

**Interreg IPA Cross-border Cooperation Programme
Croatia - Bosnia and Herzegovina - Montenegro
2014-2020**

1st Call for Proposals (1 CfP)

**PROJECT IMPLEMENTATION MANUAL
(PIM)**

**Ver.1.0
1st June 2017**

Contents

1. INTRODUCTION	4
2. PROGRAMME OVERVIEW	4
2.1. Programme legal basis	4
2.2. Programme bodies.....	5
2.3. Use of eMS.....	7
3. PROJECT START UP	8
3.1. Mandatory agreements.....	8
3.2. The partnership.....	8
3.3. Roles of project partners	9
3.3.1. Lead Partner (LP).....	9
3.3.2. Project partners (PP)	10
3.4. Setting up project team.....	10
3.5. Useful tools.....	12
4. PROJECT REPORTING	14
4.1. Progress report	15
4.2. Recovery of funds and de-commitment risk	20
5. FINANCIAL MANAGEMENT OF THE PROJECT	22
5.1. Budget categories	23
5.1.1. Staff cost	24
5.1.2. Office and administrative expenditure	28
5.1.3. Travel and accommodation costs	30
5.1.4. External expertise and services costs.....	32
5.1.5. Equipment expenditure.....	34
5.1.6. Infrastructure and works expenditure	36
5.1.7. Preparation and closure costs.....	37
5.2. Other financial provisions.....	38
Value Added Tax (VAT).....	38
Revenues.....	40
Conversion into euro	40
6. PROJECT MODIFICATIONS.....	41

6.1.	Minor modifications.....	42
6.2.	Major Changes	44
7.	VISIBILITY, PUBLICITY AND COMMUNICATION	46
7.1.	Interreg Joint Branding.....	46
7.2.	Examples of the Joint Branding	47
8.	PUBLIC PROCUREMENT	48
8.1.	Financial thresholds and related tendering procedures	53
8.1.1.	Invoice based purchase	54
8.1.2.	Single tender procedure	55
8.1.3.	Competitive negotiated procedure	57
8.1.4.	Local open procedure	59
8.2.	Evaluation, selection and award procedure	60
9.	ANNEXES	63

Disclaimer:
Information provided in this document does not replace contractual obligations in any way. In case of discrepancies between given instructions presented in the PIM and the Subsidy Contract (including approved application), the Subsidy Contract shall always prevail.

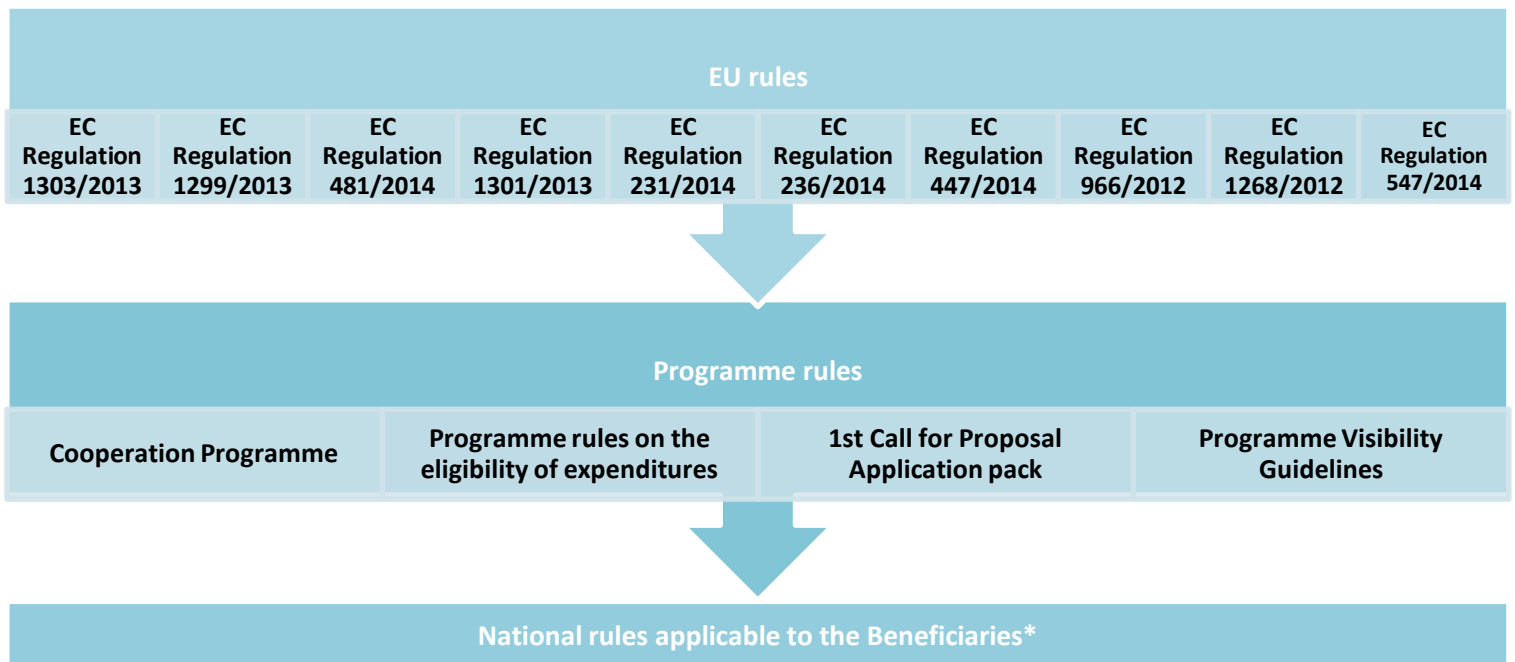
1. INTRODUCTION

The Project Implementation Manual (PIM) is intended to guide Lead Partners (LPs) and Project Partners (PPs) in the implementation of the projects (on questions related to administrative and financial management, public procurement, reporting and other Programme related requirements) within the Interreg IPA Cross-border Cooperation Programme Croatia-Bosnia and Herzegovina-Montenegro (hereinafter the Programme). The PIM and its annexes can be amended during the project implementation period. Any amendment of the PIM will be announced on the Programme website (<http://www.interreg-hr-ba-me2014-2020.eu/>) and the latest version will be uploaded. For specific problems related to your project please contact the Joint Secretariat (JS) for advice. You can find the contact details of the JS on the Programme website.

2. PROGRAMME OVERVIEW

2.1. Programme legal basis

Rules relevant for the project implementation follow different levels: EU, Programme and national rules. For matters not covered by eligibility rules laid down in, or on the basis of EU or Programme rules, the national rules of the Participating Country in which the project is implemented shall apply.



***For Croatia:** Please note that on the current procedures applied in the Republic of Croatia, VAT is eligible if it cannot be refunded in line with the national legislation. VAT Statement issued by the relevant institution should be presented. Value Added Tax Act (OG, No 73/13, 99/13, 148/13, 153/13, 143/14, 115/16), Ordinance on the Value Added Tax (OG, No 79/13, 85/13, 160/13, 35/14, 157/14, 130/15, 1/17).

For Bosnia and Herzegovina: Please note that the Bosnian and Herzegovinian beneficiaries are obliged to follow relevant national procedure for exemption of VAT. The legal basis for VAT exemption is “Instruction on procedure for exercising the right to customs and tax exemptions in accordance with the Framework Agreement between Bosnia and Herzegovina and the European Commission on arrangements for implementation of the Union’s financial assistance to Bosnia and Herzegovina within the Instrument of Pre-Accession Assistance (IPA II), (Official Gazette No. 91, from 11 November 2015)”.

For Montenegro: Please note that Montenegrin beneficiaries are obliged to follow relevant national procedure for exemption of VAT. The legal basis for VAT exemption is the following: Rulebook on amendments on Rulebook for procedure of exemption from VAT (Official Gazette No. 68, from 8 December 2015), Regulation on recovery of costs to the civil servants and employees (from 24 May 2012).

2.2. Programme bodies

In Programme implementation different programme bodies are involved and each is responsible for carrying out specific tasks and/or ensuring that the Programme is working efficiently.

The **Lead Partner (LP)** is the only member of the partnership in direct contact with the programme bodies; however every project partner should have an overview of programme management structure in order to understand where different requirements come from.

Joint Monitoring Committee (JMC)

- ▶ composed of members representing participating countries on policy and administrative level thus ensuring a transparent approach in monitoring the Programme implementation
- ▶ responsible for the review of overall effectiveness, quality and coherence of the implementation of all actions towards meeting the objectives set out in the Programme, the financing agreements and the relevant strategy papers
- ▶ responsible for selection of projects and allocation of funds

Managing Authority (MA)

- ▶ responsible for the operational functioning of the Programme
- ▶ ensures the effective and efficient implementation of the Programme
- ▶ signing Subsidy Contract with Lead Partner
- ▶ support the LP by providing the necessary information and clarifications related to the implementation of the project
- ▶ handles formal communication with the National authorities of each Participating countries and European Commission (inform the LP regarding the reports, conclusions and recommendations made by the European Commission and other Programme

- ▶ bodies, which may affect the implementation of the Contract and the project)
- ▶ ensure that the beneficiaries have access to the eMS, as well as instructions on usage of the eMS

Joint Secretariat (JS)

- ▶ responsible for day-to-day implementation of the Programme
- ▶ supports programme bodies (MA, JMC, CA) in carrying out their respective functions
- ▶ provides information to potential beneficiaries about funding opportunities
- ▶ provides support, guidance and assistance to the all beneficiaries (LP and PP) in the implementation phase of the projects
- ▶ monitors the progress of ongoing projects

National Authorities (NAs)

- ▶ represent participating countries by nominating the members of the Joint Monitoring Committee of the Programme
- ▶ support the coordination of the Managing Authority for the implementation of the Programme
- ▶ set up the national control system in their participating countries

Certifying Authority (CA)

- ▶ responsible for drawing up and submitting payment claims to the European Commission
- ▶ receives funds from EC and make payments to the Lead Partner(s)
- ▶ maintain accounting records of the expenditure declared to the European Commission
- ▶ keep account records of unused/recovered funds to be returned to the Commission

Audit Authority (AA)

- ▶ carries out audits on the management and control systems
- ▶ carries out audits on projects at the level of beneficiaries

First Level Control (FLC)

- ▶ performs management verifications and control of project expenditures
- ▶ certifies project expenditure at the project partner level

Participating countries of INTERREG IPA CBC Programme Croatia – Bosnia and Herzegovina - Montenegro 2014-2020 have set up a **centralised control system** in which a central body of each participating country is appointed to carry out the first level control (FLC).

National control systems (First Level Control) of all participating countries form an integral part of the internal control system of the Programme with the aim to ensure that processes are carried out in compliance with the EU, programme and national rules and regulations. National Control Systems also verify the delivery of the co-financed products and services in full compliance with the content of the Subsidy Contract including the latest approved application.

Each LP and project partner (PP) participating in the Programme has to submit its expenditure to a designated first level controller located on its territory (HR, BA or ME) for verification.

The role of the First Level Control is to verify the correctness and the eligibility of the expenditures made by the beneficiaries and thus, to guarantee the Managing Authority that all programme provisions and legal requirements, as well as provisions of the signed Subsidy Contract have been respected.

Main functions of the First Level Control include:

- ▶ verification of expenditure items listed in the list of expenditure and declared in the financial report and that they are:
 - supported by invoices or documents of equivalent proven value
 - compliant with approved project and signed Subsidy Contract
- ▶ verification of existence of adequate audit trail
- ▶ verification of registration of the expenditure in the accounting system of the beneficiary
- ▶ verification of respecting the European, Programme and, when applicable, national provisions regarding the eligibility of expenditures, public procurement procedures, information and communication and relevant horizontal principles
- ▶ on-site verification of projects deliverables and outputs

2.3. Use of eMS

The **electronic Monitoring System (eMS)** is a programme monitoring system with a communication portal, which allows the Programme bodies to collect and store all necessary project and Programme information, and communicate with beneficiaries.

The electronic Monitoring System (eMS) enables:

- ▶ contracting, management and administration of projects,
- ▶ collection of all relevant information on contracted projects, their implementation and achievements, modification and closure,
- ▶ recording of aggregated data on the progress of projects and on programme level,
- ▶ communication between the Programme bodies and beneficiaries,
- ▶ re-use of data already collected.

In addition to this Project Implementation Manual (PIM), the **technical guide** regarding the **use of the eMS** for beneficiaries during project implementation phase (reporting, modification, communication, etc.) is also available on the Programme website.

For more information about eMS functionalities, please contact:

ma.ems@interreg-hr-ba-me2014-2020.eu

3. PROJECT START UP

Balanced partnership between the participating countries where project is implemented is unique element of the cross-border cooperation. In order to achieve the successful partnership it is very important that all partners understand their role within the partnership and obligations towards project activities in line with EU, Programme and national rules applicable for the successful project implementation.

3.1. Mandatory agreements

▶ Subsidy Contract

The Subsidy Contract is legal and binding document which sets the requirements for receiving the EU funding and determines the rights and obligations of the LP and the MA (two signature parties). After signing the Subsidy Contract, the Lead Partner (LP) is responsible for coordinating the implementation of entire project on behalf of all project partners.

▶ Partnership Agreement

After the signature of the Subsidy Contract, all project partners (including LP) are obliged to sign the Partnership Agreement that represents a formal written agreement defining roles, obligations and responsibilities of LP and other project partners (PPs) within the partnership. The Partnership Agreement serves as a mutually binding contract and ensures that each partner accepts and carries out its assigned tasks. The Partnership Agreement shall become valid under the condition that the Subsidy Contract is signed between the Managing Authority and the Lead Partner.

Please note that the Programme bodies are **not parties** to Partnership Agreements and therefore all legal disputes that may arise are solely between project partners.

Both documents regulate following provisions:

- ▶ Rights and obligations of the Lead Partner and project partners
- ▶ Financial provisions (reimbursement and transfer of received EU funds among project partners, accounting provisions, use of exchange rate)
- ▶ Obligations towards Programme bodies (reporting obligations, control and audit provisions, recovery of funds, use of eMS)
- ▶ Visibility, communication and information provisions
- ▶ Other (intellectual property rights and ownership, conflict of interests), etc.

