

INTERREG V A Italy – Croatia CBC Programme

FACTSHEET N. 6 PROJECT IMPLEMENTATION

Version of 23rd September 2019

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ACRONYMS

AA	-	Audit Authority
AF	-	Application Form
AfR	-	Application for Reimbursement
EC	-	European Commission
ERDF	-	European Regional Development Fund
EU	-	European Union
FdR		Fondo di Rotazione (Italian Rotation Fund)
FLC	-	First Level Control
JS	-	Joint Secretariat
LP	-	Lead Partner
MA	-	Managing Authority
MC	-	Monitoring Committee
PA	-	Partnership Agreement
PP	-	Project Partner
PR		Progress Report
SIU	-	Sistema Informativo Unificato (Unified Information System)

A. INTRODUCTION

The present Programme Factsheet is aimed at providing useful information for beneficiaries in order to help them implementing their projects smoothly and effectively while ensuring a sound financial management.

The factsheet provides information on the following project phases and relevant topics:

- Project management
- Financial management
- Project progress
- Project modifications
- Management and monitoring System

The Italy-Croatia CBC Programme Joint Secretariat (JS) provides assistance and support to beneficiaries during the whole project implementation phase and can therefore be contacted for additional information by the project Lead Partners (LPs). Contacts are available in paragraph H.

B. PROJECT MANAGEMENT

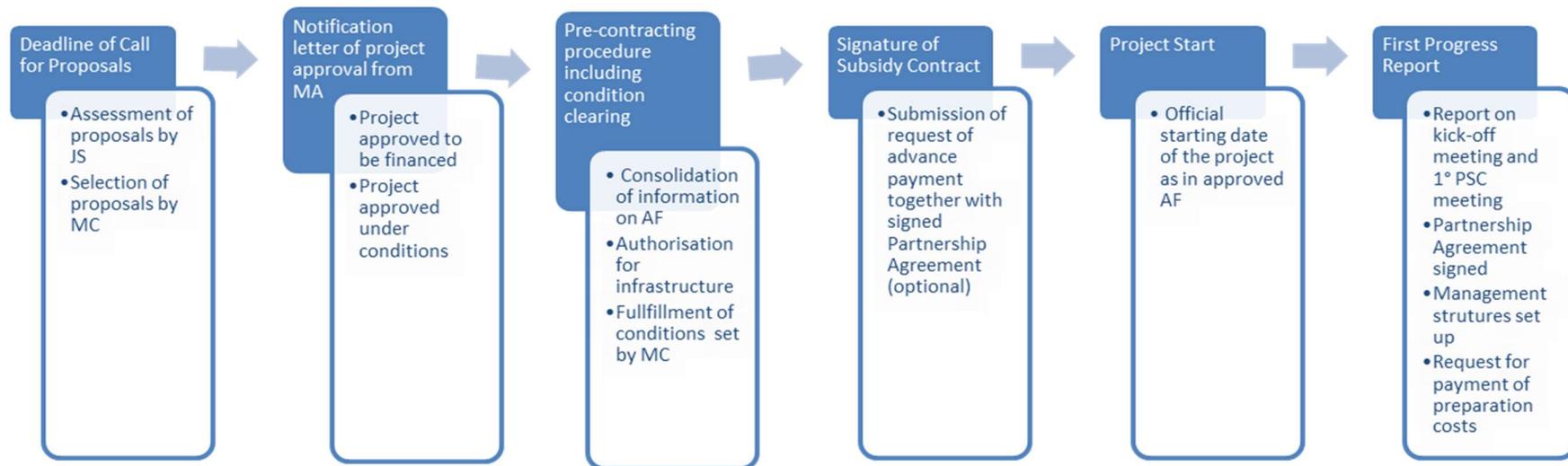
After approval, the project will undergo the initiation stage aiming at ensuring a quick start-up of the project through the accomplishment of the necessary signed contracts and related documents.

The initiation stage is composed as follows:

- 1) **Pre-contracting phase** – which includes the consolidation of information included in the Application Form (AF), the handing to the Managing Authority (MA) of the documents needed to sign the Subsidy Contract (e.g. authorisation for small scale infrastructure and construction works), fulfilment of the conditions for funding set by the Monitoring Committee (MC) (if applicable);
- 2) **Signature of the Subsidy Contract between the MA and the LP;**
- 3) **Project start** – which includes the signature of the Partnership Agreement and its submission with the request for advance payment (if applicable), the organisation of the Kick-off meeting, the setting up of the management structures (especially LP management team and Project Steering Committee);
- 4) **Submission of the first Progress Report** – which has some mandatory attachments (Partnership Agreement signed if not already submitted with the request for advance payment, supporting documents of the kick-off meeting organised and proof of the setting up of the management structures).

The scheme below represents the initiation stage.

PROJECT INITIATION STAGE



B.1 Pre-contracting phase

As reported in Factsheet n. 5 “Project Selection”, MC approval decision with respect to the submitted proposals can be two-fold:

- Approved to be financed;
- Approved under conditions: the proposal is considered approved provided that the LP and/or Project Partner (PP) satisfy specific conditions within a given deadline. These conditions may be: technical (concerning the work plan proposed for the project and possible adjustments), legal (concerning special contractual clauses or conditions required for the project, including State Aid), or financial (concerning the budget and its distribution or forecast per period).

The pre-contracting process starts with the letter of notification of approval which is delivered to the LP by the MA. This process is performed individually between each LP and the JS, to consolidate the information provided in the AF. In most cases this will focus on the consolidation of the contact information and to correct small formal technical incoherencies in the AF. At this stage the JS asks for any information and documentation needed to prepare the Subsidy Contract.

In case of projects approved under conditions this phase will consist in the fulfilment of conditions set by MC (see B.1.1).

The LP bears full responsibility to collect from all the concerned partners and submit to the MA/JS, the necessary authorisations/assessment/permits for infrastructure and construction works and for activities likely to have a significant effect on “Natura 2000” within the deadline set in the Call announcement and concerned application package¹.

The LP must submit the signed Subsidy Contract to the MA within 30 days from the receipt of the contract.

In case the signed contract is not provided by the LP within 30 days from the receipt of the contract by the MA, the MA will send a final reminder and will inform the MC accordingly. Based on the MC decision, MA is then entitled to withdraw from contracting.

¹ For “Standard +” project proposals the possession of all the necessary authorisations shall already happen when submitting the project proposal and the documents delivered to MA/JS before contracting.

For “Standard” project proposals within three months from the receipt of the official communication on the funding decision by the Monitoring Committee and in any case before the signature of the Subsidy Contract



FS7 Project
Closure_version 1_2.

For Strategic within 1 month after the closure of the Call

B.1.1 Condition clearing

The letter of approval from the MA to the LP stating the decision of the MC might include certain conditions deriving from the results of the assessment.

During the condition clearing process the issues and recommendations identified in the project assessment phase are clarified and agreed between the LP and the JS. These negotiations are held at the JS premises or via web conferences and a precise deadline for fulfilling the conditions will be set in the clarification process. After finalising the amendments to the AF, projects are requested to confirm the work plan, the financial figures and schedule, the timing of activities and the overall correctness of the information included in the AF. Only once all conditions are fulfilled the Subsidy Contract can be concluded and the regular contracting procedure shall follow.

The LPs shall put all their efforts to meet the condition clearing deadlines in order to speed up the project start as well as to be able to sign the subsidy contract according to the timeframe indicated at par. B.1.

B.2 Contracting phase

Contracting is the procedure carried out to conclude a Subsidy Contract between the LP and the MA of the Programme. The legal rights and obligations of all parties involved in the project are put down in writing. This procedure aims at setting out the conditions for support of the project, including the specific requirements concerning its budget, its products and results or timeframe. The Subsidy Contract is provided to the LP by the MA after the validation of the consolidated version of the AF.

A model of the Subsidy Contract is available on the website of the Italy-Croatia CBC Programme (<https://www.italy-croatia.eu/docs-and-tools-details?id=38854&nAcc=3&file=1>), to be used for information purposes only.

B.2.1 The Subsidy Contract

Should the project be selected for funding and fulfil the conditions set by the MC, and on the basis of the LP principle, a Subsidy Contract between the MA and the LP shall be concluded.

