, thus very much depending on projects' financial performance. In this regard, the Subsidy Contract will commit approved projects to follow a pre-defined spending schedule which has been set out in the Application Form.

In case the European Commission de-commits Programme funds and if this de-commitment cannot be covered by funds left over from already closed projects, the funds of ongoing projects have to be reduced. In addition, the JMSC might decide to cut the unused funds of significantly delayed projects and to allocate them to new projects.

Projects will be monitored on the basis of payment forecast. If the Programme does not meet its annual spending target because some projects are lagging behind their spending forecast or do not report in full and in time, it is likely that these projects will lose funds. It is therefore important that the projects:

- ▶ carefully prepare a realistic spending forecast;
- ▶ are ready to start project implementation very quickly after project approval; monitor these aspects effectively during implementation and;
- ▶ ensure regular, timely and full reporting.

Regular reporting and timeliness of projects are therefore crucial factors for ensuring regular cash flow

to the Programme and to the projects, and avoiding loss of the EU funds. In case the Programme has to de-commit funding, the projects, which are under-spending and/or have serious delays with reporting, might lose part of their approved project budget.

The LP and its PPs are encouraged to develop a realistic project budget and spending plan from the very start. In this respect, the following experiences could be useful:

- ▶ the spending rate of an average three-years-project is lowest at the beginning of the project, because the early stage of the project is dominated by planning and preparation. It increases towards the end of the implementation period, where it reaches its highest level;
- ▶ higher spending rates, especially in the beginning, are appreciated, but they can only be fulfilled if the project implementation is speeded up right from the beginning. For this purpose, the key staff for project co-ordination should be available shortly after the meeting of the Programme JMSC for selection of projects. In addition the kick-off meeting and detailed project planning meetings should be preferably arranged soon after this date;
- ▶ every project should provide at least six-monthly spending targets down to the PP level. These should be included in the Partnership Agreements, which have to be prepared early enough. It is recommended that the LP requires quarterly interim reports in order to monitor the PPs' financial performance.

Allocation of a significant part of the budget to the last project reporting period might be critically evaluated during the assessment of the application.

The Subsidy Contract provides the legal basis for de-commitment of funds from running projects. From its provisions follows that projects do not have legal claim for maximum ERDF co-financing, if their six-monthly payment requests are not at least as high as their six-monthly payment targets.

Moreover, according to the Subsidy Contract, the MA has the right to withhold project funds that were not spent in time. Projects having duration of more than two reporting periods, running into their second half of project duration and having the under-spending rate of more than 20% can be subject to the de-commitment procedure in accordance with Article 93 (1) and (2) of the General Regulation.

10.9 Costs Recovery

Without prejudice to the Member States responsibility for detecting and correcting irregularities and for recovering amounts unduly paid, the CA shall ensure that any amount paid as a result of an irregularity is recovered from the LP. The PPs shall repay the LP any amounts unduly paid in accordance with the agreement existing between them.

If the LP does not succeed in securing repayment from PP, the Member State territory the PP concerned is located shall reimburse the CA for the amount unduly paid to that PP.

In accordance with the Article 20(3) of the ERDF Regulation, each PP participating in the project shall:

- ▶ assume responsibility in the event of any irregularity in the expenditure which it has declared;
- ▶ repay the LP any amounts unduly paid in accordance with the agreement existing between them;
- ▶ be responsible for information and communication measures for the public as laid down in Article 8 of the Implementing Regulation;
- ▶ keep available all documents related to the project in accordance with the requirements of Article 90 of the General Regulation.

The responsibilities of the LPs and the other PPs resulting from the ERDF rules and regulations shall be defined in the Subsidy Contract.

11. CONTACTS

For further information, please contact:

Latvia–Lithuania Cross Border Cooperation Programme 2007–2013

Joint Technical Secretariat

State Regional Development Agency

Ausekļa str. 14–8 (5th floor)

LV–1010 Rīga, Latvia

Phone: +371 6735 0622 (LV); +370 6999 4692 (LT)

Fax: +371 6735 0623 Email: info@latlit.eu www.latlit.eu

Annex I. GUIDELINES ON DEFINING AND REPORTING PROJECT OUTPUTS AND RESULTS

The following is the guide to the projects on specification of the outputs and results to be listed in the project application and reported further on. The document is intended to be a guide to the projects when measuring the outputs and results; assisting in determining whether or not a particular ones are appropriate; providing the minimum quality requirements to be ensured by the projects; and informing on what types of records are necessary to demonstrate the outputs and results when filling in the application and reporting forms.