3.2. The partnership

Projects may be composed of minimum 2 and maximum 6 project partners (1st CfP eligibility criteria). The larger partnership you set up, the more detailed your agreements and project

management must be. Such requires well organized management systems to effectively manage the engagement of all partners in implementation stage.

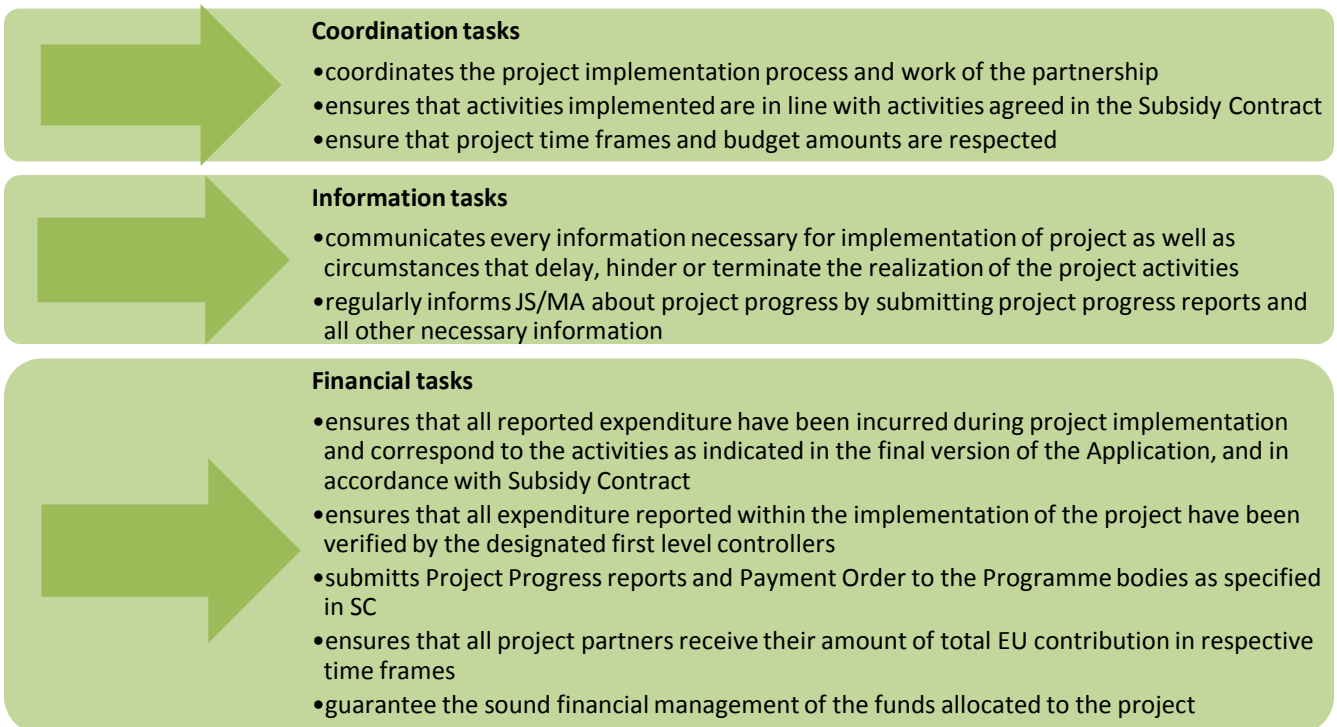
LARGE PARTNERSHIPS	
ADVANTAGES	DISADVANTAGES
✓ bigger knowledge base	- disagreements
✓ creativity	- hard to motivate on long-term involvement
✓ moral support	- lack of trust and support
✓ financial aspect	- remote team work
✓ exchange of expertise and experience	- administrative burden

3.3. Roles of project partners

3.3.1. Lead Partner (LP)

Lead Partner (LP) is project partner assigned by other project partners to take over the role of the “engine” of the project partnership. LP is responsible for overall coordination of all partners in the project, implementation and financial management of the overall project as set in the **Subsidy Contract**.

The overall tasks of a LP are the following:



3.3.2. Project partners (PP)

Partnership Agreement is a document laying down arrangements that guarantee the sound financial management of funds allocated to the project; establishing cooperation principles which regulate the rights and responsibilities of project partners for successful implementation of the project activities. All project partners accept the technical and administrative coordination by the LP and accept to fulfil the obligations toward the Programme bodies as well.

The overall tasks of a project partners are as follows (but not limited to):

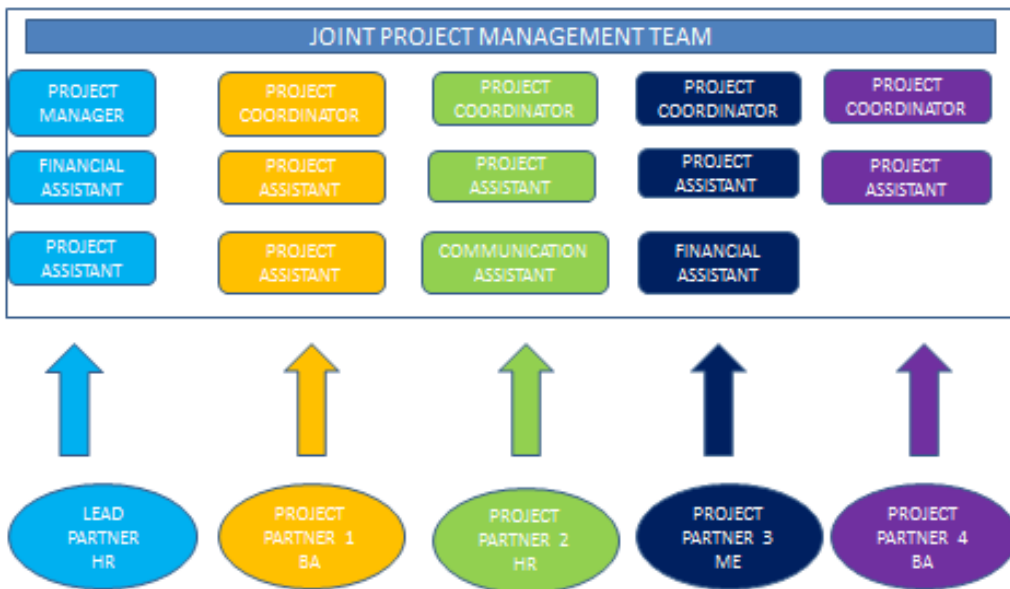
- ▶ performing activities in accordance with the resources and time frame proposed in the final version of the Application and Subsidy Contract;
- ▶ receiving EU contributions and assuring proper use of allocated funds;
- ▶ timely transfer all documents and information required by the Lead Partner;
- ▶ informing the Lead Partner about their activities/tasks and possible circumstances that may affect the implementation of the project;
- ▶ informing the Programme bodies (FLC/JS/MA) about the project progress by submitting Partner Progress reports;
- ▶ comply with the LP's request for recovery (if applicable);
- ▶ retain for audit purposes all files, documents and data about the project for the respective period of time;
- ▶ respect the communication, visibility and information provisions, etc.

3.4. Setting up project team

The appointment of the project staff is to be carried out by project partners as soon as the Subsidy Contract enters into force and project implementation starts. The first phase of project implementation is important since it may influence the whole implementation process (e.g. delays incurred in this phase may be difficult to be caught up later).

The proper **appointment of project team members is sole responsibility of project partners**, and should be carried out in accordance with the applicable European and national legislation. Project partners should have a clear vision of the project team management structure in advance, identify roles and allocate responsibilities to each project team member. Moreover, effective management structure and internal monitoring system could identify potential risks and therefore provide an opportunity to avoid delays in project implementation.

Example of a project management team



- ▶ An organigram is always a useful tool for displaying team members relationships;
- ▶ roles and responsibilities of all team members should be clearly defined;
- ▶ all team members should organize their workflow in the best possible way in order to make each step of the project implementation clear and predictable.

There are no obligatory terms regarding the composition of a project team and its internal structure, but certainly well determined specific roles are recommended. There are two positions in a management structure that are crucial for the successful project implementation and whose importance should not be underestimated:

- ▶ **Project manager** - responsible for the overall organisation of the project. This includes management of the various components of the project and ensuring that all rules and procedures are respected, including preparation of all reports, implementation of visibility activities, etc. This person should be qualified to handle thematic coordination of the project activities and its components. The project manager should be able to act as a driving force in the partnership and to mobilise the project team in order to achieve the objectives laid down in the application.

- ▶ **Financial manager** – responsible for the accounts, financial reporting, and the internal management of the funds. The financial manager should work in close contact with the project manager in order to enable efficient overall sound financial management. He/she should be familiar with accountancy, and be aware of both EU and national legislation in financial field, knowledge of control and audits, etc.

3.5. Useful tools

The examples of tools that may be used in order to achieve smooth cooperation among project partners and to foster project implementation are:

Developed communication methods

Established common working culture

Project handbooks and guides

Detailed planning

Internal meetings

- ▶ **Developed communication methods**

Project partners should develop communication methods in order for the implementation process of the project to stay on track. Because the project assumes remote team work, project partners should find the best way for transfer of information on time, such as: phone calls, e-mails, social networks, internet communications or by visiting partners periodically in their premises.

Tips for communication:

- Use simple, clear language that is also easy to understand for non-native speakers
- Be as concrete as possible
- Respect each other as professionals
- Share information, expertise, skills, etc. within the team
- Encourage pro-active participation of all members in the team
- Have an open-minded/constructive approach to conflicts

→ When using technology, ensure that all partners have technical access/capacity and the skills to use these tools without creating extra work for them

▶ **Established common working culture**

Communicate your culture and your cultural values with your project partners in order to create best common working culture. They need to understand your culture, and why it is important to you. Try taking different working cultures and if necessary make a new one, joint working culture that will suit everyone.

Various tools can be used to support this process (e.g. definition of core values for collaboration, feedback culture, respecting country specific characteristic that may influence the work of project team members such as holidays, bank holidays and non-working days). The start-up phase is a good time to invest in building solid foundations for project implementation.

▶ **Project handbooks and guides**

All partners need to have a clear idea about and agree on project processes and procedures for the period they will work together, because these will probably differ from how things work in their own organisations. Therefore, a written set of project rules and procedures may be very useful in Interreg project implementation management.

Project handbooks may be tailored as a tool to support all partners and provide a common understanding of how the project works (*e.g. contents and procedures to be laid out in the project management guide can be agreed at the kick-off meeting*).

In addition to processes and procedures, it is also advisable to include relevant programme forms and templates partners will need to use during the implementation and reporting processes.

▶ **Detailed planning of activities, resources and costs for all project partners**

For a smooth implementation project partners define work plan and time table before the implementation starts. Project timeline may be updated during project implementation phase.

▶ **Internal meetings**

Internal meetings are one of the most effective project management tools. The frequency of meetings has to be decided by partners and depend on the availability of resources and the project needs.

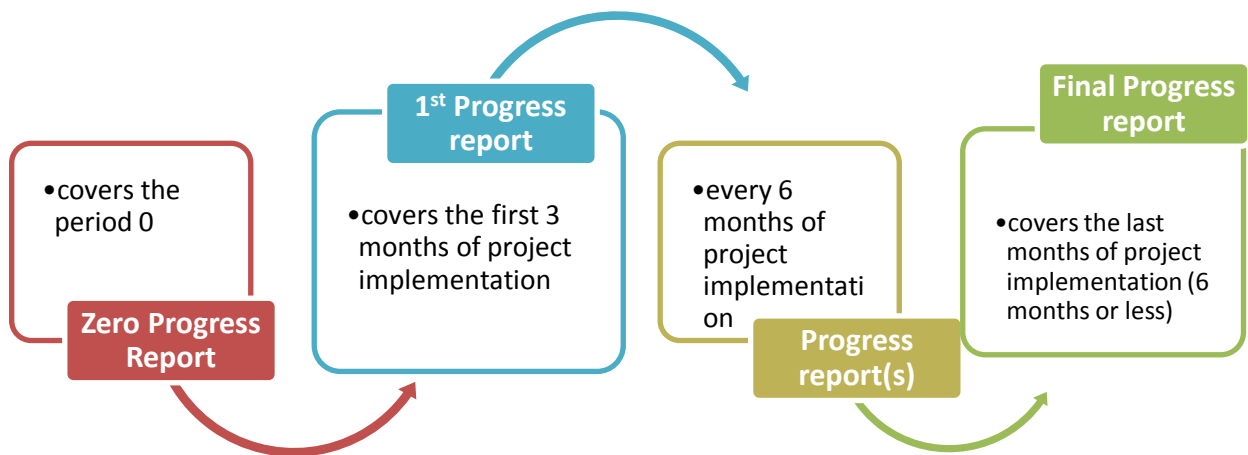
Kick-off meeting	Regular meeting(s)	Final meeting
To agree on implementation methods and reach mutual understanding of project implementation processes.	To discuss project progress, partnership, reporting, work plan, modifications, achievement of deliverables and outputs, potential risks, etc.	To evaluate achieved results and outputs and to agree on project closure process and timeframe.

4. PROJECT REPORTING

The aim of a project reporting process to monitor the implementation of the project activities and achievement of project objectives, outputs and results as described in the Application and the Subsidy Contract. It is a precondition for project to receive payment from the Programme for activities implemented, costs incurred, paid and reported.

By respecting the **reporting schedule** as defined in Subsidy Contract all project partners are obliged to report implemented activities and expenditures incurred and paid within respective reporting period by filling in the Partner Progress Report in eMS. The report includes also a **statement of expenditure** which is supported by relevant documents, such as invoices, tender documentation, payment slips, etc.). Additionally, the LP has to prepare the **Project progress report** and submit to the Joint Secretariat (JS).

The first reporting period starts with the first day of the project implementation period. **The final reporting period** always ends by the end date of the project implementation period. **Period "0"** covers preparatory and closure activities and costs incurred outside project implementation period as specified in Programme rules on eligibility of expenditures.



For detailed guidance on how to report in eMS please read the **eMS technical guide on reporting** available on the Programme website: <http://www.interreg-hr-ba-me2014-2020.eu/>

4.1. Progress report

The 1st progress report is related to **the first 3 months** of the project implementation period. From 4th month of project implementation all PPs (including LPs) are obliged to report the **progress of the project implementation on the basis of six-month period**, with the exception of the last months of project implementation (last six/or less months period) covered by final report.