The Subsidy Contract determines the rights and responsibilities of the LP and the MA, as well as the activities to be carried out, the conditions of financing, the requirements concerning reports and controls, etc. In particular, it lays down all the necessary implementing arrangements for a project, more specifically:

- The object of use (approved work plan, eligible budget, maximum ERDF amount of funding, start and end date of implementation, closure of the project);
- General conditions for eligibility of costs;
- Changes and budget flexibility;
- Procedure related to requests for payments, reporting requirements and deadlines for submission of progress reports;
- Rights and obligations of the LP;

- Validations of expenditure and Audit of projects;
- Reference to the need for a separate bank account/ accounting system for project purposes and in Euro - installed by the LP for the settlement of the project;
- Indication of the archiving period of all project-related supporting documents, with specification of the period to be respected in case aid has been granted under the *de minimis* regime;
- Procedure for recovery of unduly paid out funds;
- Publicity, ownership (including dissemination rights) and generation of revenues;
- Assignment, legal succession and litigation.

The approved Call for Proposal's Application Package and the final AF are an integral part of the Subsidy Contract.

B.2.2 Amendments to the Subsidy Contract

In general, the Subsidy Contract is amended following specific (major) project change procedures or de-commitment of project's funds.

For further information and procedures regarding major and minor changes of the Subsidy Contract please refer to Paragraph E.

Following the MC decision on the request for project modification, the MA notifies the LP and, in case of approval, requests the original, signed versions of all the necessary supporting documents to be submitted by the LP within 15 days. The finalised Addendum to the Subsidy Contract is sent by the MA to the LP. The Addendum should be signed by the LP and sent back to the MA.

B.2.3 Disbursement of the advance payment

The LP is entitled to request an Advance Payment of 10% of the overall due contribution (from ERDF as well as from FDR when the LP/PP is an Italian public body or body governed by public law) and subject to the availability of funds by the Programme provided that it is requested by the concerned LPs/PPs. The request must be submitted by the LP to the MA/JS via SIU system after the handling of the signed Subsidy Contract. In the request the LP must specify the total amount of the requested advance payment per PP. A copy of the signed Partnership Agreement shall be provided as annex to the advance payment request in SIU system.

If requested, the advance payment has to be demanded for LP and all PPs.

Only for Strategic projects:

the advance payment can be requested by the LP for those Partners that require it (example: LP requests the advance for itself and for PP2 and PP4).

In case of private partners, the LP must attach to the SIU request the financial guarantees of such PPs to cover their respective shares of the advance payment as defined in the relevant sections of the Subsidy Contract. If the originals of the financial guarantees are a paper version, a scanned copy shall be attached in SIU while the original of all guarantees shall be sent to the MA via express mail. The guarantee shall be provided by an authorised bank or

financial institution established in Italy or Croatia. The guarantee has to be issued in favour of the MA and it has to be paid off at first-call requirement, in compliance with the EU and national relevant rules. It shall be provided in euro. Moreover, it has to cover all the project duration plus six months.

The advance payment will be paid to the LP within ninety (90) days upon receipt of the request, it will be deducted during the implementation period of the project and it has to be covered by verified expenditure.

The advance payment has in any case to be requested within the deadline set by MA for each call; as a general rule the deadline is set within the end of first reporting period.

The total amount of the advance has to be reported with the following schedule:

1. For Standard+ projects, within the second Progress Report (starting from the first Progress Report).
2. For Standard and Strategic Projects: the total amount of the advance payment will be recovered by the MA in full from each Application for Reimbursement within the 5th Progress Report starting from the 3rd onward, unless more than 70% of the budget is reported within the 2nd Progress Report, in which case the recovering of the advance will start from that 2nd Report. The recovering calculation is made on each PP's reported expenditure, meaning that if a PP reports more than 70% of its budget within the 2nd Progress Report, the advance will be deducted in full starting from the 2nd Report, on amounts exceeding 70%.
If the total amount of the advance is covered by verified expenditure, the financial guarantee can be cleared upon request before its expiry date.

B.3 Project start

The activities and costs incurred by the Project before the signature of the Subsidy Contract are eligible starting from the date indicated as project start in the AF. If the starting date included in the AF is previous to the MA notification of the MC approval decision, projects can start activities at their own risk, being aware that the proposal may not be funded. Except from preparatory costs, the starting date of the activities in any case cannot be prior to the deadline of the concerned Call for Proposals.

If a project is approved under conditions, the activities and costs are eligible as above, providing that the project is finally approved after condition clearing and that the activities and costs are consistent with the revised project. The implementation of project activities and incurred costs in the period between the date indicated as project start in the AF and the fulfilment of the conditions and signing of the Subsidy Contract is thus undertaken at the project's own risk because it could theoretically happen that the project does not fulfil the conditions and thus is ultimately not approved.

As from the date of signature of the Subsidy Contract by the MA the contract enters into force and several deadlines apply:

- the LP has to lay down the Partnership Agreement to be signed by all PP's and sent to the MA as attachment to the advance payment request, if submitted, or to the first Progress Report;
- LP must send to the MA/JS the minutes of the first Project Steering Committee meeting attesting the beginning of the activities and detailing the management structures that ensure a good performance of the project, as well as the contact person of each partner, as attachment to the first Progress Report.

The LP must retain the Subsidy Contract and the Partnership Agreement as part of the audit trail of the project. Copy of these documents is also made available to all PPs.

B.3.1 Partnership Agreement

The Partnership Agreement (PA) is a document formalizing the organization of the partnership and defining the responsibilities of each partner for the implementation of the project in accordance with the consolidated AF. The PA is concluded between the LP and all the partners involved in the project. The PA clearly states the so called “LP Principle” for the operational management and coordination of the project. The PA allows the LP to extend the liabilities of the Subsidy Contract to the level of each partner and comprises provisions that, inter alia, guarantee the rights and obligations of each PP, the sound financial management of funds allocated to the project, the arrangements for recovering amounts unduly paid, etc. The legal basis for this document is the above-mentioned Subsidy Contract. A model of Partnership Agreement with minimum contents is provided by the Programme and made available to beneficiaries.

B.3.2 Training for LPs

In order to ensure that all LPs have a thorough knowledge on the Programme rules and procedures and are then able to properly inform their partners about them, one or more “Training for LPs of approved projects” will be organised.

LPs of approved projects will be invited to the seminars, which will cover both general information on the Programme rules as well as country specific rules that might apply to financial management. The Programme strongly recommends LPs to attend.

B.3.3 The Kick-off meeting (KoM)

As soon as possible after project approval a first internal meeting, the kick-off meeting² has to take place. It is a way to ensure that all partners are ready to start the implementation work and are clear about what steps to take next. All partners should be present and (sometimes) meet each other for the first time. This is a key step in the management and coordination process, as it offers the opportunity for partners to get to know each other, prepare detailed work plans and decide on administrative procedures. Often it is also the initial team-building event.

Depending on the size of the project and its partnership, the meeting usually takes 1-2 days. Costs and activities of the Kick-off meeting shall be included in the 1st Progress Report; the meeting shall ideally be accompanied by the first Project Steering Committee meeting setting up the decision-making structure (see paragraph B.4.1).

These meetings generally include an overview of the project contents, and give new staff of the project who did not take part in the preparatory meetings the opportunity to introduce themselves. Bear in mind that some time might have passed since the partners last met and/or the application was submitted, so even if it might seem obvious, partners should look at the approved project in detail.

Kick-off meeting agenda

- ✓ Confirm objectives, activities and responsibilities.

² Bear in mind that the costs and activities of the Kick-off meeting are to be reported under the WP2 „Communication Activities“.

- ✓ Set up the project Steering Committee (member appointment).
- ✓ Elaborate and agree on a detailed work plan for the first part of the implementation period.
- ✓ Agree on quality standards for the first outputs to be delivered.
- ✓ Finalise required documents, if any (e.g., sign the Partnership Agreement, verify the procedures for the controllers).
- ✓ Agree on administrative and reporting procedures.
- ✓ Technical arrangements for shared working spaces/environments could be also discussed and eventually provided.
- ✓ Clarify any doubts.

B.4 Project management and coordination

To implement a project means to carry out activities proposed in the AF with the aim of delivering the foreseen outputs and the expected results and monitoring progress compared to the work plan. The project success depends on many internal and external factors. Some of the most important ones are a very well organised **project team**, supported by an effective **internal communication**, and efficient **quality control system** of project progress and related expenditure. The following three paragraphs will take into consideration these aspects.

B.4.1 The project management system

Project management is crucial for successfully implementing a project. The first steps to be taken are related to:

- A. the organization of the human factor ('people'), defining roles and responsibilities among PPs, in order to build an effective partnership: it is very important because the performance of the project team strongly influences the results of the project;
- B. the setting up of structures/bodies supporting the implementation of the project;
- C. the early and proper management of risks connected to project implementation.