If the project plans to list the outputs and results, yet the definition is different from the proposed, the concept has to be explained in the Application Form.

Outputs	Definition and Requirements
<p>Cross border events organized by the project</p>	<p>Examples: seminars, trainings, study trips, festivals, exchange visits, camps</p> <ul style="list-style-type: none"> ▶ "Training" can be defined as an event provided by a qualified trainer and aim at raising skills, knowledge or qualification. ▶ „Seminar/workshop" can be defined as an event aimed at mutual Exchange experience, transfer of knowledge/raising qualification; focusing on free discussion exchange of ideas, demonstration of methods of practical application of skills and principles. ▶ „Fair" can be defined as a gathering of producers/sellers in order to promote business by display or trade of production or other goods. ▶ „Exhibition" can be defined as an event at which products and/or services are displayed/offered to an interested audience. ▶ "Individual consultations" can be defined as face-to-face or distant interaction provided by a qualified tutor of a particular field for a targeted individual beneficiaries. ▶ "Conference" can be defined as national or international event aimed information exchange on a particular theme with no less then 50 participants. ▶ "Forum" can be defined as a general discussion area/meeting or assembly for a free exchange of ideas, thoughts, and comments. <p>Requirements:</p> <ul style="list-style-type: none"> ▶ Prepared and implemented jointly or in cooperation with PPs; having cross border content, relevance; ▶ Publicly announced (in the PPs'/project websites as well) to all the interested parties. In case of selection of particular participants, clear criteria have to be announced in advance and available upon request. ▶ In case of private profit making institutions participation in project activities, they shall cover part of participation costs themselves. ▶ Agenda, training curricula, information on selection of participants, photos, and evaluation sheets have to be available at PP institution. ▶ Names and institutions of the participants shall be recorded with the signatures for each day of the event. ▶ In the trainings targeted for specific social groups, the participant lists should indicate the social status (self-employed, unemployed, student,

	<p>teacher, etc.).</p> <ul style="list-style-type: none"> ▶ Training/workshop has to be implemented according to the approved/certified programme by a recognized training provider and should be of sufficient quality to meet the needs of the target group identified. ▶ Additional skills sought as a result of a training/seminar or workshop should be outlined. ▶ 1 consultation (face-to-face/distant interaction or telephone/distant consultation) is identified as a minimum of 1 direct or distant contact hour (minimum 45 min). If the consultations are shorter, it shall be clearly indicated in the description, justified in regards to their relevance and provided assistance. ▶ Consultations must be reflected on both – tutor and trainee – time sheets, attendance report, meeting notes, agreements with beneficiaries on types assistance rendered, etc. ▶ Tutor time sheets should include which beneficiary (name, institution, address was supported, the type of support given, where appropriate. ▶ Evaluation sheets, questionnaires should be filled by participants in the events.
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Outputs	Definition and Requirements
<p>Cross border strategic planning and monitoring</p>	<p>Examples: studies, strategies action plans, technical projects, joined systems.</p> <ul style="list-style-type: none"> ▶ Joint development strategy, action plan can be defined as a plan or method that includes options and priorities or actions towards achievement of the defined long term goal or objective. ▶ Feasibility study can be defined as a detailed technical, financial, economic, institutional, social and environmental analysis of the project/plan intended to be implemented; the analysis of the various options for investments and a recommendation on the best solution for their use. <p>Requirements:</p> <ul style="list-style-type: none"> ▶ Documents, developed jointly or in cooperation with the PPs, that provide information on cross border territory and relevant topics. ▶ No duplication/copying of the already existing works. In case of updating the existing documents, the new incorporated elements should be clearly distinguished in the description. ▶ Issued in a written form/hard copy. ▶ Information and findings must be freely available for dissemination to the target groups. ▶ Data has to be consistent, reliable (providing sources of information and ways of data collection), verifiable and applicable for the involved institutions. ▶ Information provided in the feasibility study has to be precise, verifiable and comprehensive; sufficient to provide basis for making decisions on conducting investments or developing particular product/service, etc. ▶ Should be of a sufficient quality to withstand the external professional scrutiny. ▶ Have to be approved/confirmed by the PP institution or other