Prior to submitting the 1st Progress Report, the LP/PPs are obliged to submit the Zero Progress Report in order to claim the preparatory and closure costs (if applicable).

Detailed reporting schedule is defined in Article 6 of Subsidy Contracts.

Progress report(s) – content

Progress report(s) consist of two parts:

1. **Activity report** - represents overview of the activities carried out during the reporting period and the degree of achievement of deliverables, outputs and results. It allows the verification of the project progress in implementing the work plan (including communication) as set in the approved Application and Subsidy Contract.
2. **Financial report** – represents project`s financial performance during the reporting period. It serves as a tool to monitor spending of the implemented activities on project level. All costs claimed in the financial report have to be clearly linked to the project activities reported in the activity report.

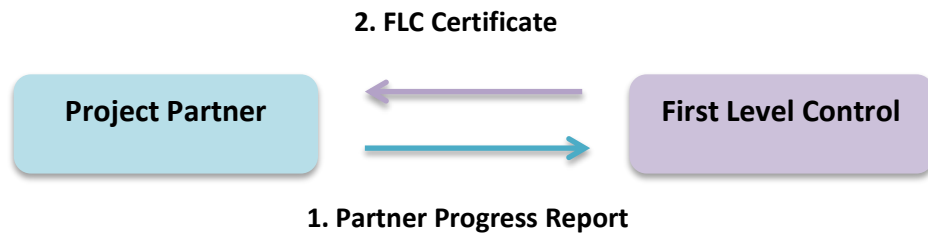
Overall, the information reported by the project should be as clear and coherent as possible.

All provisions regarding eligibility of project expenditures can be found in the document ***Programme Rules on Eligibility of Expenditures*** on the Programme website.

Progress reporting is divided on two levels/ two step`s procedure:

1) PARTNER LEVEL REPORTING (PARTNER PROGRESS REPORT)

Reporting period:	defined in the Application and the Subsidy Contract
Date of submission:	15 days after the end of the reporting period
Submission from:	All project partners (including LPs) individually
Submission to:	Designated national controller (FLC) via the eMS
Outcome:	FLC issues a FLC Certificate within 3 months from the submission of Partner Progress Report



Procedure

The Project partner level:

- ▶ each partner needs to describe activities, deliverables, outputs that are implemented and costs incurred during the 6 months period of project implementation;
- ▶ **within 15 days after the end of each reporting** period each project partner (including the LP) must fill in the **Partner Progress Report** and submit the report with all mandatory annexes and supporting documents to its national FLC for the verification of the costs;
- ▶ the Partner Progress Report is prepared in English language using a defined template in the eMS ;
- ▶ the Partner Progress Report serves as a reporting tool from project partners (PPs) towards LP and information provided in individual partner progress report are aggregated in Project Progress Report. Therefore, **high quality** of presented information is required to ensure effective and efficient reporting to the Programme bodies as well as swift reimbursement of funds.

The FLC level:

After formal submission of a Partner Progress Report via eMS, the FLC can clarify any issue and eventually deduct any expenditure that is considered ineligible. The FLC confirms eligible expenditures in a form of the FLC Certificate, which is available in the eMS.

First level controllers (FLCs) will check:

- ▶ activities performed by PPs during the reporting period taking into account the content as approved in the Subsidy Contract and in the Application;
- ▶ whether the costs requested within the Statement of Expenditure are in line with approved budget, comparing the projects' expenses with the activities of the project;
- ▶ the invoices (whether the expenditure is eligible and paid, the invoices are formally compliant to relevant programme and national rules);
- ▶ whether the reported expenditures comply with the EU, Programme and national eligibility rules, whether public procurement and accounting rules are respected, checks the fulfilment of requirements related to the visibility and publicity.

In case FLCs request additional information or ask for missing documentation at any time, LP/PPs have to provide information/documents **within 7 working days¹** of the request, in the Programme language (English).

- ▶ the FLC body will then either confirm or reject (in part or in full) expenditure submitted by the project partner (PP) and issue **FLC Certificate** (within 3 months) for the amount verified and confirmed.

Partner final progress report

The LP/PPs are obliged to submit the Final progress report covering period of last months of the project implementation (6 months or less) within one month after the project implementation end date.

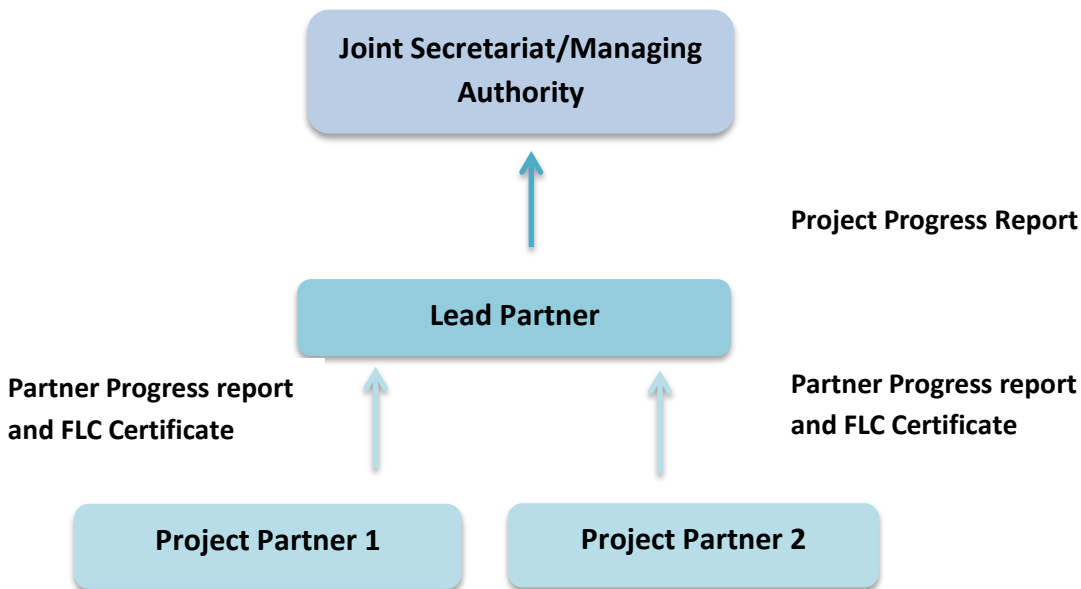
2) PROJECT LEVEL REPORTING (PROJECT PROGRESS REPORT)

The **Project Progress report** should be prepared using the defined template in the eMS and in English language. The report should be compiled by Lead Partner (LP) based on inputs/information received from all project partners (PPs) involved in project implementation. Modality of gathering all necessary inputs/information should be agreed between all project partners.

Reporting period:	defined in the Application and the Subsidy Contract
Date of submission:	1 month from the submission of the last FLC certificate to a project partner(s) for the relevant reporting period
Submission from:	Lead Partner
Submission to:	Joint Secretariat (JS)/Managing Authority (MA) via eMS
Outcome:	Reimbursement of total eligible expenditure (on project level) claimed within 90 days from the date of submission of the Project Progress Report to the JS/MA

¹ The start date of deadline is the day following the day on which FLC sent request for clarification. The end date shall be calculated respecting the working hours of the respective institutions.

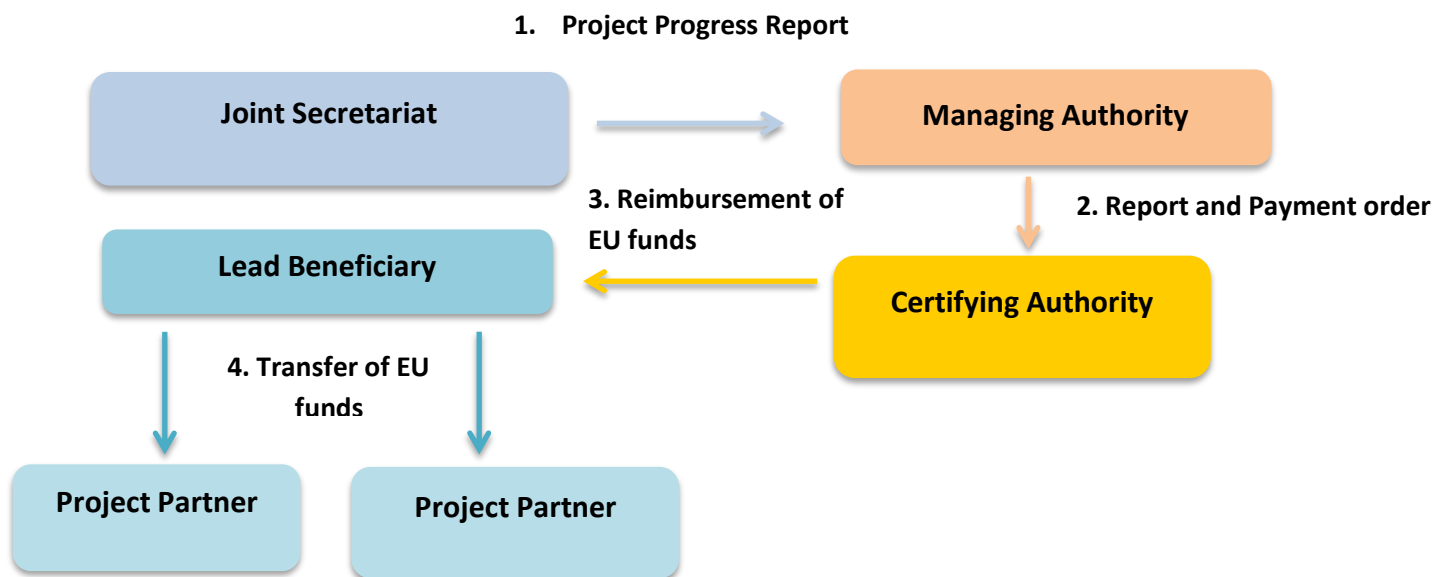
Process



- ▶ LP compiles **Project progress report** on the basis of information provided in verified partner progress reports from all other project partners,
- ▶ LP reports on the project progress as a whole towards Programme
- ▶ in the **activity part** of the report, LP must provide information on:
 - highlights of main achievements
 - level of achievement of the project specific objectives
 - project main outputs achievement
 - details on target groups reached
 - description of activities per work packages
 - main deliverables and outputs produced
 - justification of deviations from original plan (where relevant) and problems that occurred during the reporting period
- ▶ in the **financial part** of a Project progress report, LP will include FLC certificates from all PPs containing statements of expenditures verified by the national controllers. The financial part of the Project Progress Report serves as a payment claim.
- ▶ LP verifies that:
 - the expenditure declared by the PPs has been incurred only for the purpose of the Project implementation and are in line with the approved Application;
 - all expenditures reported within the implementation of the project have been verified by the designated first level controllers;
 - FLC certificates of the PPs are issued and submitted online through the eMS;
 - the expenditure declared has not been included in any other previous Project progress report.

It is **recommended that the LP sets appropriate deadlines to the PPs for timely submitting the partner progress reports** to the national controllers and the LP. This will give sufficient time to the LP to perform quality checks on the submitted information (including deliverables and outputs) and the consolidation into the Project progress report. It is also recommended to make sure that the terminology used is consistent throughout the report and in line with the terminology as used in the approved Application.

Verification procedure and reimbursement of EU funds



- ▶ after the Project progress report has been submitted by the LP to the JS, the JS will perform verification of the Project progress report (administrative check and content analyses);
- ▶ after the JS has verified the Project progress report, the MA will perform additional checks of the Project Progress Report and approve the report;
- ▶ following the approval of Project Progress Report, the MA will forward the report and the Payment Order to the Certifying Authority (CA) for the final approval and payment to the LP;

In case of additional comments on Project progress report from any of the Programme bodies (JS, MA, CA), the LP (PPs) is obliged to provide information/documents within **7 working days** of the request, in the Programme language (English).

- ▶ the MA shall ensure that the LP receives total amount of eligible expenditures due in full and no later than **90 days** from the date of submission of the Project Progress Report to the JS/MA
- ▶ this payment deadline **may be interrupted** by the MA if the appropriate supporting documents, including the documents necessary for management verifications have not

been provided; if an investigation has been initiated in relation to a possible irregularity, etc.

After receipt of funds from the CA, the LP is obliged to transfer the EU contribution (programme co-financing) to each project partner (PP) within **10 working days**.

4.2. Recovery of funds and de-commitment risk

Irregularities and recoveries

In case that the Programme bodies detect any irregularity or unduly paid amount (e.g. during the day-to-day management, or during Partner/Project report check, or during on-the-spot/monitoring checks), or in case the Programme bodies are notified of such cases, **the irregular amount** shall be:

- ▶ **Deducted from the next payment to the LP** - if the irregularity is confirmed during the project implementation
- ▶ **Recovered by the LP** - if the irregularity is confirmed after the final payment has been made.

The LP shall ensure that, if an irregularity is committed by the PP, the concerned PP repays the LP any amounts unduly paid, in accordance with the provisions stipulated in Partnership Agreement, and recover it to the Certifying Authority (CA). If the LP cannot recover the amount unduly paid from the PPs, the LP has to **notify the MA** without delay. In case of delay in the recovery of amounts unduly paid by the Lead Beneficiary, the Managing Authority **may claim interest**.

For more details see Subsidy Contract, art.12

The **LP must recover** requested amount to the MA/CA within **30 calendar days** upon receipt of the request for recovery by the MA.



Underspending of funds and de-commitment

The LP is responsible for ensuring that **minimum 80 % of the total project budget** is reported to the Managing Authority/Certifying Authority.

In case of **underspending**, spending **below 60 %** of the total project budget **planned for the specific reporting period**, the MA **may reduce the total project budget** (except in cases where individual expenditures have been delayed due to “force majeure”) as follows:

- a) budget may be reduced by maximum 20 % for the beneficiaries who have reported less than 40% of the initially planned amounts to the FLC for the specific reporting period;
- b) budget may be reduced by maximum 10% for the beneficiaries who have reported between 40% and 60% of the initially planned amounts to the FLC for the specific reporting period.

Example!