A. Defining roles and responsibilities

An effective working partnership is a major success factor for every cooperation project. The role of project management is to facilitate and enable collaboration and communication throughout the implementation phase when the actual project work is carried out according to plans jointly developed by the partners.

The partnership is governed by the LP principle. This means that among the partners implementing the project, one institution is appointed as LP acting as project interface with the Programme (MA/JS). The LP is also the contractual counterpart of the Programme (signing the Subsidy Contract with the MA).

At project level the management is under the responsibility of the LP. If the LP has no sufficient internal competences or capacities for project, financial or communication management, these can be partly taken over by other partners or subcontracted to external experts. However, the legal responsibility remains with the LP.

Project Management Team

The size of the management team set in place may vary but it has to comprise as a minimum the following functions: Project Manager, Finance Manager; Communication Manager, which should be ideally assigned to different persons working in close coordination and cooperation. At the partner level it could be useful to guarantee to a certain extent similar functions (project, finance and communication management) within the partner's institution in order to allow a good information flow and coordination.

Table 1 Project Management Team

Management position	Responsibilities /tasks	Characteristics needed
Project manager (PM)	<ul style="list-style-type: none"> • Coordinates and manages the project implementation • Drives the partnership • Monitors project progress towards the set objectives and work plan as in the latest version of the approved AF • Ensures internal information flow and knowledge management • Performs quality control of deliverables and outputs • Prepares the activity parts of the six-monthly progress reports and timely submits these • Regularly communicates with the JS • Coordinates closely with the Finance and Communication Managers 	<ul style="list-style-type: none"> • Be goal oriented • Be able to lead teams (including the ability to moderate, mediate, motivate and solve conflicts) • Have a good understanding of the project content • Demonstrate good organisation skills and communication skills as well as cultural empathy • Have good English language skills • Be active and participate in all partner meetings and follow-up closely what partners do • Have flexibility in order to overcome unforeseen difficulties • Have experience in project management, preferably in international cooperation and European territorial cooperation • Stay in close cooperation with the responsible JS desk officer

<p>Finance manager (FM)</p>	<ul style="list-style-type: none"> • Ensures a sound financial management of the project • Passes on relevant financial Programme information (e.g. on rules and requirements regarding eligibility of costs, financial reporting, audits etc.) to all PPs • Monitors financial project progress (including expenditure of partners and payments) • Prepares the financial part of the six-monthly progress reports • Communicates with the JS upon needs • Works in close contact with the Project Manager 	<ul style="list-style-type: none"> • Have a sound knowledge of the EU and Programme rules, as well as national rules in her/his country, applicable to the project • Have sufficient analytical capacities • Demonstrate good organisation skills (completion of tasks within deadlines, follow – up etc.) • Have good understanding of the links between project content and budget • Have good English language skills • Participate in partner meetings according to needs and follow-up closely what partners do • Be flexible and prepared to deal with new factors, unforeseen events or problems having influence on the project budget • Have experience in financial project management, preferably in international cooperation and European territorial cooperation • Stay in close cooperation with the responsible JS desk officer
<p>Communication manager (CM)</p>	<ul style="list-style-type: none"> • Develops and implements the project communication strategy • Coordinates all communication activities in the project among all PPs in close coordination with the Project Manager • Builds the capacity of PPs to effectively communicate project achievements • Communicates with the JS upon needs 	<ul style="list-style-type: none"> • Be goal-oriented • Have very good English language skills • Be able to lead teams as primus inter pares • Have a good understanding of the project content • Demonstrate good organisation skills and communication skills as well as cultural empathy

		<ul style="list-style-type: none"> • Be active and participate in all partner meetings and follow-up closely what partners do • Have flexibility in order to overcome unforeseen difficulties • Have experience in communication management • Stay in close contact with all partners, especially the LP and project manager
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A clear and effective division of roles and responsibilities among partners is needed in order to involve them according to their capacity, experience and resources in the project. Usually partners will work together on the project for a relatively long period of time, and a common working culture needs to be developed in order to make this process work. At the very beginning, in the start-up phase, rules, common tools and structures have to be defined (usually in the Partnership Agreement, see paragraph B.3.1) in order to effectively face the following performing period, typical of the project implementation phase.

Table 2 Responsibilities within the partnership during the implementation phase

Responsibilities	LP	PPs
<p>Continuously monitor project progress <i>(ensure that the project stays on track)</i></p>	<ul style="list-style-type: none"> • Monitor progress of key project elements • Deliverables comply with content and quality requirements • Milestones are met • Cost as budgeted • Review and process requests for modifications to the plan 	<ul style="list-style-type: none"> • Review progress of tasks on partner level • Report to the LP/ inform about the progress • Inform of the potential risks and problems associated with risks
<p>Conduct team reviews <i>(review progress and plan for the next activities)</i></p>	<ul style="list-style-type: none"> • Determine the information needs in the partnership • Decide/ discuss how best to communicate information • Acquire the necessary information (e.g., through Programme sources) 	<ul style="list-style-type: none"> • Inform about information needs and discuss them with the LP and the rest of the partnership • Regularly exchange status information • Present/ discuss plans for next actions, and outline action points

<p>Manage modifications</p> <p><i>(monitor modifications to one or more project parameters)</i></p>	<ul style="list-style-type: none"> • Document the modifications requested, prioritise modifications that involve the whole partnership • Estimate the resources involved to implement the modification that involves all relevant partners • Inform Programme management, or make a request for a modification • Include an alternative solution • Provide a description of how the modification requested affects the project resources and outcomes • Ensure the approved modifications are incorporated in the project structure and carried out 	<ul style="list-style-type: none"> • Outline the modification – link it to the original plan – highlight deviations • Estimate the impact of the modification on the partner’s part of the project, and on the project as a whole • Inform and discuss with the LP and the rest of the partnership
<p>Communicate</p> <p><i>(ensure that the project achievements are communicated to the relevant stakeholders)</i></p>	<ul style="list-style-type: none"> • Harmonise key messages used for communication • Prepare information and material to be used for communication • Communicate project achievements in their networks 	<ul style="list-style-type: none"> • Prepare and present deliveries and achievements as requested • Communicate project achievements in their networks
<p>Formal project progress review</p> <p><i>(ensure that the relevant Programme bodies are kept informed of project progress)</i></p>	<ul style="list-style-type: none"> • Identify what needs to be prepared for the review • Allocate tasks in the partnership regarding the provision of information • Establish logistics for information flow between the partnership and the Programme • Undertake overall project progress review (e.g., against timetables, indicators, etc.) • Prepare the project periodic reporting and submit to the Programme 	<ul style="list-style-type: none"> • Undertake progress review (e.g., against timetables, indicators, etc.) • Prepare and present status information as requested • Identify action items that require attention by management and/or stakeholders

In case of non-performing or inactive partners, the most effective solution is to create an atmosphere where all partners feel able to express dissatisfaction and internal problems. If problems continue, the LP may be forced to consult with the Programme authorities in order to properly address this issue and make sure that the project is able to deliver results as foreseen in the approved AF.

B. Establishing a project decision making body and management structures

Projects need to establish a clear decision making structure from the very beginning in order to monitor and steer the project efficiently, and, in case of unexpected situations, to adjust the project implementation and/or management.

Project Steering Committee (PSC)

This structure is mandatory and shall hold meetings at least once per reporting period, in which each partner has to be represented and should actively take part in the decision making process. In general the PSC should consist of one representative per PP and the project manager and/or LP (communication manager and financial manager, if these functions are separate) as a minimum of members. Other partners can be involved in some specific meetings according to the subjects discussed. In addition, it can involve further key stakeholders to widen its mission (without participation in decisions): e.g. political representatives, representatives from administration, social partners and other regional actors (e.g., NGOs) or experts of specific sectors addressed and tackled by the project.

Rules of procedure for the PSC should be confirmed by all partners, and information about all issues discussed and decisions taken have to be well communicated within the partnership before and after the meetings.

Main tasks of the PSC are:

- **Monitoring and validation of project contents:** this includes verifying that the project implementation is in line with activities and outputs defined in the approved AF. Furthermore it means validating the quality of main project out-puts and the progress towards achieving set objectives.
- **Monitoring of project finances:** this includes monitoring the project budget, budget flexibility and project spending.
- **Monitoring of project communication:** this includes monitoring of the branding of the project and review of progress made towards reaching communication objectives.
- **Review of the management performance and of the quality of progress** reporting towards the Programme bodies.
- Monitoring and management of **deviations**.