	responsible institutions or external evaluators (e.g. technical documents).
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Outputs	Definition and Requirements
Methodological materials/tools developed	<p>Examples: guidelines, manuals, training programmes</p> <ul style="list-style-type: none"> ▶ Guidelines can be defined as a text that provides instructions and advice for performing task and suggesting possible approaches or recommendations that direct to achievement of a certain goal. ▶ Manual can be defined as a book or a small handbook giving instructions or information, explanations; consisting of the essential collection of information on a subject and written primarily for the practitioners. ▶ Joint study, research work can be defined as systematic investigations into and study of materials or sources in order to establish facts and reach new conclusions. ▶ IT system, database can be defined as all forms of technology used to create, store, exchange, and use the electronic information. <p>Requirements:</p> <ul style="list-style-type: none"> ▶ Materials or tools prepared and implemented jointly or in cross border cooperation of involved institutions. ▶ No duplication/copying of the already existing works. In case of updating the existing documents, the new incorporated elements should be clearly distinguished in the report. ▶ Issued in a written form /hard copy (except IT systems/tools). ▶ Information and findings must be freely available for dissemination to the target groups. ▶ Should be of sufficient quality to withstand the external professional scrutiny. ▶ Has to be approved/confirmed by the PP institution or other responsible institutions. ▶ Has to be concise and authoritative reference for the defined target groups and practically applicable. ▶ Providing expert background information on a given field of knowledge. ▶ Learning programmes, training courses should be approved, registered or certified according to the national requirements during or after the project, if applicable, or otherwise approved by the PP institutions. ▶ It is highly recommended to carry out external evaluation of produced materials. ▶ Joint studies, research works should propose innovative approach, methods, procedures, etc. Aimed at practical applications, influence on policy development (e.g. needs analysis, evaluations) with the help of investigated facts, laws or theories. ▶ The information systems have to be: <ul style="list-style-type: none"> a) innovative, i.e. using the latest technologies developed; b) easily accessible for stakeholders, flexible and user-friendly; c) cost effective, i.e. management costs of the systems related to their complexity and tasks.

	<ul style="list-style-type: none"> ▶ Regular update and operation of the IT systems both during and after the project implementation.
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Outputs	Definition and Requirements
Information and marketing materials	<p>Examples: articles, press releases, conferences, websites, publications, exhibitions, etc.</p> <ul style="list-style-type: none"> ▶ A brochure/leaflet can be defined as a flyer or other paper material distributed for the purposes of advertising and promotion. It may advertise events, products, etc. ▶ Press release can be defined as a written communication directed at members of news media and other medias for announcing a specific event or product, etc. Can be mailed or faxed to newspapers, magazines, radio stations, television stations, and/or television networks, published on the website free of charge. ▶ Article is a written communication directed to specific target audience represented by specific newspaper, magazine, TV, radio, etc. It could be paid from project budget. It should contain specific information (statistics, analysis, interviews, results on research etc) about project activities and/or results. ▶ TV, radio broadcasts, movie clips are project related messages transmitted by radio or television to inform wider public. ▶ Poster can be defined as an advertisement printed on a large piece of paper attached to a flat surface or standing up with a clip backing. ▶ Newsletter can be defined as periodic specialised letter, usually issued by e-mail, containing news and announcements on project related issues to the subscribers. ▶ Advertisement in media – a paid public announcement appearing in the media (newspapers, magazines, TV etc.) <p>Requirements:</p> <ul style="list-style-type: none"> ▶ Implemented according to the Programme publicity requirements; ▶ As a minimum it is required to publish the information on PPs websites and send at least one press release/email short information about project/financing sources and important project events at project start and by the project end. ▶ PPs are responsible for the quality and content of the implemented publicity activities. ▶ Copies of the publications, pictures of the plaques, posters, photos of the events, etc. have to be attached to the reports. ▶ PPs have to ensure regular update of information on the created websites both during and after the project implementation. ▶ Publications have to be distributed free of charge. ▶ Posters can be attached inside the premises of the institution as well as outside the premises.