Project budget is:	1,500,000.00 EUR
Amount planned to be spend and certified in 6 month period (e.g. period 1) on project level is:	300,000 EUR
Amount actually reported and certified in Period 1 is:	50,000 EUR
That is less than 60% of planned costs in Period 1	
What may result in reducing overall project budget for 20% 	what is reduce of total project budget in amount of 300,000 EUR

Please note that, if Programme funds are being **automatically de-committed by the EC** in case of non-use and/or underspending compared to the foreseen budget, timetable, expected outputs and results, the MA, after receiving an official communication from EC, reserves the right to apply the reduction of project budget for projects with lower performance and/or underspending.

For more details see Subsidy Contract, art.9

5. FINANCIAL MANAGEMENT OF THE PROJECT

Generally, **eligible costs for funding** are costs actually incurred and paid by LP/PPs during project implementation and which meet following criteria:

- ▶ they are incurred during the implementation period of the project, with the exception of preparatory costs and closure costs;
- ▶ they are indicated in the estimated overall budget of the project;
- ▶ they are necessary for the implementation of the project;
- ▶ they are identifiable, verifiable and documented (e.g. contract, invoice, order form) in the accounting records;
- ▶ they comply with the requirements of applicable (national) tax and social security legislation;
- ▶ they are reasonable, justified, and comply with the principle of sound financial management;
- ▶ they are incurred in accordance with the relevant EU legislation, Programme rules (Programme rules on eligibility of expenditures and call for proposal specific documents, if applicable) and national legislation, and other relevant documents;
- ▶ they are not listed as an ineligible expenditure;
- ▶ they are not double funded (i.e. they are not financed from other sources under the Union Funds or other (national) Funds);
- ▶ amounts in the Statement of Expenditure do not exceed amounts in the approved project budget (in line with the provisions of the Subsidy Contract/Addenda/reallocations);
- ▶ co-financing rate (as stipulated in the Subsidy Contract) is applied to each eligible cost under all expenditure categories;
- ▶ the relevant procurement rules have been observed (if applicable);
- ▶ it has been verified by an authorised national controller (FLC).

For **detailed instructions** regarding the eligibility of the costs please consult **Programme Rules on Eligibility of Expenditures** available on the Programme website <http://www.interreg-hr-ba-me2014-2020.eu/useful-documents/programme-documents/>.

Please note that **ineligible costs** are specifically listed in **Programme Rules on Eligibility of Expenditures**, section **4.4**.

Ineligible costs – examples:

- ▶ second hand equipment
- ▶ purchases of equipment not indicated in the Subsidy Contract or specifically approved during project implementation by the relevant programme body
- ▶ equipment purchased from another project partner

- ▶ consultant fees/services between project partners
- ▶ hiring employees of the beneficiary (LP and PP) institutions as external experts
- ▶ interest on debt (e.g. interest for late payments of electricity bill)
- ▶ cost for infrastructure and works outside the programme area
- ▶ shared costs (e.g. sharing costs among partners for service/works or equipment procured by one of the PPs)
- ▶ costs of audits and evaluations at project level

Any ineligible costs which are detected will be deducted from the total project costs, reducing therefore the requested EU contribution accordingly. Final eligible costs will be calculated on the basis of **reported eligible expenditures after adequate controls (FLC, JS, MA, CA) have been performed.**

Please note that, costs which are not eligible according to the applicable eligibility rules cannot be claimed even if they are included in the approved project budget.

5.1. Budget categories

Budget expenditure category	Costs reimbursement model		
	Real cost basis	Flat rate	Other
Staff cost*	✓	✓ up to 20% of eligible direct costs other than the staff costs	-
Office and administrative expenditure**	-	✓ up to 15% of eligible staff costs	-
Travel and accommodation costs	✓	-	Per diem or Daily allowance
External expertise and services costs	✓	-	-
Equipment expenditure	✓	-	-
Additional expenditure categories			
	Real cost basis	Flat rate	Other
Infrastructure and works expenditure	✓	-	-

Preparation and closure costs	-	-	Lump sum
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*Maximum overall amount of the expenditure category **Staff costs** is eligible **up to 30 %** of the project's total eligible cost as specified in Guidelines for Applicants for the 1st Call for Proposals.

****Office and administrative expenditure** are calculated as a fixed percentage (max. 15%) of the eligible staff costs claimed.

The **reimbursement model** that each project partner (PP) has chosen within the Application (and which is part of Subsidy Contract) shall be respected (applied) during the **entire project implementation period**.

Costs are monitored respecting budget categories, while work packages and periods are indicative and not base for monitoring and reporting purposes.

5.1.1. Staff cost

Staff costs relate to costs of staff formally engaged by the beneficiary institution (PPs) to work on the project implementation. Staff members working on the project can either be already employed by the project partner institution or newly employed specifically for the project purposes in line with project partner's internal rules and national legislation.

Staff costs are related to activities which the partner organization will not implement if the project was not contracted. In other words, tasks assigned to staff engaged in project are directly linked to project activities not to regular tasks within partner institution.

Overtime (including weekends and holidays) is eligible **only in case when it is directly related to the project** and it is in line with national legislation and relevant procedure used by project partner institution (internal act). Overtime must be recorded and visible from salary payslip, payroll and timesheet/periodic staff report.

REAL COSTS

General supporting documents mandatory for all staff costs based on real cost basis²

1. List of personnel working on the project (filled in eMS/ Project Management section)
2. Employment document
3. Job description or other relevant document providing information on tasks and responsibilities related to the project (annex to the employment document or decision on assignment of tasks on project, etc.)

² In case of changes (% of working time, gross salary unit amount; tasks, etc.) during the assignment, the employment document (or related annex) must be revised and the related calculation of costs must be adjusted.

4. Proof of payment of gross salary cost (e.g. payslip, payroll, bank statement) and accounting record		
Type of engagement on project	Calculation method	Specific supporting documents
Full-time on the project	Staff member is contracted specifically for the project implementation and works 100% of its working time on the project (full time or part-time contracts are acceptable).	Periodic staff report with a summary description of the tasks and missions carried out by the employee during each of reporting periods* <i>*Template is available in Programme Rules on Eligibility of Expenditures as Annex 3.</i>
Example:	<p><u>The calculation:</u> Staff costs = total gross salary amount Monthly gross salary cost = EUR 1,500 Staff cost claimed in 6 month reporting period = EUR 9,000</p>	
Part-time with a fixed percentage of time worked on the project per month	An individual dedicates a fixed percentage (%) of his/her working time to the project. Staff cost = fixed percentage of the gross salary cost	Periodic staff report with a summary description of the tasks and missions carried out by the employee in each reporting period * <i>*Template is available in Programme Rules on Eligibility of Expenditures as Annex 3.</i>
Example :	<p>Staff member works 40 % of his/her work time on the project (stated in his/her employment document).</p> <p><u>The calculation:</u> Monthly gross salary amount = EUR 1,500 % of time worked in the project = 40% Staff cost claimed = EUR 1,500 * 40% = EUR 600 X 6 months (reporting period) = EUR 3,600 per reporting period.</p>	
Part-time with a flexible number of hours worked on the project per month	Staff cost = cost calculated according to number of hours actually worked on the project. Calculation method: A) Hourly rate = Monthly gross salary amount / Monthly working time expressed in	Monthly data from the working time registration system (Time-sheets), covering 100% (full month) of the actual working time of the staff. Calculation methodology of

	<p>hours</p> <p style="text-align: center;">or</p> <p>B) Hourly rate = Latest documented annual gross salary amount / 1720 hours</p>	<p>the cost for the related reporting period</p>
<p>Example:</p>	<p>One staff member has 2 years of experience in the beneficiary institution. His employment document/job description state his assignment to the project, without establishing fixed percentage of time worked per month. The calculation of the cost will depend on <u>the number of hours worked per month on project activities.</u></p> <p>For reporting purposes and documenting the costs following calculation methods may be applied:</p> <p>A) For calculation of hourly rate based on monthly gross salary timesheets will be used calculating working hours and data (hours) from payslip/payroll for each month worked.</p> <p>B) In case that hourly rate is calculated based on <u>historical data</u> (person working more than 12 months within partner organisation) following calculation may be used:</p> <ul style="list-style-type: none"> ▶ HRK 300,000 (annual gross salary – latest available data covering 12 months period)/ 1720 = 174,41 HRK/hour (this is unit cost of an working hour) ▶ Timesheets calculating number of hours worked during the reported month (e.g. 125 hours in 1 month period) ▶ Total cost claimed for 1 month (in 6 month reporting period) in national currency: 125X174,41 HRK = 21,802.32 HRK ▶ Calculation should be repeated for all 6 months covering reporting period (if applicable) ▶ Total cost calculated in national currency (HRK) will be automatically recalculated in EUR in eMS. 	
<p>On an hourly basis</p>	<p>Staff cost = cost calculated according to number of hours worked on the project</p>	<p>Monthly data from the working time registration system (Time-sheets), covering 100% of the actual working time of the staff and providing information about number of hours worked on the project (including, where</p>

		applicable, EU or national co-funded projects implemented by beneficiaries institution)
Example:	<p>New staff member has been hired in the beneficiary institution with an employment contract on an hourly basis and an agreed hourly rate.</p> <p>The calculation on the staff cost: Hourly rate stated in the employment document = EUR 30 Number of hours worked on the project in related period (as stated in time-sheet covering 100% of the employee worked time) = 50 Staff cost claimed = 30 EUR/hour * 50 hours = EUR 1,500</p>	
FLAT RATE		
General supporting documents mandatory for all staff costs based on flat rate		
<ul style="list-style-type: none"> ▶ Supporting documentation is not mandatory for verification of the costs ▶ Supporting documentation must be recorded within partners organisation accounting system and filled as project documentation 		
Type of engagement on project	Calculation method	Specific supporting documents
A) Full-time in the project B) Part-time with a fixed percentage of time worked on the project per month C) Part-time with a flexible number of hours worked on the project per month D) On an hourly basis	up to 20% of eligible direct costs other than the staff costs	N/A
<p>IMPORTANT!³</p> <p>However, the beneficiary has to demonstrate that it has at least one employee involved in the project. This can be done by issuing declaration certifying that at least one employee of the beneficiary institution has worked on the project in the concerned reporting period. Declaration has to be issued by the beneficiary's legal representative or delegated person.</p> <p>In case of small institutions with no staff employed, and the work is provided by institution's owner(s)/director(s), the institution's legal representative has to issue a self-declaration confirming that the owner/director of the institution has directly worked on the project in the concerned reporting period.</p> <p>In case when beneficiary is not able to prove that it has at least one employee/owner of the company involved directly into the project, staff cost calculated according to this methodology (and accepted in advance) may be considered as ineligible.</p>		

³ This implies for the flat rate option.

5.1.2. Office and administrative expenditure

Office and administrative expenditure cover operating and administrative costs incurred by the project partners (project team) and are necessary for the implementation of the project. They are calculated based on **fixed percentage⁴ (max.15 %)** of the **planned staff costs**.

This budget category is limited to list of eligible costs (elements) presented in **Programme Rules on Eligibility of Expenditures** available on the Programme website. **List is exhaustive.**

Eligible costs	Calculation method	Specific supporting documents
<ul style="list-style-type: none"> ▶ office rent ▶ insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances), ▶ utilities (e.g. electricity, heating, water) ▶ office supplies ▶ general accounting provided inside the beneficiary organisation ▶ archives ▶ maintenance, cleaning and repairs ▶ security ▶ IT systems (IT system support of an administrative nature, linked to the implementation of the operation) ▶ communication (e.g. telephone, fax, internet, postal services, business cards) 	Flat rate up to 15% of eligible staff cost	N/A No documentation under this budget line is required. <i>* Certification of office and administrative expenditure by FLC will depend on the amount of staff costs declared as eligible by the FLC for the relevant reporting period.</i>

⁴ This percentage remains the same for the entire project implementation. At the end, amount of the total costs under this budget category depends on overall project performance and spending under other budget categories, especially Staff costs.

<ul style="list-style-type: none"> ▶ bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened ▶ charges for transnational financial transactions, ▶ coffee/biscuits for small operation meetings, ▶ education / guidance books (e.g. dictionary, Financial Regulation, etc.) 		
<p>Example:</p>	<p>A) A beneficiary institution participating in project has claimed EUR 20.000 of staff cost for reporting period of 6 months. Selected rate (in application) is 15%. The calculation of Office and administrative expenditure claimed for stated reporting period is as follows: EUR 20.000 * 15% = EUR 3.000</p> <p>B) A beneficiary institution participating in project has claimed EUR 30.000 of staff cost for reporting period of 6 months. Selected rate (in application) is 8%. The calculation of Office and administrative expenditure claimed for stated reporting period is as follows: EUR 30.000 * 8% = EUR 2.400</p> <p>Important! The maximum amount of costs claimed for office and administrative expenditure in reporting period is directly linked to Staff cost budget category. Fixed % must be applied; even real costs are sometimes higher in relevant reporting period.</p>	

5.1.3. Travel and accommodation costs⁵

Costs under this budget category refer to the expenditure on travel and accommodation of **the staff of project partners' institutions (project team members)** for missions necessary for the project implementation (e.g. participation in project meetings, seminars, conferences, etc.). In other words under this budget category only costs related to travel missions of project team employed by partner institution may be claimed and verified.

Eligible costs	Calculation method	Specific supporting documents
Travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll, and parking fees)	Real costs basis	Invoice and other relevant supporting documentation (including report from travel mission and travel order/ travel invoice). ⁶ <ul style="list-style-type: none"> ▶ Proof of expenditure for all costs incurred (e.g. invoice of travel agent, plane tickets, e-tickets, boarding pass, bus or metro tickets). ▶ In case of traveling by private car, the costs have to be in line with the calculation method in travel sheet indicating the distance covered, the cost per unit according to national or institutional rules/legislation and total cost planned in Application (budget section). ▶ In case of traveling by institution's car, the calculation formula given in <i>Programme Rules on Eligibility of Expenditures as Annex 2</i> (template) should be applied.
Costs of meals	Real costs basis	Invoice and other relevant supporting documentation (including report from travel mission and travel order/ travel invoice).
Accommodation costs	Real costs basis	Invoice and other relevant supporting

⁵ Travel and accommodation costs occurred outside of the programme area are eligible if incurred in accordance with Article 20(2) of ETC Regulation. However, the conditions regarding the eligibility of costs outside the programme area have to be respected – it shall be for the benefit of the programme area and justification shall be provided within the Application and later on within reports from travel mission.