As the PSC is a decision-making group, it is very important that the PP representatives have the power and the knowledge to take decisions on the issues to be discussed. This means that the PP preparing the meeting needs to send out papers well in advance, so each PP can discuss key issues internally in their organisation and reach an opinion. It is important to ensure that PP representatives have decision-making power covering both content and finance matters. When frontal meetings are not possible, it is important to foresee a written decision-making procedure, in order to speed-up project decision-making and implementation. Each PSC's meeting needs to be

documented in minutes including a signed list of participants. The minutes have to be shared with the partnership and then sent to the MA/JS with the related Progress Report.

Further management structures

Their size and organization depend on the size and composition of the partnership and work plan structure. The following are the most used:

- a) Management structure based on national/regional coordinators: this is often used in projects where the same activities take place in each participating country or region (such as regional pilot actions, research or testing). The danger with this structure is the risk of partners working in isolation from each other, so arrangements to ensure proper communication between national/regional coordinators shall be considered.
- b) Management structure based on thematic coordinators: this structure is useful in projects with PPs from a variety of different sectors or different fields of expertise.
- c) Advisory board: this could be composed of local stakeholders or the project's target groups, observers, or experts who are involved in the project implementation. Such groups address general or technical issues where a wider consultation, other than the partnership, is needed.
- d) Evaluation board: is responsible for on-going evaluation of project outcomes, and assures good quality management and sound project implementation.

Practical tips for organization of partner meetings

- ✓ Save all the meeting documents and reports in a shared working environment (IT platform) to ensure that they are always accessible.
- ✓ Provide partners with all relevant practical details about the meeting, accommodation, travel, etc. well in advance.
- ✓ Create a working atmosphere where all partners feel comfortable (professional but not too formal).
- ✓ Provide sufficient space for smaller break-out groups (for example, to have separate discussions with all partners in a work package) rather than only having long sessions in the plenary.
- ✓ Ensure easy access to all relevant project materials that might be needed, as well as technical equipment (internet, printers, copy machine, etc.).
- ✓ Work out a balanced Programme with sufficient breaks and ensure that there is enough time for everyone to ask questions and discuss specific issues.
- ✓ Ask partners for their inputs / discussion points beforehand and add these to the agenda.
- ✓ Arrange an informal social activity, such as a joint dinner, for everyone to get to know each other better (but check Programme rules to see whether you can include this type of expenditure as part of the project).
- ✓ Ensure that adequate documentation of what was discussed and decided (meeting minutes) is circulated to the partners afterwards – and give them a chance to comment before preparing the final version.

- ✓ Keep the pre- and post-meeting documents short and to the point. Highlight responsibilities, action points and follow-up tasks.

C. Managing risks and issues

Risks are the chance that internal or external events (issues) may occur during project implementation that could threaten the achievement of project objectives and the project as a whole. The risk is defined by the probability that a certain issue could happen and by its severity degree. A risk could be referred, for example, to a partner dropping out or a key change in policy that goes against what the project is trying to achieve. Basic risk management is important for every project, but the level of detail needed varies depending on the size of the project and the number of risks and possible impacts on the achievement of the objectives. Identifying risks and outlining contingency measures for when they happen should be a task for every partnership, regardless of whether this is required by the Programme or not. This process involves three steps: identifying, assessing and dealing with risks. The table below summarizes main aims and suggestions for each step.

Table 3 Risk identification and assessment

Steps	Main aims	Practical suggestions
Identifying risks	Looking at possible sources (team members, stakeholders, sub-contractors, target groups, etc.) of risk or at the threats / problems that can become risks, identifying issues where a few sensible precautions can be taken	This issue should have been taken into account already during the project development in order to plan suitable mitigation measures. In any case it is advisable to review and monitor risks throughout the project to keep on top of them, as they might transform or new ones might come up. It is a good idea to discuss about this topic also in the KOM and during the main project's meetings, since all partners should be involved in this process to raise their awareness about possible risks, and to identify as many relevant risks as possible (especially with reference to different countries, legislations, sectors, and types of organisations involved).
Assessing risks	Qualifying and prioritising risks according to their impact on the project and their probability of occurring	The risks impact can often be estimated in relation to the budget and time lost or indicators not achieved. The prioritisation can be made through a risks matrix, taking into account on the one hand the level of expected impact and on the other one their probability. This assessment allows projects to decide which actions have to be taken first.
Dealing with risks	Deciding how to handle each risk while there is sufficient time	Three alternative are possible: Ignore the risk. This is sensible for risks with a low impact, or where the resources to develop alternatives would be greater than the impact of the problem, or if the probability is low but implications would be so substantial that the project cannot

		<p>compensate for them anyway. Example: Natural disasters.</p> <p>Identify alternative ways to remove the risk. This is usually the approach to take for risks with high impact and high probability. Example: The project success depends on political support in all participating regions. It is known that the regional government in one of the participating regions could lose the regional elections that will take place in the middle of the project implementation. The possible new government will have different priorities and will probably not support the project</p> <p>Have a contingency plan to reduce the impact of problems that do happen. This does not remove the risk but is a temporary solution. Example: The project developer has been the driving force behind developing the idea and bringing the partnership together. He/she is a key asset in the project. A plan must be made for the loss of this member of staff, ensuring that their knowledge and ideas are communicated to other people in the organisation so the project can continue without them, if necessary.</p>
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B.4.2 The project internal communication

Internal communication is a project management task that ensures effective exchange and coordination among PPs. The LP should take responsibility for establishing tools and procedures that keep the whole partnership aware, knowledgeable and involved, but also each PP has responsibilities in informing about its own difficulties.

There are two ways to keep partners informed: face-to-face or virtual communication.

a) Face-to-face communication

Some face-to-face communication is essential for effective project management. The frequency of meetings has to be decided by partners and depend on the availability of resources and the project needs.

Face to face meetings are very valuable, but it is recommended to have phone calls or virtual meetings more often to monitor the progress and to deal with urgent issues rapidly.

b) Virtual communication

The use of IT tools facilitates not only communication between PPs, but also project management, in particular coordination and reporting. While phone and e-mail are the most commonly used and immediate tools, cross-border projects can rely on more sophisticated platforms that perfectly support distance collaboration:

- Online storage of documents is a good way to ensure that all partners have easy access to the latest information and documents, templates, etc.

- Shared working environments allow not only sharing of documents, but also co-editing and keeping track of comments and versions.
- Internet calls and conferencing allow calling across countries at low rates (if at all) and phone conferences, where documents can be simultaneously viewed or screens shared.
- Project management platforms allow sharing work plans, assigning tasks and deadlines, and monitoring progress. These platforms may often integrate some of the above mentioned points.

Fully-integrated platforms allow most of the above, as well as simultaneous written and video messaging within a restricted group of users, or to a larger audience.

As general rule, it is important to be clear in advance about what needs to be communicated and to whom. Insufficient communication can easily lead to conflicts and problems. Too much information or irrelevant information may, on the other hand, confuse or lead to a drop in interest in project communications.

INTERNAL COMMUNICATION – USEFUL TOOLS

TITLE	WEBSITE	DESCRIPTION
Google drive	https://www.google.com/drive	Platform to store and share documents
Base camp	https://basecamp.com/	Web-based project management and collaboration tool. To-dos, files, messages, schedules, and milestones
Drop box	https://www.dropbox.com/	Dropbox simplifies the way you create, share and collaborate. Bring your photos, docs, and videos anywhere and keep your files safe
Yammer	https://www.yammer.com/	Yammer is a freemium enterprise social networking service used for private communication within organisations
Skype	https://www.skype.com/en/	Video conferencing tool
...	...	

Table 4 Internal Communication Tips

Information	Tip	Examples
Information that partners need in order to work together	All PPs must have complete, clear and unlimited access to project information relevant to them	The AF, the Subsidy Contract, the respective tasks in the projects, the total budget, the detailed work plan, the finalized project deliverables, etc.