Outputs	Definition and Requirements
Established cross border on both sides networks	<p>Cross border network can be defined as a system of durable contacts of the border among PP institutions established for the fulfilment of particular tasks, eg., in order to exchange information and develop useful contacts, etc. Networks often concern particular sectors or themes (i.e. SMEs networks, tourist resorts networks, risk managers networks). Can be formal or informal networks. The formal ones are normally regulated by contract or a general written agreement by all PPs belonging to network.</p> <p>Requirements:</p> <ul style="list-style-type: none"> ▶ As a minimum involves more than 2 organisations. ▶ Evidenced by a signed cooperation agreements/joint action plans, cooperation structures, forums or established common rules, procedures, etc. ▶ Project might generate new, extend already existing thematic, or sector networks of PPs/beneficiaries across the border, i.e. extending the already existing networks to a new field of cooperation. ▶ Durable, i.e. intending further cooperation after the project end.
Cross border services	<p>Examples: municipal cooperation in fields of e.g. water supply, sewerage, heat supply, public transport, health care, education, culture, fire and police protection, etc.; cooperation between public organisations responsible for emergency services, environment protection, health care, nature management, culture, education, businesses, etc.</p> <p>Requirements:</p> <ul style="list-style-type: none"> ▶ Implies planning and/or joint development of the services. ▶ Established in cooperation with PPs and/or ensuring joint use of public services on both sides of the border. ▶ Evidenced by cooperation agreements, planning documents, joint action plans, etc. ▶ Activities that are not supported by the mainstream Structural Funds resources, therefore the cross border element has to be clear. ▶ Aimed at the improvement of quality of services or introduction of new services provided to the population. ▶ As a rule, regular operational costs of existing services shall not be included. ▶ The number of people benefiting from joint measures should be provided based on a selected calculation method, e.g. number of users who will be connected to the new water supply system. ▶ Monitoring of quality of the services have to be implemented, where relevant (e.g. satisfaction surveys, external evaluation).

Outputs	Definition and Requirements
Reconstructed/ created public sites and buildings	<p>Examples: information and advisory centres, technology parks of cross border importance, thematic (tourist) routes, recreational areas, inland waterways, small scale road investments in order to fix the interrupted links on borders; environment infrastructure facilities, natural resources monitoring systems, etc.</p> <p>Infrastructure investments:</p> <ul style="list-style-type: none"> ▶ having territorial dimension (physically leading/installed across the

	<p>border infrastructure) or infrastructure as part of joined cooperation activities;</p> <ul style="list-style-type: none"> ▶ directly bringing the benefit across the border/benefiting the PPs either through establishing functional relationships between locations (consisting/comprising a joint system, shared use of the final output) or through transfer of knowledge at certain/all stages (joint design, joint implementation, joint management/testing, joint marketing; demonstration of effects). <p>Requirements:</p> <ul style="list-style-type: none"> ▶ The infrastructure established shall be aimed at public use and will not be of a commercial character. ▶ (Additional) population served with improved infrastructure shall be identified. ▶ Scope of the investments in infrastructure and equipment shall be specified in the Application Form providing relevant measurement indicators for each particular project in order to be eligible for reimbursement from Programme: EUR invested, km renovated, ha area developed, m² premises renovated/established, improved capacity by %. Whenever a percentage indicating the increase of capacity is used, the project has to provide the baseline data. ▶ The counting/calculation has to be precise, directly related to the implemented project activities and measurable. The evidence documents on the estimation method shall be available. ▶ Maintenance provisions of infrastructure shall be ensured after the end of the project.
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Results²	Definition and Requirements
	<p>The result indicator description should include:</p> <ul style="list-style-type: none"> ▶ a baseline information on the situation in particular region and sector when starting the project; ▶ description of sources and measurement methods: e.g. surveys and analysis, national and regional agencies; statistical data. ▶ quantified target to be achieved by the end of the project. <p>Definition of „created new working places” indicator:</p> <ul style="list-style-type: none"> ▶ new gross full-time equivalent jobs that are created directly by Structural Fund intervention; ▶ distinction of permanent and temporary jobs should be made in description. Permanent jobs are sustainable (or durable, at least for 6 months after the end of the project) employment (i.e. jobs resulting from an intervention which will continue in the absence of public support) and temporary jobs employment of transitory nature (i.e. jobs that cease to exist when the funding stops); ▶ job quality shall be described; ▶ evidence that the employment place has been created shall be available (e.g. employment contracts).

² Please see the list of pre-defined result indicators in chapter 4.5 Project Outputs and Results