⁶ Travel order = putni nalog/ travel invoice = putni račun

		documentation (including report from travel mission and travel order/ travel invoice).
Visa costs	Real costs basis	Visa invoice and other relevant supporting documentation.
Daily allowances	Real costs basis	Approved/signed travel order/ travel invoice of the institution (internal usual template) according to the national law. Other supporting documents (e.g. report from travel mission, invitation, agenda, list of participants, minutes).
Per diem	Method approved in application	Approved travel order/ travel invoice of the institution (internal usual template) according to the national law. Other supporting documents (e.g. report from travel mission, invitation, agenda, list of participants, minutes, invoice for overnight stay, etc.) stating that minimum requests for per diem (overnight stay) are met.

Costs under this budget category must be directly paid by the partner organisation, thus they are eligible only for the project staff.

Any cost which is covered by a daily allowance (or per diem) shall not be reimbursed in addition to the daily allowance – **no double funding** is permissible.

The principle of sound financial management shall be respected and applied to choice of transport and accommodation, always using approach of result-oriented policy and cost-efficiency.

Important!

In **exceptional cases** when the only option is to travel in business or first class by an airplane, travel by a private car or a taxi, and the available accommodation is in a hotel with a rating higher than 4*, a **short justification** of such cost incurred must be provided in report from travel mission, as well as proof that the relevant costs are in line with principle of sound financial management (meaning - it is the most economical travel option) or that they are cost-effective (e.g. through screenshots or booking webpages, etc.).

5.1.4. External expertise and services costs

External expertise and services costs represent services that are subcontracted by project partners (respecting public procurement principles) to carry out certain tasks or activities which are essential for the implementation of the project and cannot be carried out by the project partners themselves (lack of internal resources).

Eligible costs	Calculation method	Specific supporting documents
<ul style="list-style-type: none"> ▶ Studies or surveys (e.g. strategies, concept notes, design plans, handbooks, brochures, surveys), ▶ Training services (e.g. lecturers fees), travel and accommodation for external experts, speakers, chairpersons of meetings, service providers and stakeholders, external researches, ▶ Translation services, ▶ IT systems and website development, modifications and updates, promotion, communication, publicity or information services linked to the project, ▶ Financial management, legal consultancy and notarial services, ▶ Services related to the organisation of events or meetings (organisation or participation), ▶ Technical and financial 	<p>Real costs basis</p>	<ul style="list-style-type: none"> ▶ Evidence of the procurement procedure in line with Programme procurement rules set in this document. ▶ Contract/order form laying down the services to be provided, with clear reference to the project and the Programme. ▶ An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules, as well as references to the project and the programme and a detailed description of the services provided in line with the contents of the contract. ▶ For experts paid on the basis of a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price. ▶ Any changes to the contract must comply with the programme procurement rules and must be documented. ▶ Outputs of the work of external experts or service deliverables,

<p>expertise,</p> <ul style="list-style-type: none"> ▶ Other consultancy and accountancy services, intellectual property rights, ▶ Environmental impact assessment studies, feasibility study, other external expertise and services related to the investments in infrastructure, etc. 		<p>respecting the publicity/visibility rules, where applicable.</p> <ul style="list-style-type: none"> ▶ Proof of payment (e.g. a receipt, bank account statement, etc.) and accounting record (e.g. extract from a reliable accounting system of the beneficiary), etc.
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Important!

Costs related to external expertise must be properly documented and must be result of a procurement procedure applied prior to service contract signature (in line with Programme rules). Retroactive service contracts are **not acceptable**.

Conditions/criteria that might limit service providers/experts and prevent their participation in tender procedures implemented by beneficiaries (project partners) are **not acceptable** (e.g. geographical limitation, nationality, gender, age limitation, etc.) and may lead to ineligibility of costs. However, tender dossier must clearly indicate what type of external expertise is needed for the project.

5.1.5. Equipment expenditure

Costs under this budget category refer to equipment purchased, rented or leased by the beneficiary (partner organisation), which is necessary for the project implementation what is visible from application and budget.

Equipment allocated to the projects is identified within the following **two categories**:

	Equipment for general (office) use	Thematic equipment
Definition	Tools and devices which are used for the daily work of the project team and which are not already included under the expenditure category “office and administrative expenditure”.	Tools, devices and goods directly linked to (or forming part of) the project outputs, which will be used for project implementation by beneficiaries and target groups in line with the project objectives. Thematic equipment may either form part of or be independent from the “infrastructure and works” expenditure category and, in any case, it must accomplish programme requirements for investments in order to be considered as eligible cost.
Examples	IT equipment (hardware): computers, monitors, printers, scanners, digital projectors, digital/video cameras; IT software; telephones; (office) furniture (tables, chairs) and fittings, etc.	Thematic tools and devices: laboratory equipment, machines and instruments, tools or devices, vehicles, spare parts/equipment for machines, tools, measuring instruments, exhibition equipment, etc.

Important tips for eligibility of the costs related to equipment:

- ▶ Costs of equipment must be **relevant and needed** for the project implementation, meaning - without this equipment it would not be possible to implement the project successfully and to reach goals;
- ▶ Only costs for purchasing **new equipment** shall be eligible;
- ▶ Equipment shall not be depreciated;
- ▶ **No double funding** is permissible;
- ▶ Programme **procurement rules** must be respected
- ▶ Full cost of **renting or leasing of equipment** can be reported only when equipment is used 100% for the project implementation. And when equipment is rented or leased

just for a certain period of time, the rental or leasing costs are eligible just for this respective time period,

- ▶ Clear accounting record and supporting documents must be kept during entire **equipment lifecycle** (e.g. ownership statement, evidence on long-term assets in accounting system of partner, transfer to stakeholders (supported by contract), etc. In other words in every moment, for auditing and monitoring purposes, must be clear where is equipment, who use it, for what purposes, etc. and those **must be linked to project goals**.

Eligible costs	Calculation method	Specific supporting documents
<ul style="list-style-type: none"> ▶ Office equipment, ▶ IT hardware (computers, monitors, printers, scanners, digital projectors, digital/video cameras, etc.) and software, ▶ (office) furniture and fittings, laboratory equipment, machines and instruments, tools or devices, ▶ vehicles, ▶ spare parts/equipment for machines, tools, ▶ measuring instruments, exhibition equipment, ▶ guarantee for the thematic equipment, ▶ purchase of consumables necessary for the operation of laboratory equipment, machines and instruments, and other tools or devices (e.g. chemicals, reagents, fuel, protective clothing, etc.) and ▶ other specific equipment needed for project implementation. 	<p>Real costs basis</p>	<ul style="list-style-type: none"> ▶ Evidence of the procurement procedure applied in line with programme procurement rules. ▶ Contract/order form laying down the equipment to be purchased, with clear reference to the project and Programme (if applicable). Any changes to the contract must comply with the Programme procurement rules and must be documented. ▶ An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules, as well as references to the project and the Programme. ▶ Proof of payment (e.g. a receipt, bank account statement) and accounting record (e.g. extract from a reliable accounting system of the beneficiary). ▶ Proof of existence for all items of equipment (e.g. deliverable note, picture). ▶ Proof of respect of Programme publicity/visibility rules and where relevant, EU and national legislation in terms of environmental impact. ▶ Ownership statement (free form)

5.1.6. Infrastructure and works expenditure

Costs under this budget category refer to activities related to **investments in infrastructure** and works. These investments may either refer to an object (e.g. a building) that will be set up ex-novo or to the adaptation/restoration of an already existing infrastructure.

Costs under this category may be linked to the **costs related to technical documentation** (preparation phase of an investment) **or to the implementation phase of an investment** for which such documentation (e.g. project design, ownership, legal permissions) already existing and it is delivered to Managing Authority prior contract signature (as per GfA, section 4.2.).

Within one Interreg project it is not possible to plan, claim and reimburse costs related to both preparation and implementation phase of an investment.

Eligible costs	Calculation method	Specific supporting documents
<p>A) Consultancy, surveys preparation, technical assistance related to infrastructure and works, organisation and preparation of the site designed to the project, land preparation – any works aiming the preparation of the project;</p> <p>B) Main investments, including building material and labour, natural landscape and environment protection related activities, specialised interventions, supervision of works, in line with relevant national legislation.</p>	<p>Real costs basis</p>	<ul style="list-style-type: none"> ▶ Evidence of the appropriate procurement procedure applied (in line with programme procurement rules), ▶ Contract or written agreement laying down the infrastructure/works to be provided with a clear reference to the project and the programme. Any changes to the contract must comply with the applicable procurement rules and must be documented; ▶ Invoice or interim payment certificate⁷ or final payment certificate providing all relevant information in line with the applicable accountancy rules as well as references to the project and the programme and a detailed description of the infrastructures/works carried out in line with the contents of the

⁷ Interim payment certificate = Privremena situacija (the basis for interim payments)

		<p>contract. For contracts including also a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price;</p> <ul style="list-style-type: none"> ▶ Proof of payment (e.g. a receipt, bank account statement) and accounting record (e.g. extract from a reliable accounting system of the beneficiary),etc. ▶ Proof of visibility requirements for investments (e.g. photographs of visibility plate, pano, etc.)
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In case of **purchase of land** during project implementation, the following documents must be available for monitoring and control purposes (and serves as an audit trail):

- ▶ Legal documents specifying any legal right under the real-estate law concerning the land and/or buildings where the works will be carried out,
- ▶ Where applicable, necessary permissions for the execution of the works, issued by the national/regional/local relevant authorities.

5.1.7. Preparation and closure costs

Eligible costs	Calculation method	Specific supporting documents
<p>A) Preparation costs Costs of meetings between potential beneficiaries, related staff costs, travel costs, external experts costs for preparation of the documentation, studies, translation of documents, consultations and any other cost related to the preparation of the Project activities carried out before the signing the Subsidy Contract.</p> <p>B) Closure costs Costs related to activities of the preparation and submission of the final progress report.</p>	Lump sum	<p>N/A</p> <p>No documentation under this budget category is required. These costs are reported in “0” reporting period and reimbursed after Subsidy contract signature.</p> <p><i>Costs may not be claimed and reimbursed if Subsidy contract is not signed for specific application.</i></p>

5.2. Other financial provisions

Beneficiaries are obliged to keep all supporting documents (either originals, true copies of originals or commonly accepted electronic versions), records, statistical records and other records relating to specific expenditure for a two year period from 31 December following the submission of the accounts with the final expenditure of the project included.

Financial support to third parties (Sub-granting) as well as Contributions in kind are not allowed.

For the purposes of **control and audit** the LP and PPs shall provide all necessary documents and any additional information requested to the FLC, MA, JS, CA and any other Programme structure involved in the process of management, implementation, control and audit of the Programme.

Value Added Tax (VAT)

In Guidelines for applicants related to 1st CfP, there is information regarding the Value Added Tax (VAT) in relation to the implementation of the projects under EU-funded programmes. To include VAT in the project budget, beneficiary has to ensure that the following conditions are fulfilled:

- a) it is not recoverable under national VAT legislation;
- b) it is established that it is borne by the beneficiary;
- c) it is clearly identified in the invoice.

The basic principle is as follows – if a beneficiary **has the right to reimburse the VAT** by the state budget, then the amount of the VAT is **ineligible expenditure** for the Programme. If the beneficiary **has no right to reimburse the VAT** from the state budget then the amount of the VAT is **eligible expenditure** for the Programme, provided that it is included in the project budget and fulfils other conditions.

HR: For Croatian beneficiaries complying with all the above indicated criteria, VAT is allowed to be claimed within Statement of Expenditure, whereas, for those beneficiaries not complying with the criterion a), the VAT is not eligible to be claimed within Statement of Expenditure. **Croatian beneficiaries are obliged to present the declaration on VAT status** (VAT Statement) issued by the authorized institution within the Inception Report. In case the VAT status changes during the operation implementation, the new Statement on VAT status has to be presented with the first subsequent Partner Progress Report. The change of VAT status entails change in the Application (Subsidy Contract).

Beneficiaries in **Bosnia and Herzegovina and Montenegro** are obliged to follow relevant national procedure for VAT exemption.

BA: In case of **Bosnia and Herzegovina**, the procedure is described in the *"Instruction on claiming customs duties and taxation payment exemption in accordance with the Framework Agreement between Bosnia and Herzegovina and the Commission of the European Communities on the rules for cooperation to implement EC financial assistance to Bosnia and Herzegovina under the Instrument for Pre-Accession Assistance (IPA II)" (Official Gazette of Bosnia and Herzegovina, No 91/15)*. The Instruction defines in detail the rules and procedures for exemption from VAT and other indirect taxes (excises and road fees) in regard to supplies of goods and services financed by the Instrument for IPA II under Interreg Cooperation Programs. Please be advised that certificate on VAT exemption (Potvrda IPA II MFT) shall be issues upon **contractor's official request, which has to be submitted directly to the Bosnia and Herzegovina Ministry of Finance and Treasury**, see more in Article No. 3, Paragraph 3 - Paragraph 6 of the Instruction.

When it comes to issuing of the invoice please pay attention to the Article No. 7 of the Instruction. The Instruction is published on the Official Gazette of Bosnia and Herzegovina web site: <http://www.sluzbenilist.ba> .

ME: In case of **Montenegro** , the procedure is described in document *"Instrukcije o načinu sprovođenja postupka u vezi sa ostvarivanjem prava na oslobađanje od plaćanja poreza na dodatu vrijednost za projekte finansirane od strane Evropske unije (EU)"*, issued on 4 July 2016 and published on 12 May 2017 on web site of Ministry of European Affairs: <http://www.mep.gov.me/biblioteka/dokument>

Please read instructions under title *"Procedura oslobađanja od plaćanja PDV-a u nadležnosti Direktorata za evropske fondove (MEP)"* from page 5. This document is made in line with the *"Pravilnikom o postupku oslobađanja od plaćanja poreza na dodatu vrijednost investitora i isporuku određenih proizvoda i usluga"* published in *"Official Gazette of Montenegro"*, No 17/15 on 17 April 2015, 68/15 on 12 December 2015).

VAT exemption procedure for Interreg IPA Cross-border Cooperation Programme Croatia-Bosnia and Herzegovina-Montenegro 2014-2020 is under the responsibility of the Directorate for European Funds in Ministry of European Affairs. After signing of contract, grant beneficiary must submit request for recording of grant contract to the Directorate General for Consular Affairs in the Ministry of Foreign Affairs. Directorate General for Consular Affairs issues a certificate of registration of the contract, which is basis for further issuing of certificates for VAT exemption.