<p>Information about the sources of official information</p>	<p>All PPs must have access to the official information sources for a matter of transparency. Also, it is often more effective to link the partners to the sources rather than re-writing a project management manual duplicating the information available on the Programme website, or that is provided directly to the partners by their national or regional contact points.</p>	<p>Links and contacts of the national/regional contact points where partners can get advice on country-specific details, Programme eligibility rules, link to the Programme official information, information from the Programme to the LP.</p>
<p>Information about project progress to identify and react to problems and success</p>	<p>All partners need to inform each other about their progress and any issues that need to be addressed by all partners; e.g., how far have we reached towards the overall objective, what is still to be achieved, what are the problems and obstacles, or where were we successful.</p>	<p>Partners informing the rest of the partnership about delays in the data gathering process, about successful outcomes of a meeting with stakeholders, of a successful completion of a trial or pilot period, etc.</p>
<p>Information about decisions and changes within the project and externally, to the Programme</p>	<p>No matter how well a project is prepared and planned, adjustments and changes will be necessary along the way to adapt to events.</p> <p>Both the partners and the Programme must be aware of these modifications. Minor ones will only result in a deviation from the work as planned in the application, whereas major modifications may require a more formal procedure and changes to official project documents</p>	<p>A conference scheduled in the work plan to happen 12 months into the project needs to be postponed to month 15, in order to have more relevant/important content to present.</p>

In order to provide a good basis for communicating Programme requirements, and give partners guidance and practical tips on technical aspects (such as the use of forms and templates, as well as requirements like eligibility rules, etc.) project handbooks or other tools can be developed.

In particular, project handbooks are tailored to the individual project as a tool to support all partners and provide a common understanding of how the project works. Contents and procedures to be laid out in the project management guide can be agreed at the kick-off meeting.

Main contents of the handbook could be:

- Working values and norms for the team (if discussed and agreed by the partnership)
- Project working and decision-making structure
- Internal project evaluation and review
- Reporting requirements and deadlines (what and when – financial and activity)
- Control and audit procedures (partner, project and Programme level)
- Internal communication and organization of partner meetings (including meeting preparation and follow-up)
- Definition and use of indicators
- Stakeholder involvement plan
- Communication plan
- Resolution of problems and conflicts

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

Ground rules for communication in a multinational and long-distance environment

- ✓ Use simple, clear language that is also easy to understand for non-native speakers.
- ✓ Be as concrete as possible – vague messages can be interpreted in different ways and can easily lead to confusion or 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.
- ✓ Encourage open/honest communication and feedback.
- ✓ Respect each other as professionals.
- ✓ Support each other and provide help when needed, listen to feedback and ideas.
- ✓ Leave open the chance to ask questions any time.
- ✓ 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.

B.4.3 The quality control system

A fundamental part of Project management is the quality management, which is a continuous process that starts and ends with the project, with the aim of ensuring that all project activities are effective and efficient with respect to the purpose of the main objective and its performance. It is more about preventing than measuring poor quality outputs.

The project quality management could foresee a quality plan, including also the procedure to ensure that the quality standards are being followed by all project staff, and a quality checklist that could be used during the project implementation phase. This check list will ensure the project team and other actors are delivering the project outputs according to the quality requirements.

Then, a quality control system has to be set up, meant as the process that monitors specific project results to determine if they comply with relevant standards and identifies different approaches to eliminate the causes for the unsatisfactory performance.

As far as responsibilities are concerned, there are more options: the LP can be in charge of it or could be set up a dedicated management structure (e.g. a Quality Control Board) or this aspect could be included within the tasks of the PSC, etc. In any case, the project management team should:

1. Stay in regular contact with all PPs in order to have a clear overview of activities that are implemented. Through this exchange it will be possible for the project manager to provide guidance and to ensure a good quality of deliverables and outputs (in terms of contents, extent, timing, layout, etc.).
2. Closely monitor project progress and performance, e.g. in terms of: progress of implementation (activities, deliverables, outputs of all work packages, indicators); finances; identification of potential risks and problems, deviations and modifications;
3. Carefully plan the reporting process so that PPs provide necessary information in time. Set up clear internal responsibilities and deadlines for getting partner information needed for reports.
5. Perform a systematic quality control by checking the quality of information and supporting documents (deliverables, outputs, financial figures, etc.) provided by PPs in their partner reports. This should be done when consolidating the provided information into the joint progress report before submitting it to the Programme bodies.
6. Conduct internal reviews in order to analyse the current status and progress as well as to plan ahead for the next activities. This can be accomplished in the frame of regular project (Steering Committee) meetings.

Such internal reviews could tackle the following issues:

- Identification of information needs within the partnership
- Regular exchange of information on project progresses
- Review of lessons learnt and outputs/results achieved so far
- Present/discuss and agree on plans for next actions

- Review of partnership performance
- Identification of risks and problems as well as the necessary solutions
- Determine the information needs in the partnership
- Decide/discuss on how information should be communicated best (internal/external)

B.5 Horizontal Principles

All projects approved under the Programme have to respect the horizontal principles: sustainable development, equal opportunities and equality between men and women. Projects supported by the Programme must comply with these principles at any stage of the project lifecycle, i.e. they should ensure that these principles are taken into account and promoted. Starting from their application forms, projects have to assess their respect of the above principles. In case of possible negative effects, adequate mitigation measures have to be designed already in that stage in order to avoid such negative effects. In general, projects should reflect the horizontal principles in any of their activities, outputs and results. The project management should define actions for ensuring the respect of these principles. Regarding sustainable development, in the assessment of applications consideration is given to the project's adherence to the principles and objectives of sustainable development as a cross-cutting issue. Furthermore, the projects shall ensure that equality between men and women and the integration of gender perspective is taken into account and promoted throughout the preparation and implementation of the projects. Projects shall prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during their preparation and implementation. Also accessibility for persons with disabilities shall be taken into account throughout the implementation of the projects.

Non-discrimination and equality

A correct understanding and application of non-discrimination and equality of chances and treatment principles are essential to foster cooperation among individuals, communities and economic agents in the cross-border area, having a real capacity to contribute to the joint development of the Programme area.

A first set of recommendations concerns the persons directly involved in implementing the project - **the project team**:

- Pay attention to **select** project team members on the basis of objective criteria, which shall include no direct or indirect discriminatory conditioning;

- Try to keep a balanced **gender approach** in building the project team;
- Whenever possible, take into account the inclusion in the project team of **persons belonging to vulnerable groups** (e.g. persons with disabilities);
- Ensure non-discriminatory working conditions for all the members of the project team in terms of salary, job description, workload distribution, distribution of responsibilities, work schedule;
- Ensure that project dedicated staff knows, understands and complies with **legal obligations on gender equality and non-discrimination**.

A second set of recommendations concerns the **purchasing services, supplies or works**:

- Pay attention to the elaboration of public procurement documents that shall respect the principle of non-discrimination. Avoid any risk of direct discrimination by, for example, explicitly introducing the following phrase in the tender specification: “Participation in this tender procedure is open on equal terms to all natural and legal persons, irrespective of their nationality, gender, age, religion, ethnic origin and sexual orientation”. Also, prevent indirect discrimination by avoiding adopting exclusion and selection criteria that may determine a substantial discrimination towards certain groups that, for matters of age, nationality, gender or disability, may be put in the condition of being excluded or not selected. Criteria should always be expressed with the specification “or equivalent” in order to avoid the negative effects of differences among bidders.
- Consider to include in the documentation for the public procurement procedures, of some conditions related to the implementation of awarded contracts based on minimum standards in order to comply with the principles of gender equality and non-discrimination, in relation to its own staff policies. For example: guarantee of involvement in the contract implementation of persons belonging to categories at risk of discrimination or guarantee of the accessibility for disabled persons, with additional actions to the ones required through legislation.

A third set of recommendations concerns the **information and publicity activities** carried out for the project:

- Depending on the nature / scope of the project, consider the possibility of including initiatives / information activities dedicated to various categories of vulnerable groups;
- When preparing the information materials (brochures, promotional videos, web sites etc.), produce materials which are easily read by elderly persons and, if possible and depending

on the scope of the project, adapt the materials to the special needs of certain categories such as, for example, persons with visual or reading impairments;

Project Greening and inclusion

The information that follows is provided as reference and suggestions for projects willing to concretely put into practice the principles above.

Project publications and dissemination products

- Publications can be disseminated electronically. Printing of publications should be foreseen only if strictly necessary and only if following a specific dissemination plan;
- Publications should be printed for external communication purposes (if needed only) on both sides and on recycled paper. For electronic publications, an “eco-friendly” version (less colors, more compact text, less pages) should be made available for printing purposes;
- Publications should be printed where they are going to be distributed in order to minimize transportation distances.

Organisation of green and inclusive events

BEFORE THE EVENT

- Explore if a phone or a video conference could be organised instead of a meeting;
- green public procurement procedures shall be applied whenever possible.