Revenues

During the project implementation phase, each beneficiary, generating revenue under a project, should keep detailed, timely, adequate and traceable information concerning the generated revenues.

Net revenues generated by project activities are not eligible.

Eligible expenditure of the project **should be reduced** according to the **net revenue** generated by the project both during

During project implementation

Revenues generated by project activities during the project implementation

Eligible costs – (net) revenues = Net eligible costs

Examples : entrance fees for events, charges for films, DVDs, books and publications; payments for the use of infrastructure, sale or rent of land or buildings; interest on pre-financing payments (funds transferred from CA to LP) etc.

After project closure

After the project closure and within **three years** after the closure of the Programme, the beneficiaries have to report all net revenues generated by the project to the MA/JS

Exceptions are projects **under EUR 1.000.000**

implementation as well as until **three (3) years** after the closure of the Programme.

Conversion into euro

For reporting purposes all expenditures incurred (during project implementation) in currency other than Euro (EUR) shall be converted to Euro **by the eMS system** using the monthly accounting exchange rate of the Commission (in the month during which that expenditure was submitted for verification to the FLC).

In case if the Euro becomes the currency of a participating country, the conversion procedure described above shall continue to apply to all expenditure recorded in the accounts by the Certifying Authority before the date of entry into force of the fixed conversion rate between the national currency and the euro.

6. PROJECT MODIFICATIONS

During the project lifecycle, due to unforeseen reasons some **modifications might be necessary** in relation to the specific details of the project implementation defined in the Subsidy Contract (SC), as well as in the approved application and the Partnership Agreement (PA). In all such cases, the **LP has to immediately contact the MA/JS** to inform about the situation and the planned modification.

The MA/JS, based on the type of modification, in accordance with the procedures described in the following sections, will inform the LP about the procedure to be followed and the necessary documents to be submitted.

It is important to note that, project modifications **should not in any way put in question the basic purpose of project, the JMC decision on funding or the principle of equal treatment of all participants in the process.**

The project may be modified only during its implementation period!

Depending on the impact of the changes on the project, there is a **different procedure for minor and major project modifications**. Minor changes are possible within certain flexibility range to be implemented and need normally only the confirmation of the JS project officer (PO). Major changes always need the official approval of the MA/JS, or in exceptional cases by JMC and are always concluded by the modification of the Application and the Subsidy Contract.

Each **request for modification should be submitted officially in writing through the eMS**. However, **before submitting the request, LP is strongly advised to consult project manager in the JS**, in order to clarify whether planned request is justified, to identify the type of the planned modification (minor or major modification) and to agree about supporting documents which should be enclosed to official request for modification (if applicable).

Important!

The **last request for modification** of the Subsidy Contract (including budget and application) can be submitted to the MA/JS not later than **two (2) months before the end date of the project**. Project changes related to **prolongation of the project duration** can be requested **only once** during the project lifecycle. Projects with initial maximum duration of 30 months may not request prolongation of the project duration.

A modification requested by a project can be implemented and the related expenditures will be eligible only after it is approved by the responsible programme body (MA/JS).

Proposed project changes (minor or major) will be accepted only in well justified cases.

6.1. Minor modifications

Minor modifications have more an administrative and technical character and **do not have significant impact** on the project implementation, its intervention logic (objectives, outputs, results, indicators), its cross-border character, its budget, etc.

Minor changes need in most cases the previous confirmation (via e-mail) of the JS project officer (PO), but do not need the official approval of the MA/JS (or JMC). In case of minor modification change of the Subsidy Contract is not needed.

Minor modifications can be:

- ▶ Administrative modifications
- ▶ Minor budgetary changes (within budget flexibility rule)
- ▶ Minor modifications of workplan/content

For minor project changes - which do not require the modification of the Subsidy Contract - the LP **has to notify the JS without delay**. JS project officer (PO) shall confirm the change request within 10 calendar days. However, JS/MA reserves the right not to accept proposed modifications.

▶ **Administrative modifications**

Administrative modifications are all changes concerning the basic information relevant to the project.

For example:

- ▶ change of contact/address information of the LP or PPs,
- ▶ change of bank account of the LP or PPs,
- ▶ changes in project staff member(s),
- ▶ changes of legal representative(s) of the LP or PPs,
- ▶ change of name of the LP or PPs (when it does not affect their legal status),
- ▶ Legal succession of the LP, or PP(s), etc.

The legal succession of the LP or PP is considered as an administrative change and not as a partner change if, based on the legal act, it is proved that the new legal entity is the legal successor taking fully the duties and obligations of the previous one (predecessor), as well as it still fulfils the partner eligibility criteria of the 1st Call for Proposals.

▶ **Minor budget reallocations within the flexibility limit**

Adaptation of the project budget to the actual needs of the project implementation is possible with certain flexibility at different levels and within different limits. Budget flexibility refers **only**

to reallocations among budget categories separately, but cannot be referred to budget reallocations among project partners.

Following re-allocation flexibility options are available:

- ▶ **PROJECT BUDGET LEVEL:** budget reallocations between main expenditure categories NOT exceeding **25%** of the amount originally budgeted in relation to each concerned main category within the overall project budget
- ▶ **PARTNER BUDGET LEVEL:** budget reallocations between main expenditure categories NOT exceeding **15%** of the amount originally budgeted in relation to each concerned main category within the individual partner budget.

Important!

Minor budgetary modifications must be agreed among partnership and communicated to JS as notification by LP only.

Each financial reallocation has to be justified and explained why particular reallocation is needed. Savings during implementation of project activities may be reallocated only if there is a real need to redistribute the surplus to some other budget category. Artificial reallocations due to savings are not acceptable.

Important!

The flexibility rule does not apply to flat rates and lump sums! Budget reallocation between partners is not allowed.

Any budget modification should be carefully prepared by involving all partners and clarifying their needs. The use of the flexibility rule must be agreed with the LP before using it. The LP is responsible for coordinating the project budget of the whole partnership, thus it is also responsible for allowing a partner to use the flexibility rule in implementation. If the flexibility rule is exceeded the LP is responsible for making the necessary cuts in reallocated amount.

Restrictions for budget flexibility rule:

- ▶ the project total budget may not be increased during implementation of the project;
- ▶ flexibility option does not apply to flat rates and lump sums,
- ▶ Although flexibility rule applies to budget category - Equipment, please note that it is not possible to change the nature (and intended use) of equipment items. Project partner should purchase equipment as specified in the Application unless there is a justified reason for not purchasing the planned equipment;
- ▶ it is strongly recommended not to reallocate amount from/to staff costs category to/from other expenditure categories; in exceptional and duly justified cases such reallocations may be accepted.

The 25% limits shall not be considered separately for each single budget change of the respective budget category. That means that the amount of each new reallocation between budget categories is cumulated to the total amounts of previous reallocations until the cumulated amounts of such reallocations reach 25 % of the original amount of the respective budget category on project level.

Changes within a budget category (reallocations between budget lines) are not limited (flexibility rule is not applicable), but should be notified and justified accordingly.

► **Minor Changes of Workplan/Content**

Minor changes of workplan are modifications of timeline of implementation of activities of project. They may include either delays in implementation of particular activities, or rescheduling of particular activity for an earlier date of your project implementation period. Such changes should be also notified to JS.

6.2. Major Changes

Major changes are considered to be substantial deviations from the approved application. They are considered **as exceptional cases**, which need the previous decision of the MA/JS or JMC, based on thorough justification of the project partnership.

In case such change is approved by the MA/JS or JMC, the Subsidy Contract and the application of the project need to be modified accordingly.

Changes going beyond the scope and limits of minor changes, described in previous section 6.1 of this document are considered as major changes and related to:

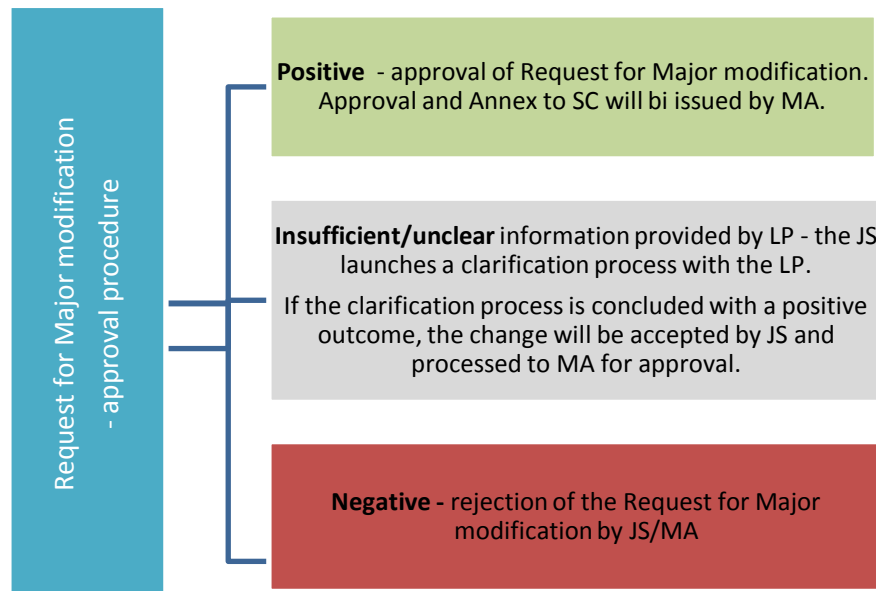
- **Partnership** - the project partnership is the backbone of the project implementation; each project partner has its role and task in it. Therefore, it is important that the partnership tries to explore all solutions in order to avoid partner changes. Individual approach in designing modification request related to partnership change is required.
- **Content of the project** - significant modification of the project content that would affect its focus, having impact on the project objectives, or results, or modify the quantitative (decreasing), or qualitative aspects of certain outputs, defined in the approved application are considered to be major changes affecting the basis of the original approval of the project.

- ▶ **Budget of the project** - according to the type and scale of budget changes different procedures are applied; Individual approach in designing modification request is required.
- ▶ **Duration of the project** - prolongation of the project duration can be **requested only once** during the project lifecycle. Projects with initial maximum duration of 30 months may not request prolongation of the project duration.

JS will advise LP in process of preparation Major Change Request and supporting documentation. Request needs to be initiated by LP via eMS and procedure (including supporting documentation delivery) agreed with JS. At the latest two (2) months before the end of the project implementation period such request may be initiated by LP. The JS shall give written response within 30 calendar days.

Depending on nature of the Request for major changes, it can be approved by the MA and in exceptional cases by the JMC. The following general principles must always be respected:

- ▶ LPs request(s) for Subsidy Contract modifications must be justified;
- ▶ Project can only be modified within the lifetime of the project - modifications cannot be made retroactively;
- ▶ The purpose of the amendment of SC must be closely connected with the nature of the project covered by the initial contract.



7. VISIBILITY, PUBLICITY AND COMMUNICATION

7.1. Interreg Joint Branding

Interreg IPA Cross-border Cooperation Programme Croatia-Bosnia and Herzegovina-Montenegro 2014-2020 has joined the harmonised Interreg branding initiative. The harmonised Interreg branding will offer projects direct benefits in terms of visibility, thus contributing to an increased recognisability within the general public and helping projects to attract relevant stakeholders and to achieve project objectives in a more cost-efficient, effective and visible way.

The most basic and very important rule is that every communication that project make during implementation has to signal very clearly and exactly that project is co-financed by the Interreg- IPA Cooperation Programme Croatia-Bosnia and Herzegovina-Montenegro 2014-2020.

The main goal of Joint Branding is to harmonize the branding practice among all the Interreg programmes, so that the Interreg becomes a jointly recognized brand in all the EU countries. That means that **all the projects financed by the Interreg programmes (including yours) need to have some common visibility features that clearly demonstrate the financial support of the Interreg.** More specifically, all the communication products/deliverables of project have to contain a logo that combines EU, Programme and project elements.

After the implementation phase starts, communication is present in all sections of the project cycle. It helps to coordinate the partnership and to communicate outputs or results to target groups not directly involved in the project. All project partners should develop their communication strategy, as well as timeline for each project activity and secure funds from the budget allocated to communication activities, following up **Programme Communication Strategy** available on:

http://www.interreg-hr-ba-me2014-2020.eu/wp-content/uploads/2016/03/Programme_Communication%20Strategy_HR-BA-ME.pdf.

Important!

Project partners DO NOT have to submit communication products/deliverables to the Programme bodies for approval. However, **not complying with the rules on visibility, publicity and communication may result in ineligibility of costs of the products/deliverables**, which are improperly equipped with the visibility signs.

Therefore, it is recommendable to **consult project manager in the JS** anytime when some doubts regarding application of the visibility requirements.

7.2. Examples of the Joint Branding

The Programme logo has to be clearly, visibly and recognizably displayed on all materials and/or activities addressed to the public. That includes:

- Printed publications (brochures, leaflets, reports etc.)
- Audio-visual materials (video clips, films etc.)
- Digital and electronic materials (websites, web tools, etc.)
- Materials related to events (agendas, presentations, conference materials etc.)
- Office equipment (computers, printers, projectors, chairs, tables, etc.)

It is important to note that the composition of the logo elements follow specific rules (detailed in Visibility guidelines) and as such must not be changed.

Programme logo:



The Programme logo that partners are obliged to use in all materials and/or activities addressed to the public consists of the following elements:

- **The Interreg logo** which is used commonly by all Interreg programmes as part of **Joint Branding** principle. The Interreg logo has to be combined with the European Union flag, under which there has to be a caption “European Union”,
- **The Programme logo** combined with the caption “Interreg-IPA Croatia-Bosnia and Herzegovina-Montenegro 2014-2020”.
- **The title of project.**

Please note that **project is not allowed to make any disproportionate resizing of the Programme logo, rotations, modifications of typography and colour, or changes among different elements of the Programme logo.**

The Programme logo always has to be placed on a clearly visible position, for example on the front cover of a printed publication, on the homepage of the project website, at the beginning of a video clip, etc. Partners have to take into consideration the relation between the Programme logo colours and the colours of the background upon which the Programme logo is placed – make sure that there is a clear contrast between the Programme logo and the background colours.