SETTING UP AND RUNNING THE EVENT

- **Electronic means** (e.g. e-mail, website) should be used rather than printed materials for pre-meeting and follow-up communications;
- Participants are encouraged to use **sustainable ways of travelling**: for short trips favor train to coach/plane and if train is not an option, favor car/coach to plane;
- Information on the greening efforts made at the event is provided electronically before and after the meeting whenever possible;
- Participants’ **bags/packs** should be avoided or produced locally using recycled material, and are reusable;

- In case participant's packs cannot be avoided, only strictly necessary material should be included and **copying/printing** is available upon request at the location of the event;
- The start and end of the meeting are possibly adjusted to the schedules of public transportation means;
- The **caterer** is preferably informed on the exact number of participants and is able to re-evaluate the quantities needed to avoid waste;
- A dedicated area can be provided for participants to **return material** that can be re-used (such as badges);
- **Accessibility** for all participants is taken into consideration and the venue adapted for people with reduced mobility;
- A system that allows all guests to access the **catering service** could be put in place: long queues for food are avoided, enough chairs for people to sit down are available, people with disabilities or special needs are provided with the necessary facilities.

FOOD AND DRINKS, CATERING

The organizers of the event take into account the following:

- Locally grown and produced food and drinks shall be preferred and menus shall reflect the seasonal products of the region;
- At least one vegetarian option is offered;
- Tap water is used and served in jugs instead of in single-use bottles;
- The use of reusable dishes, cutlery, glassware and linens is preferred;
- The surplus of edible food should not be wasted but possibly donated.

LOCAL TRANSPORT

Clear instructions are provided to participants on appropriate public transport and/or walking arrangements from point of arrival or departure (railway station, airport) to the venue, accommodation, town centre, etc. This is provided by e-mail shortly before the event and can be additionally displayed at the venue.

VENUE AND ACCOMMODATION

Priority is given to locations available in the premises of one of the project participants in order to reduce the need for staff to travel. The hotels are located near public transportation and as close as possible to the conference facilities (preferably within walking distance or reachable by public transport).

B.6 Complaints and litigation

As stated in the Cooperation Programme and in accordance to the Art. 74(3) of Regulation (EU) n. 1303/2013, the Interreg V A Italy-Croatia Programme sets up a complaint procedure in order to find an amicable and mutually acceptable solution avoiding any form of litigation between the MA and the LP and PPs along the entire Programme implementation period.

B.6.1 Overview

The complaint procedure set-up for the Programme relates to the following types of complaints:

- a) Complaints against the project assessment and selection process;
- b) Complaints related to the MA/JS regarding the Subsidy Contract during contracting and implementation phase related to the Subsidy Contract or complaints related to audit and control bodies;
- c) Any other complaints outside the responsibility of the MA/JS.

B.6.2 Complaints against the project assessment and selection process

This type of complaints and related procedures are detailed in Factsheet N. 5 “Project Selection”.

B.6.3 Complaints related to the MA/JS during contracting and implementation phase related to the Subsidy Contract

The LP, on behalf of the partnership, may file complaints against acts, omissions and/or decisions of the MA/JS or MC during project contracting and implementation phase on any issue covered by the Subsidy Contract.

Prior to filing a complaint, the LP is strongly recommended to request additional technical or administrative information by sending an e-mail to the JS (js.italy-croatia@regione.veneto.it) within the timeframe of 10 working days after the receipt of the communication by the MA on which the LP intends to make a complaint. Often technical exchanges on this level between the LP and the MA/JS bring to a quick clarification of the concerned cases minimising administrative burden.

If, following the answer submitted by the MA/JS, the LP is not satisfied with the received additional information, it may decide to submit a formal complaint to the MA. A confirmation of receipt of any written complaint is sent by the MA/JS to the complainant within 7 working days from the date the complaint was received.

Such complaints are examined by the MA, with the support of the JS if necessary, based on the information brought forward by the LP. The MA will inform the LP as soon as possible, whether the MA is competent to investigate and

decide on the issue (including further steps to be taken and a provisional timeline) or if the case does not fall into its sphere of competence.

The MA/JS and the LP will do everything possible to settle any dispute arising between them during project implementation and the interpretation of the Subsidy Contract in an amicable way. The MA may also ask the MC to set up a Complaint Committee (CC), which is composed by members identified by MC within the voting members (both Countries) and by representatives of the MA/JS, to deal with the complaints in case the MA/JS deems it necessary for a support in specific complaints; in this case the MA/JS will inform the LP on such a procedure including a provisional timeline for the settlement of the case, where possible. The MA will provide its position regarding the merit of the complaint and will adopt the definitive act on the basis of the final decision of the CC.

This decision will be final, binding to all parties and not subject to any further complaint proceedings within the Programme if the complaint is based on the same grounds.

The MC is informed on complaint solved and on the decision taken by the MA.

The complaint should:

- include name and address of the Lead Partner (or the concerned partner);
- include reference number of the application which is a subject of the complaint;
- clearly indicate reasons for the complaint, including listing of all elements of the assessment which are being complaint and/or failures in adherence with procedures limited to those criteria mentioned previously;
- include date and signature of the legal representative of the claimant;
- include any supporting documents;
- be accompanied by a cover letter.

Complaints against acts, omissions and/or decisions of control and audit bodies related to the national/EU control system (national controllers, Programme auditors or any other national or EU institution), LPs or the interested PPs can file a complaint to the responsible EU authority or administrative body at Member State level according to the applicable procedures set up at national and EU-levels: in particular, the complaints related to FLC have to be submitted to the MA (for Italian beneficiaries) and to the Ministry of Regional Development and EU funds (for Croatian beneficiaries).

B.6.4 Any other complaints outside the responsibility of the MA/JS

Other complaints, including those submitted by citizens or NGOs, have to be submitted to MA that, if the case cannot be solved by MA itself, involves the CC in order to find an appropriate response. MC is duly informed.

Any other complaints against other persons or institutions performing activities that might affect activities of the partnership or the rights of beneficiaries and that are outside the sphere of competence of the MA/JS have to be directed to the employing or contracting institution or competent administrative or criminal offices and shall not be addressed to the MA.

B.6.5 Litigation

At any time, but preferably only after the failure of the regular complaint resolution procedures, each party may submit the dispute to the courts. Before instituting court proceedings mediation procedures shall be set in place. In the absence of amicable settlement and in case of litigation the venue is the Civil County Court in Venice. Legal proceedings will be held in Italy.

C. FINANCIAL MANAGEMENT

The financial management and control of the project aims to increase the efficiency and effectiveness of Programme implementation. It includes the specifications on controls and on the eligibility of expenditure.

Proper financial management is essential for ensuring successful project implementation.

To ensure a sound financial management of the project, each Partner shall identify a contact person for financial management, who should:

- Be updated on relevant Programme financial information (e.g. on rules and requirements regarding eligibility of costs, financial reporting, audits etc.);
- Participate to dedicated Programme trainings;
- Set up proper arrangements to comply with the requirements of the different levels of control applicable to the project;
- Monitor financial project progress (including expenditure and their validation);
- Prepare the financial part of the six-monthly Progress Reports and of the Final Report;
- Work in close contact with the other members of the Partner's management team in order to identify and deal with potential risks and problems, deviations and modifications.

C.1. The First Level Control System

In accordance with Article 23 of Regulation (EU) No 1299/2013, where the MA does not carry out verifications under point (a) of Article 125(4) of Regulation (EU) No 1303/2013 throughout the whole programme area, it is the responsibility of the Member States included in the Programme to designate the controllers responsible for verifying that the expenditure declared by each partner located in its own territory participating in a project complies with the applicable law and the Programme rules and that the funded products and services were delivered and paid for. In practice, this means that each PP has to get confirmation and validation of the reported expenditure from a controller who is identified following the rules defined by the Programme for the respective Member State.

All controllers have to be independent and qualified to carry out the control of project expenditure. They are expected to have a profound knowledge of controlling project expenditure under the European Structural and Investment Funds regulations as well as a good knowledge of English (Programme official language).

For the Programme, the First Level Control (FLC) System is organized at National level as follows:

- a) in **Croatia** the FLC is organized in a centralized system and the body in charge is the Ministry of Regional Development and EU funds,
- b) in **Italy** the FLC is organized in a decentralized system: each beneficiary shall appoint its own controller, according to the requirements set at National level for ETC Italian control system. Controllers appointed by

the beneficiaries can either be **internal** (only for public bodies functionally independent department/unit inside the beneficiary organization) or **external** (auditors belonging to independent institutions or selected through a procurement process in line with Programme rules) and have to be identified on the basis of specific requirements. The appointment and compliance with requirements of each controller will be checked and approved by the FLC Team within the Veneto Region Area for Instrumental Resources - Budget and Accounting Directorate which has been designated to carry out this task.