Visibility guidelines with examples related to communication and visibility requirements are available on Programme website:

<http://www.interreg-hr-ba-me2014-2020.eu/programme-implementation/visibility-guidelines/>

8. PUBLIC PROCUREMENT

▶ General rules

Procurement procedures by beneficiaries shall follow:

1. **Programme rules** on public procurement procedure in line with:
 - a. Financial Regulation (Regulation (EU, Euratom) No 966/2012 - the provisions in Articles 190 and 191 of the Chapter 3 of Title IV of Part Two of the regulation;
 - b. Delegated Regulation (EU) No 1268/2012 - the provisions of Article 260 to 276 of Chapter 3 of Title II of Part Two of the regulation.
2. **National rules**⁸ - Public Procurement Act of the **Croatia**; Public Procurement Act of the **Bosnia and Herzegovina**; Public Procurement Act of the **Montenegro**.

The minimum requirements for public procurement procedures set in Programme Implementation Manual (PIM) must be respected by all project partners (beneficiaries) both in Member State (Croatia) and in IPA II beneficiary's (Bosnia and Herzegovina, Montenegro) territory.

All project partners must follow **Programme rules on public procurement procedure**⁹ described in this document. Failure to comply with the procurement rules set out in this document may have financial consequences, by means of application of correction rates based on the type and significance of the non-compliance¹⁰. In this respect, this document seeks to set out **minimum rules** which will assure that project partners comply adequately with procurement rules at all levels (EU, Programme and national).

Additionally, project partners in the Republic of Croatia and in Bosnia and Herzegovina and Montenegro falling under the scope of application of the procurement laws stemming from **National Public Procurement Act**¹¹ on public procurement may decide to apply National rules

⁸ Applicable only for beneficiaries which are public bodies or bodies governed by public law and are obliged to follow respective national legislation on public procurement, depending on the amount concerned.

⁹ Respecting Programme rules requires following the described procedure in PIM and allowing use of different templates and tender documentation which may be used by PPs. Templates may be PRAG, national procurement minimum for tender documentation, internal templates of PPs institution, etc.

¹⁰ For additional information please consult Commission Decision C(2013) 9527 and the annexed 'Guidelines for determining financial corrections to be made to expenditure financed by the Union under shared management, for noncompliance with the rules on public procurement'

¹¹ HR: <http://www.zakon.hr/z/223/Zakon-o-javnoj-nabavi>,

BA: <https://www.javnenabavke.gov.ba/index.php?id=10zak&zak=11&jezik=hr>

ME: <http://www.ujn.gov.me/precisceni-tekst-zakona-o-izmjenama-i-dopunama-zakona-o-javnim-nabavkama/>

for procurements while respecting the minimum requirements of Programme rules on public procurement procedure.

While, all other project partners shall follow the Programme rules on public procurement procedure described in this document. For these purposes **project partners are recommended to use the Practical Guide (PRAG)**¹² as additional guidance and a good international practice for public procurement for EU funded projects. However, please bear in mind that suggested PRAG templates **should be adopted by project partners to their specific needs** (e.g. translation on national languages, additional requirements within documentation, etc.).

Important!

Internal rules for procurement which is below¹³ stated thresholds for Public procurement are not applicable. In such cases **Programme rules** described in this document **must be followed**.

Summary of procurement procedures for Interreg IPA CBC Croatia – Bosnia and Herzegovina- Montenegro 2014-2020 project partners

Thresholds	Rules to be applied	Procedure to be applied
≤ 2.500 EUR	Programme rules	Payment against invoice
≤ 20.000 EUR	Programme rules	Single tender procedure
> 20.000 EUR	Programme rules/ National public procurement Law	Programme procedures respecting thresholds/ national rules for public procurement ¹⁴

Important!

Although, the project partners may choose between two options of rules that may be applied for procurement procedures, i.e.:

1. Programme rules (for all procurement procedures), or
2. Programme rules (for procurements with thresholds ≤ 20.000 EUR) and National public procurement Law¹⁵

Please note that, each project partner should choose only one of the above options **for all procurement procedures** relevant for project.

¹² http://ec.europa.eu/europeaid/prag/?header_description=DEVCO+Prag+to+financial+and+contractual+procedures+applicable+to+external+actions+financed+from+the+general+budget+of+the+EU+and+from+the+11th+EDF&header_keywords=ePrag%2C+europa

¹³ Nabava male vrijednosti= procurement of small value below financial thresholds.

¹⁴ National rules for public procurement must be in line with minimum requirements described in Project Implementation Manual, section 8.

¹⁵ Applicable only in case of respecting the minimum requirements of Programme rules on public procurement procedure.

► Fair and transparent competition

Every procurement procedure must observe the principle of the most economically advantageous tender (i.e. the tender offering the best price-quality ratio for services), in accordance with the principles of transparency and fair competition for potential contractors and taking care to avoid any conflicts of interest.

► The rule of language to be used

English language as a Programme language is applicable for project implementation, including procurement procedures. However, project partners are not obliged to use English language only (e.g. templates and notices and contracts) when implementing procurement procedures. In other words, tender documentation may be in any of official languages of programme participating countries in Latin letter with the possibility of translation such documentation upon request from relevant programme bodies for monitoring/auditing purposes. To fulfil this requirement, templates used in procurement procedures may be in English only, in programme participating countries languages and Latin letter only (with possibility of translation upon request) or bilingual.

► The rules of nationality

Experts and other persons employed or legally contracted by project partners may be of **any nationality**. No restrictions allowed. Participation in procedures for the awarding of contracts or grants is open to international organisations and to all natural persons who are nationals of, and legal persons which are effectively established in eligible countries.¹⁶

► The rules of origin

Supplies purchased **over 100,000 EUR**¹⁷ per purchase, must **originate from an eligible country**¹⁸. However, these products can originate from any origin (full untying) if their value is below the threshold of the competitive negotiated procedure - EUR 100,000. Certificates of

¹⁶ Eligible country refers to participating countries, other Member States, other IPA II beneficiaries, contracting parties to the Agreement on the European Economic Area and partner countries covered by the European Neighborhood Instrument.

¹⁷ In case of works contracts which involve multiple purchases, the 100,000 EUR threshold applies by type of supply. Where the contract has a fixed price, the threshold has to be applied to the unit price of the supply. For more details please consult: <http://ec.europa.eu/europeaid/prag/document.do?nodeNumber=2.3.1>

¹⁸ Eligible country refers to participating countries, other Member States, other IPA II beneficiaries, contracting parties to the Agreement on the European Economic Area and partner countries covered by the European Neighborhood Instrument.

origin must be provided by the competent authorities of the supplies' or supplier's country of origin and comply with the international agreements to which that country is a signatory. Where the contract is divided into lots, the rule of origin applies per lot. The division into lots must be legitimate. This rule must not lead to sub-dividing artificially contracts into smaller lots to circumvent the threshold of 100,000 EUR.

Derogation from the rule of origin can be approved in exceptional cases. The derogation needs to be done prior to publication of tender and indicated in the procurement notice.

▶ **Visibility**

All EU partners, including beneficiaries and contractors, must ensure the visibility of EU financing. National rules or institutional requirements might request additional visibility arrangements and they have to be taken into account.

▶ **Grounds for exclusion**

Grounds for exclusion of candidates, tenderers or applicants from participation in procurement procedures are as stated in Section 2.3.3. of PRAG and listed here:

<http://ec.europa.eu/europeaid/prag/document.do?nodeNumber=2.3.3.1>

Candidates, tenderers or applicants participating in the procurement procedure must sign a declaration together with their applications or tenders, certifying that the entity does not fall into any of the exclusion situations.

Upon request of the project partner that implements the procurement procedure, tenderer(s) to which the contract is to be awarded (including consortium members), must supply evidence¹⁹ that they do not fall into the exclusion situations.

Other essential points

Conflict of interest

Conflict of interest occurs when the impartial and objective exercise of the functions of the Project partner, or the respect to the principles of competition, non-discrimination or equality of treatment of candidates/tenderers/applicants/contractors with regards to the award procedure or contract, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary of EU funded programme.

¹⁹ Requested evidences are listed here: <http://ec.europa.eu/europeaid/prag/document.do?nodeNumber=2.3.3.3>

Important!

Sub-contracting of project partners of the same project or any of the staff of the other project partners of the same project as an external expert or a subcontractor to carry out project activities within the same project is **not allowed** within this Programme.

Awarding principles

All contract awards, partially or totally financed by the EU Budget, must respect the principles of transparency, proportionality, equal treatment and non-discrimination.

Adequate publication, in reasonable time, of the prior information notices, contract notices and award notices is strongly recommended.

No retroactive awards

Contracts are considered to take effect from the date of signature of the last signatory. Contracts or contract addendum cannot be awarded retroactively (i.e. after the end of the execution period) under any circumstances. This means that no disbursements can be effected and no goods and services provided prior to the signature of the contract and/or addendum.

All contracts must show the dates of signature of the contracting parties.

Record keeping

Written records of the entire tender procedure must be kept confidential and retained by the project partner(s) in accordance with the provisions of the subsidy contract.

Please use the **“Green public procurement”** procedures and innovative public procurement procedures where appropriate.

8.1. Financial thresholds and related tendering procedures

The procedures applicable to different types of procurement always depend on the nature of procurement (supplies, services or works) and size of the contract.

Please bear in mind that all financial thresholds represent amount without VAT.

A brief overview of procedures, including thresholds for the use of each type of procedure is listed below²⁰:

SERVICE CONTRACTS	≥ 300 000 EUR International restricted tender procedure	< 300 000 EUR but > 20 000 EUR Competitive negotiated procedure or Framework contract BENEF 2013		≤ 20 000 EUR Single tender procedure
	≥ 300 000 EUR International open tender procedure	< 300 000 EUR but ≥ 100 000 EUR Local open tender procedure	< 100 000 EUR but > 20 000 EUR Competitive negotiated procedure	
WORKS CONTRACTS	≥ 5 000 000 EUR International open tender procedure or International restricted tender procedure	< 5 000 000 EUR but ≥ 300 000 EUR Local open tender procedure	< 300 000 EUR but > 20 000 EUR Competitive negotiated procedure	

The **thresholds given in the table** are based on the maximum budget for the contract in question (including any co-financing and own contribution) **without VAT**. Where contracts are subdivided in lots, the total estimated value of all lots must be taken into account when calculating the overall threshold and procedure to be applied.

The projects must not be split artificially to circumvent the procurement thresholds.

²⁰ In line with Delegated Regulation (EU) No 1268/2012.

For mixed contracts, covering a combination of works, supplies or services, the project partners shall decide on the procurement procedure to be used. This will depend on which is the main component (works or supplies) in terms of value and strategic importance.

If project partners have any doubt on how to estimate type of contract and which procedure to use, project partners are advised to consult the JS of the Programme before initiating the procedure.

Important!

The JS or other Programme bodies (MA, NA) do not undertake ex-ante control of procurement procedures implemented by project partners. Please note that **role of JS is advisory** and any recommendation provided by the JS (upon request) does not represent prior approval of the procurement procedure and/or tender dossier. As stated in Subsidy Contract and Partnership Agreement project partners undertake responsibility for implementing project. All procurement procedures should be implemented respecting the signed Subsidy contract and Partnership Agreement and will be verified by the First Level Control during the reporting procedure and expenditure verification.

Important!

Taking into account size of awarded grants within Interreg IPA CBC Programme Croatia-Bosnia and Herzegovina-Montenegro 2014-2020 1st CfP, it is unlikely that project partners will use tender procedures with higher thresholds (than those described in PIM). Therefore, in following sections a great emphasis is given to single tender, competitive negotiated procedures (CNP) and brief overview of local open tender procedure. For all information and instructions on other types of procedures and relevant templates please consult PRAG²¹ as a guide and good international practice tool.

8.1.1. Invoice based purchase

Contracts/Payments with estimated value less than or equal to EUR 2 500



21

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

Procedure for contracts/payments for items of estimated value **less than or equal to EUR 2 500** may consist simply in payment against invoice(s) without prior acceptance of a tender.

In spite of availability of this simplified procurement option, the purchase has to be performed in accordance with transparency, equal treatment and non-discrimination, avoiding any potential conflict of interest. Procedure must be properly documented:

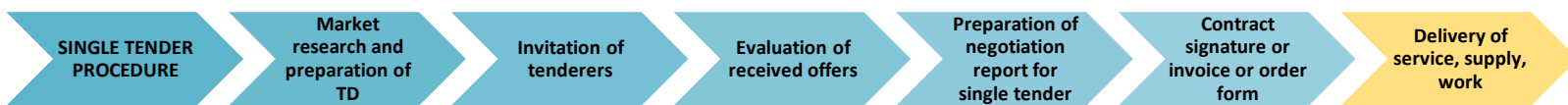
- ▶ Market research activities (on-line search, pro forma offers, etc.)
- ▶ Invoice
- ▶ Proof of payment

Although this procedure does not include complex tender procedure, the best price-quality ratio should be ensured and demonstrated.

8.1.2. Single tender procedure

Contracts with a value of less than or equal to EUR 20 000

Contracts with a value of **less than or equal to EUR 20 000** may be awarded on the basis of a single tender procedure described below:



In the single tender procedure project partner may place an order on the basis of a single tender received.

In practice, this means that project partner may contact at least one (1) potential tenderer of services, supplies or works if the contract value is 20 000 EUR or less. Although, request for one offer is sufficient, project partners are advised to contact more than one potential tenderer

(preferably three) in order to compare current market prices²² and assure general public procurement principles.

Regardless of the number of offers received it is important to describe the method of selection of potential tenderers and to evaluate the quality of the offer in relation to the request (tender dossier).

Following the single tender procedure appointing an evaluation committee is **never mandatory**. However, the **negotiation report** must be prepared, explaining how tenderers (participant(s) in the negotiations) were chosen, how the price was set and the grounds for the award decision. The negotiation steps shown in the negotiation report template must be followed.

The tenderers should be given **sufficient time** for submission of their offers. It is strongly recommended (but not mandatory) to give **10 days** for **supply, service or works contracts**.

The Project partner must complete negotiation report for each single tender procedure.

The minimum requirements included in the terms of reference/technical specifications²³ and the very final tenders are **not negotiable**.