The supervision and coordination of control activities lies within the MA for the whole Programme area. The MA satisfies itself that common rules are applied in both countries in order to ensure equal and impartial controls towards beneficiaries of both territories. In particular, the MA ensures proper supervision, coordination and training to the selected controllers developing specific tools and control manuals.

All First Level Controllers have to verify that:

- Expenditure relates to the eligible period and has been paid;
- Expenditure relates to an approved project;
- Expenditure complies with applicable eligibility rules;
- Supporting documents are adequate and an adequate audit trail exists;
- In case of simplified cost options (flat rates and lump-sums): that conditions for payments have been fulfilled;
- Expenditure complies with State aid rules, sustainable development, equal opportunity and non-discrimination requirements;
- Where applicable, expenditure complies with Union, national and Programme public procurement rules;
- Applicable rules on branding are respected;
- The project physically progresses;
- The delivery of products/services is in full compliance with the content of the subsidy contract, including the latest version of the approved application form (which is an integral part of the contract itself);
- An effectively functioning accounting system exists on the level of each beneficiary allowing a clear identification of all project-related expenditure.

Expenditure incurred and paid by beneficiaries can be claimed within the project only after it has been verified by their respective FLC. First level controls of the Programme shall concern the 100% of the expenditure claimed by the beneficiaries.

The verification of expenditure is performed by the designated FLC of each beneficiary (LP and PP) on incurred expenditure to be included in each Progress Report (See section D). This is done through **administrative verifications** (i.e. desk-based verifications) as well as **on-the-spot verifications** (performed on-site at each beneficiary's premises or project locations). Regarding on-the-spot verifications, these are carried out by FLCs at the premises of the controlled Lead Partner/Project Partner and/or in any other place where the project is being implemented (e.g.

infrastructure, provision of services, etc.). The Croatian FLC will use a sample method to select the LPs / PPs that will undergo such controls, while each Italian FLC has to perform at least one on-the-spot verification to the respective beneficiary during the project life. Each progress report submitted to the MA/JS can contain only expenditure that has been verified by FLCs in accordance with Programme requirements and procedures set up for the Programme and in compliance with laws in force respectively in Italy and Croatia.

First level control costs

As specified in Factsheet n. 3 “Project Development” for Italian LPs and PPs, the cost for the verification and validation of expenditure carried out by authorized controllers, is to be included in the budget; the costs for external controllers have to be reported in the budget line ‘external expertise and services’ , while costs of internal audit department carrying out first level control, time spent on checking the claims must be reported as staff costs, provided that the rules applicable to staff costs are fulfilled. This sum shall include on-the-spot visits (at least one visit during the project implementation).

For Croatian partners the above-mentioned budget cost is not to be included in the budget as FLC is provided at National level.

Information on FLC

The controllers of the Italian LP and PP must be indicated in the relevant section of the Progress Report before any expenditure claim is submitted. For Croatia, it is enough to mention the reference to the centralized control body in charge.

C.2 Other authorised controls

Controls carried out at Programme level by the authorised Programme bodies mainly refer to:

- **Targeted controls performed by the MA**, supported by the JS, to verify the homogeneous and effective implementation of controls in the whole Programme area.
- **Second Level Controls** which are the audits performed by the audit authority (AA) supported by the group of auditors (GoA): every year between 2018 and 2023, sample checks on projects are carried out to verify that projects have correctly declared expenditure in the progress reports; the purpose of these checks is to detect mistakes at the level of individual projects and, on that basis, to obtain an overall picture of whether the management and control procedures and documents set up at Programme level are being applied and that they allow the prevention and correction of potential weaknesses and errors.

Should a project be selected for a sample check, it is incumbent on both the LP and on the PPs to cooperate with the MA/JS or the auditing bodies, present any documentary evidence or information deemed necessary to assist with the evaluation of the accounting documents as well as to give access to business premises.

Besides what explained above, other authorised bodies such as the European Commission’s audit services, the European Court of Auditors, national bodies, or Certifying Authority (CA), may carry out controls to check the quality of the project implementation and in particular its financial management regarding compliance with EU and national rules. Projects may be checked even after the project has ended. That is why it is important to ensure good

documentation and safe storage of all project documents at least until the date indicated in the project closure notification.

The LP as well as PPs will produce all documents required for the above controls and audit, provide necessary information and give access to their premises, to their accounting books, to supporting documents and to all other documentation related to the project.

The LP/PPs are obliged to store the invoices and to keep them clearly traceable in the bookkeeping for the First level controls and audit purposes. The Programme highly recommends beneficiaries to use electronic archiving of relevant documents in order to ease controls and ensure an effective audit trail.

C.2.1 Targeted controls performed by the MA

The so called targeted controls performed by the MA with the support of the JS are to be considered as complementary to the verification of expenditure carried out by FLCs. The targeted controls are performed during the project implementation.

The purpose of the targeted controls is to verify the quality of the FLC work by checking:

- that the project funded is being properly implemented;
- the real nature of declared expenditure;
- that there is no double funding;
- compliance with publicity obligations;
- that separate accounting systems are kept;
- consistency in monitoring conditions for the operation and archiving of supporting documents;
- the physical reality of implementing the project.

A signed and dated report is produced by MA/JS for each visit and signed by MA/JS and by the beneficiary; an electronic copy is sent to the lead beneficiary and one copy is kept by the MA. When appropriate, financial corrections can be made on the basis of conclusions from these visits.

On the basis of a risk assessment the MA/JS may also perform, at any time, additional verifications on incurred expenditure charged to the project with the scope of preventing and detecting potential irregularities (including fraud).

Ex-post verifications

The MA, with the support of the JS, performs on-site visits on a sample basis after project closure (ex-post verification), in order to verify the durability of project activities and the maintenance of long-term commitments.

C.2.2 The Second Level Control

Second level controls of projects shall be carried out in respect of each accounting year on the basis of supporting documents constituting the audit trail and shall verify the legality and regularity of expenditure declared to the

Commission. Auditors shall, where applicable, perform on-the-spot verification of the physical implementation of the project.

Where problems detected appear to be systemic in nature and therefore entail a risk for other operations under the Cooperation Programme, the AA shall ensure further examination, including, where necessary, additional audits to establish the scale of such problems, and shall recommend the necessary corrective actions.

The AA shall ensure that audit work takes account of internationally accepted audit standards.

Once project or partner is sampled to be audited:

- The auditors should give notice and information on when auditors come;
- All documents should be ready to be inspected;
- A person at partner institution should be delegated to assist the auditors;
- The Audit Report with findings should be shared with the Lead Partner and the Partner;
- The Audit Report should have recommendations to be implemented.

C.3 General eligibility requirements

The rules on eligibility of expenditures for the INTERREG V A Italy - Croatia CBC Programme are developed based on the EC Delegated Regulation No. 481/2014 and are in line with the relevant EU Regulations in particular Regulation (EC) No. 1301/2013 (ERDF Regulation); Regulation (EC) No. 1303/2013 (CPR); Regulation 1299/2013 (ETC Regulation) and the Commission Delegated Regulation (EU) No 481/2014, Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union and Commission Decision (EU) No. 2018/1520.

In order to be considered eligible expenditures have to fulfill all the following general criteria:

- Expenditure are related to the preparation and implementation of the project as approved by the Monitoring Committee, are essential for the achievement of the agreed project activities and would not be incurred if the project is not carried out;
- Expenditure must comply with the principle of efficiency, effectiveness and economy;
- Expenditure must comply with the principle of real costs, with the exception of the costs calculated as flat rates and lump sums;
- Expenditure are incurred and paid by the beneficiaries indicated in the AF during the eligibility period of the project;
- Expenditure relate to activities that have not been 100% financed from other financial instruments (double-funding is excluded);

- Expenditure are registered in the beneficiary's accounts through a separate accounting system or an adequate accounting code set in place specifically for the project;
- Expenditure are supported by invoices or other documents with probative value directly attributable to a certain beneficiary with the exception of the costs calculated as flat rates and lump sums;
- Expenditure is in line with eligibility rules on EU, programme and national eligibility rules. The relevant procurement rules have been observed, if applicable;
- Expenditure are not in contradiction with any specific eligibility criterion applicable to the respective budget line;
- Expenditure has been validated by an authorised First Level Controller.

C.3.1 Time-wise eligibility of expenditure

With regard to the eligibility of preparation costs, these will be eligible as a lump sum (ERDF + co-financing) according to the Programme and operational documents as laid out in Factsheet n. 3 "Project Development" and in Factsheet n. 4 "Project Application". Time-span eligibility of Preparation cost is from 15/12/2015 (Date of Approval of the Cooperation Programme) to the respective date of closure of the concerned call for proposals.