Project partners should ensure that all of the references are comparable, containing the following parameters:

- ▶ description of technical specifications/ terms of reference,
- ▶ quantities,
- ▶ expertise
- ▶ price,
- ▶ other descriptions of the subject-matter of the procurement, if applicable. Such may be: delivery / implementation / performance period, guarantees durations and types, payment options, other conditions of contract implementation, etc.

A clear and easy to follow audit trail for all steps of the procurement procedure must be ensured.

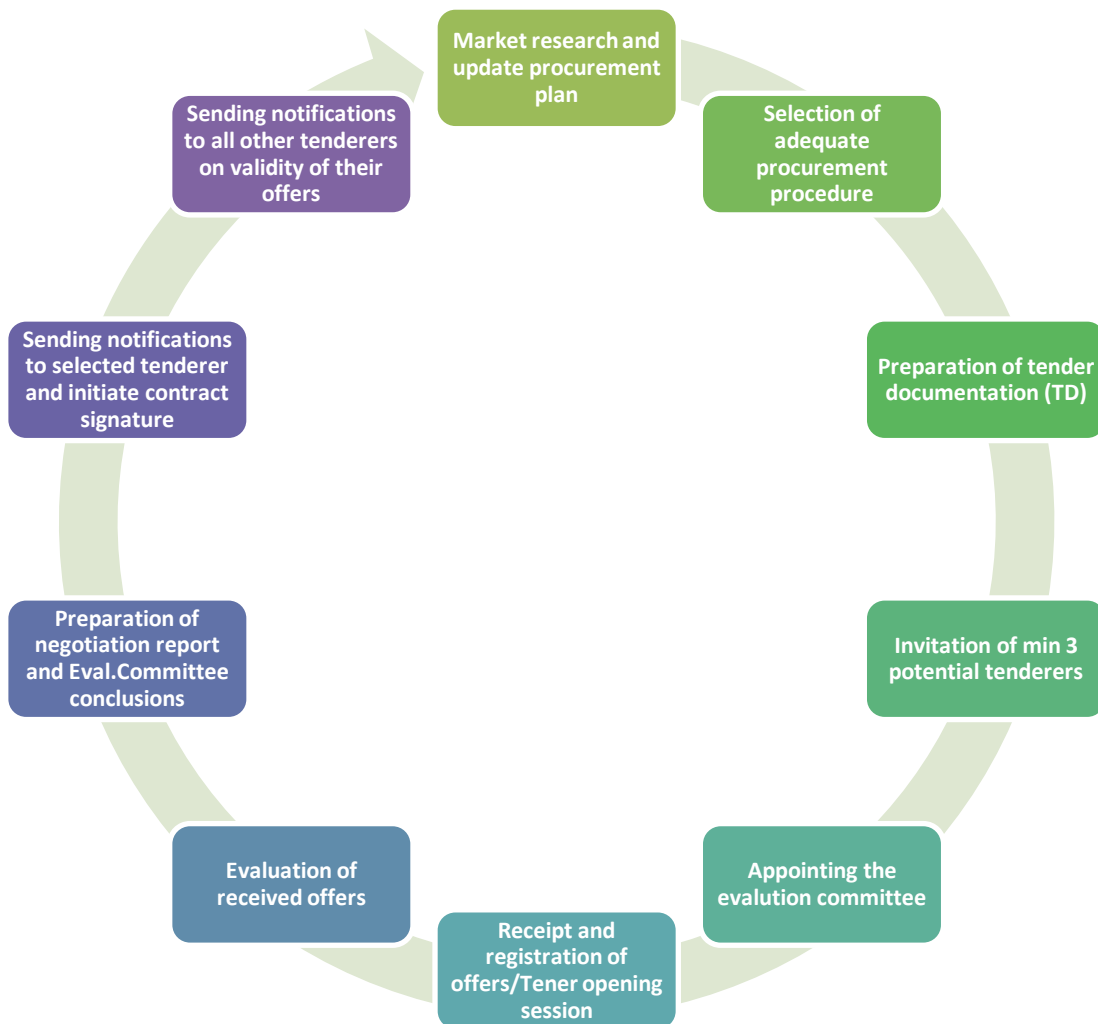
In this regard the project partners are obliged to keep record of all communication with potential contractors (e-mails, letters, etc.). It is therefore strongly recommended to always communicate with potential contractors in writing.

²² If conducted market research shows that price is increased in comparison to cost stated in original project budget it can be base for minor/major changes of the budget (reallocation).

²³ Term "Technical specifications" is used to describe subject-matter of procurement ("terms of reference") for service, supply and works tenders. Please see Annex B Tender submission form & technical & financial offer within 1. SINGLE TENDER PROCEDURE- ANNEXES.

The simplified tender dossier (templates) for a single tender is annexed to this document, please see Annexes section. It is not mandatory to use these templates but they serve as a tool for single tender procedure implementation

8.1.3. Competitive negotiated procedure



The competitive negotiated procedure includes following steps:

- Market research - project partners make shortlist of potential contractors and get information about current market prices and the criteria that will be set out in the tender dossier;

- ▶ Preparation of the tender dossier (example templates are annexed to this document, please see Annexes section). The specific annexes for simplified tenders must be used (administrative compliance grid, contract, contract notice, invitation letter, instructions to tenderers, and tender form) for this procedure. For any other document of the tender dossier the regular service annexes shall be used.

The most important part of the tender dossier is the Terms of Reference (ToR) in case of service tenders/Technical Specifications (TS) in case of supply and works tenders, which provide clear instructions and requirements to the potential contractors.

- ▶ Appointing of the Evaluation committee – Evaluation committee must have an odd number of members, at least three (3), with all the technical and administrative capacities necessary to give an informed opinion on the tenders. The project partner may nominate an observer. All members of the evaluation committee and observers (if any) must sign a declaration of impartiality and confidentiality.
- ▶ The candidates are sent a letter of invitation to tender accompanied by a tender dossier. The contract notice is not published, but it is included in the tender dossier as it contains important information for those providers which are invited to tender. **NOTE!**

The project partner invites **at least three (3)** potential tenderers based on the conducted market research. The **contract notice is not mandatory to be published**. A **letter of invitation** to tender is accompanied by prepared tender dossier (TD). The potential tenderers shall be allowed **at least 30 days** from the date of dispatch of the letter of invitation to tender to submit their offers.

- ▶ Receipt of offers - each offer shall be registered by recording the date and time of receipt. Received offers shall be kept unopen and safe until the **opening session**. All documentation shall be kept in the safe place until the completion of the evaluation process.
- ▶ Evaluation²⁴ of received offers - tenders must be opened and evaluated by an evaluation committee with the necessary technical and administrative expertise, appointed by the partner which implements procurement procedure. The Evaluation Committee ranks the offers using the criteria set up in advance in tender dossier and records whole process in the negotiation report.
- ▶ The Evaluation Committee checks that all received offers comply with the administrative requirements of the tender dossier (i.e. the administrative compliance grid). The administrative compliance of each of the tenders must be recorded in the negotiation report. The detailed technical evaluation of the tenders takes place after the administrative compliance check. The criteria to be applied are those published in the tender dossier and, accordingly, the evaluation grid included in the tender dossier must be used. Under no circumstances may the Committee or its members change the

²⁴ For more details please see section 8.2. Assessment and selection procedure.

evaluation grid communicated to the tenderers in the tender dossier. Once the technical evaluation has been completed, the Committee checks that the financial offers contain no obvious arithmetical errors.

- ▶ Preparation of negotiation report – report in which the Evaluation Committee records all stages of the evaluation, discussions and decisions/recommendations. The report shall be accompanied with administrative and technical evaluation grids, offers and other relevant documentation. The negotiation report, as well as the whole evaluation procedure is **confidential** and serves only for the official use.
- ▶ Notification to the successful tenderer, information that validity of the successful tender is automatically extended for a period of 60 days, contract preparation and signature.
- ▶ Notification to the unsuccessful tenderers about outcome of the procurement procedure (notification letters shall be sent only to the tenderers who submitted their offer).

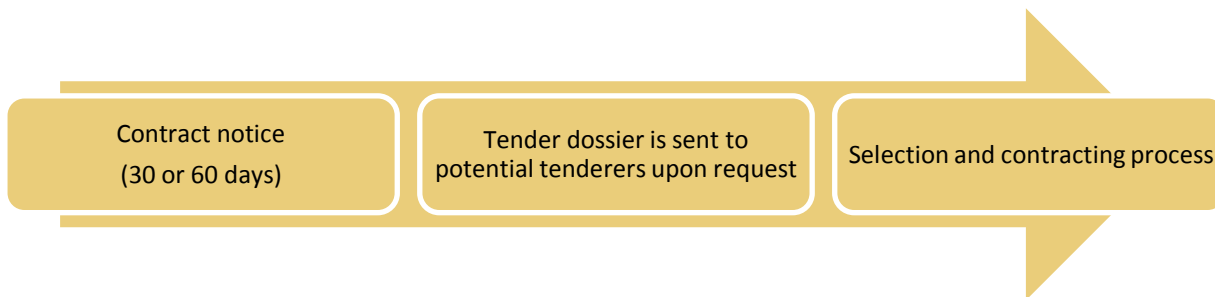
HINT!

Procurement procedures under competitive negotiated procedure may **last for several months** so please bear in mind this when planning implementation of other project activities and procurement procedures.

The tender dossier for competitive negotiated procedure is annexed to this document, please see Annexes section. It is not mandatory to use these templates but they serve as a tool for CNP tender procedure implementation

8.1.4. Local open procedure

In 'open' calls for tender (international or local) all legal entities (private or public) may submit a tender.



The procedure starts with **contract notice which is published on national level.**

- ▶ **Publication of contract notice** on web page of the Project partner and in national media - the contract notice for a local tender shall be published in the **Official Journal of the project partner's country** or any equivalent media (in particular on the project partners website and in the national press of the country where the project is being implemented, etc.). The full contract notice must be available from the address referred to in the advertisement, together with the tender dossier.
- ▶ **Tender dossier** is sent to potential tenderers **upon request**.

The time limits for receipt of tenders, running from the date when the contract notice is published, shall be at least²⁵:

- a) 60 days for **works contracts**;
- b) 30 days for **supply contracts**.

8.2. Evaluation, selection and award procedure

▶ **Tender dossier: Terms of Reference (ToR) and Technical Specifications (TS)**

Within Tender Dossier (TD), instructions and guidance to contractors at the tendering stage about the nature of the tender are given in:

- Terms of Reference – for service contracts,
- Technical Specifications – for supply and works contracts.

The Terms of Reference or Technical Specifications will become an annex of the eventual contract awarded as a result of the tender procedure.

Terms of Reference/Technical Specifications and budget must ensure equal access and competitive tendering. In that respect, Technical Specifications **may not point to particular brands**. If a certain brand or producer/supplier is named, this reference should be followed by the expression "**or equivalent**".

The persons involved in the preparing of Terms of Reference/Technical Specifications must sign a Declaration of Objectivity and Confidentiality. The Terms of Reference and the Technical Specifications may not be disclosed to any third party and must be kept confidential until they are made available to the tenderers simultaneously in the procedure.

The project partner is obliged to include all elements set in Article 273 of Regulation (EU) No 1268/2012 when preparing tender documents.

²⁵ However, in certain exceptional cases other time limits may be authorised.

▶ The Evaluation Committee

Tenders are opened, evaluated and ranked by an Evaluation Committee appointed timely and formally by the Project partner. This committee shall comprise of a non-voting Chairperson, a non-voting Secretary and an odd number of voting members (minimum of three), with all the necessary technical and administrative expertise to assess the tenders. At least one substitute/reserve member should be nominated. Observers may be nominated by the project partner.

All members of the Evaluation Committee and any observer must sign a Declaration of Impartiality and Confidentiality. Any Evaluation Committee member or observer who has a potential conflict of interest with any tenderer must declare it and immediately withdraw from the Evaluation Committee.

An evaluation committee must be established for all procurement procedures, except for procedures with a value less than or equal to 20 000 EUR, where project partner should evaluate received tenders.

A tender which does not respect the requirements demanded in the tender documents shall be eliminated. However, the Evaluation Committee may request from candidates or tenderers to provide additional material or to clarify the submitted documents, within the time limit they specify and ensuring the equal treatment of tenders. Any request for clarification requiring communication with the tenderers during the evaluation process must be conducted in writing, under the signature of the Chairperson and Secretary. Copies of any such communication must be annexed to the Evaluation Report.

▶ Selection criteria

The project partner must draw up clear and non-discriminatory **selection criteria** for the purpose of assessing that the candidate/tenderer has sufficient financial, economic, technical and professional capacity to implement the tasks of the contract. The chosen criteria shall be proportionate and may not go beyond the scope of the contract.

The selection criteria must be described in the contract notice/instructions to tenderers.

For the economic and financial capacity, the reference period may be no more than the last 3 years for which accounts have been closed. For the professional and technical capacity, the timeline depends on the type of contract and it should refer to the activities implemented in the last 3 years for services and supplies, and to the activities implemented in the last 5 years for works.

Verification of selection criteria prior contract signature

Prior the signature of the contract project partners may request proofs of economic and financial capacity, as well as technical and professional capacity of tenderers.

Project partner asks the successful tenderer to **submit the evidence** substantiating the statements made in the tender **within 15 days of the date of the notification letter**. The project partner must examine this evidence before sending the contract to the tenderer for signing.

▶ Award criteria

Contracts are awarded on the basis of **the most economically advantageous tender** established for the call for tender in one of the following two ways:

- under the best price-quality ratio, in which case the contracting authority takes into account the price and other quality criteria linked to the subject matter of the contract, and apply a weighting formula;
- under the lowest price, provided the tender satisfies the minimum requirements laid down.

The criteria must be precise, non-discriminatory and not prejudicial to fair competition.

▶ Period of validity

Tenderers are bound by their tenders for the period specified in the letter of invitation to tender or in the tender dossier. This period must be sufficient to allow the Evaluation Committee to examine tenders, approve the contract award proposal, notify the successful and unsuccessful tenderers and conclude the contract. The period of validity of tenders is fixed at 90 days from the deadline for the submission of tenders.

9. ANNEXES

1. SINGLE TENDER PROCEDURE- ANNEXES
2. COMPETITIVE NEGOTIATED PROCEDURE - ANNEXES

Additionally tools for implementation are also available but not mandatory.

PIM valid from 1st June 2017