Costs for the implementation of an approved project are eligible from its start date until its end date as set in the Subsidy Contract. The project implementation period is defined in the Subsidy Contract in accordance with the approved AF. In principle, the project start date is defined after the final approval date of the project by the Monitoring Committee. At the earliest, implementation costs are eligible as from the day after the submission of the AF, provided that this day is the official start date of the project as indicated in the Application Form. On this basis, partners may decide at their own risk to start the implementation of the project even before the MC decision for funding, indeed such expenditure must comply with all provisions on eligibility of costs set in Programme documents.

The project closure costs refer to the finalization of all the legal and administrative duties and obligations of the LP and PPs related to the granted activities and to the incurred expenditure. These activities will take place over a period of three months after the project end date. Project closure costs include:

- Project implementation costs incurred before the end date of the project that are paid no later than 60 days from the end date of the project (final project implementation costs);
- First Level Control costs related to the last Project Progress Report and Application for Reimbursement. These costs can be incurred after the end date of the project period and shall be paid within 60 days from the end date of the project at the latest (final project control costs).
- Project Partner staff costs for project closure activities, incurred and paid within 60 days from the end date of the project at the latest. Staff must be already contracted during the implementation period of the Project.

For closure costs control, Croatian FLC 60 days timeframe will be calculated starting from the first submission of expenses to the FLC and will stop when the FLC return concerned report to the PP, to start again when the PP submits the last part of the report concerning closure costs.

The LP shall submit a regular Final Report within the deadline set in the Subsidy Contract for the conclusion of administrative duties for project closure, unless the MA communicates the postponement of the opening of the reporting module in SIU due to technical reasons.

C.4 Compliance with EU policies and other rules

C.4.1 Public procurement

The acquisition by means of a public contract of works, supplies or services from external economic operators is subject to rules on public procurement. Such rules aim at securing transparent and fair conditions for competing on the common market and shall be followed by the beneficiaries when procuring the above mentioned services, works or supplies on the market. Rules differ depending on the kind of goods and/or services to be purchased, as well as depending on the value of the purchase and the legal status of the awarding institution. They are set at the following levels:

1. EU rules as set by the applicable directives on the matter;
2. National rules;³
3. Internal rules of the partner organisation
4. Programme rules (see specification below).

Please note that, in line with Article 6 of Regulation 1303/2013, all applicable EU and national rules, apart from eligibility rules, are on a higher hierarchical level than rules set by the Programme. They must therefore be obeyed (e.g. public procurement law). Each contract should be awarded on the basis of objective criteria that ensure compliance with the principles of transparency, non-discrimination and equal treatment and which guarantee that tenders are assessed under the conditions of effective competition.

Failure to comply with the procurement rules set out at EU, national or Programme levels will have financial consequences. The Programme follows the *“Guidelines for determining financial corrections to be made to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement”*⁴ by applying correction rates based on the type and significance of the non-compliance. More information on EU rules on public procurement, including on applicable EU thresholds, can be found at

https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation_en

while information on national rules on public procurement can be found on the websites of competent institutions on the matter.

The Programme does not allow project partners to contract each other to carry out project activities.

³ National rules include laws on public procurement, related delegated or implementing acts or any other generally applicable legally binding rules and decisions.

⁴ Annex to the Commission Decision

https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/GL_corrections_pp_irregularities_annex_EN.pdf
C(2019) 3452 final

Programme rules on public procurement

In order to guarantee a harmonised standard in contracting procedures in both Italy and Croatia and to accomplish sound financial management principle, the Programme requires from beneficiaries to give evidence of adequate market researches for contracting amounts comprising between EUR 5.000,00 (excl. VAT) and the threshold set by the applicable EU and national rules above which prior publication of the tender notice and the conduction of a competitive procedure is required. This means that in such cases, unless stricter national rules apply, beneficiaries must perform and document the execution of adequate market researches (e.g. through collecting bids, using centralized e-procurement services, etc.)⁵. This is meant to provide sound knowledge and sufficient information on the relevant market allowing for sound comparison of offers in terms of price and/or quality and a profound assessment of the adequacy of the price.

The Programme requires the implementation of the “Bid-at-three” rule when purchasing goods or services with a contract value between 5,000 EUR (excluding VAT) and the national thresholds (unless stricter rules apply).

In case three comparable offers are not available from any other resources (e.g. price list from internet) Project partners shall request at least three offers to be submitted for all contracting amounts above 5,000 EUR (excluding VAT) and below the national and EU thresholds.

In case three offers are not received, the activities undertaken to acquire the offers have to be documented. It shall be ensured that prices for similar goods, services or works have been compared and the selection procedure is transparent, as well as the appropriate audit trail being followed. If at national/institutional level stricter rules have to be applied the national/institutional rules must be followed.

Even for contracts having a value below EUR 5.000 (excl. VAT) or stricter national thresholds, the adequacy of costs must always be ensured and demonstrated. However, in such cases beneficiaries do not have to give evidence of a specific selection procedure conducted.

Scope of application of public procurement rules

Different rules apply depending on the legal status of the awarding institution:

Public authorities and other institutions falling under the scope of application of the procurement laws⁶ (including international organisations) must comply with the applicable rules on public procurement.

Institutions not falling under the scope of application of the public procurement laws (e.g. SMEs) are exempt from the application of public procurement laws. Notwithstanding this, such institutions have to observe the basic principles on which the procurement rules are based and to ensure the best value for money or, if appropriate, the lowest price (see below). National rules and guidelines in this respect may also set specific/stricter rules applicable also to institutions not falling under the scope of application of the public procurement laws and shall thus be duly considered by the beneficiaries.

⁵ A combination of more market searches for a same purchase can also be made in order to ensure the accomplishment of the sound financial management principle.

⁶ Namely “contracting authorities” within the meaning of Directive 2004/18/EC or “contracting entities” within the meaning of Directive 2004/17/EC as further amended.

Procurement procedure for institutions not falling under the scope of the public procurement laws

Institutions not falling under the scope of application of the public procurement laws must follow the following procedures when procuring works, supplies or services:

- a) If the estimated value of the contract exceeds the applicable EU or national thresholds a competitive procedure similar to the applicable EU or national procurement norms has to be conducted. It is highly recommended to follow the scheme and basic requirements of the national/EU procurement norms (e.g. with regard to the minimum number of offers, formulation of selection/awarding criteria). In any case, it has to be demonstrated that the procedure conducted is sufficient and adequate to pursue the principles of sound financial management especially regarding the contract value.
- b) If the estimated value of the contract is below the national threshold, the Programme rules on public procurement, as laid out above, have to be followed.

Value of the purchase\ Institution	Institution falling under the scope of the public procurement	Institution NOT falling under the scope of the public procurement (in the event that no other rule in addition to Programme rule exists)
Above EU thresholds	EU/National tenders' rules to be applied	Competitive procedure similar to EU/National tenders' rules.
Below EU thresholds	National tenders' rules to be applied	Competitive procedure similar to National tenders' rules.
Below National thresholds	Programme rule on public procurement has to be applied (i.e.: Bid-at-three), unless internal to the concerned body stricter rules apply.	Programme rule on public procurement has to be applied (i.e.: Bid-at-three), unless internal to the concerned body stricter rules apply.
Below Programme rule (< 5.000,00€ VAT excluded)	Adequacy of cost has to be ensured, unless internal (to the concerned body) stricter rules apply.	Adequacy of cost has to be ensured, unless internal (to the concerned body) stricter rules apply.

Selection of the awarding procedure

Beneficiaries must choose the appropriate procedure on the basis of an accurate assessment of the value of the future contract, keeping in mind that the artificial splitting of contracts for remaining below a certain threshold violates the law. The estimated value of the contract is the basis for the selection of the procurement procedure to be conducted and accordingly determines the range of the publicity required for the respective procurement. The specific thresholds set by the European Commission or national institutions are indicated in the relevant EC Directives and national Laws.

In any case project beneficiaries are recommended to consult their relevant first level controller and/or national public procurement authority for further information and to be sure to adopt the correct procedures.

Exemption from procurement rules

1. **In-house subcontracting:** requirements from the latest EU Directive on public procurement⁷ imply that:

- The contracting authority exercises over the contracted in-house body a control which is similar to that which it exercises over its own departments;
- More than 80 % of the activities of the controlled body are carried out for the controlling contracting authority;
- There is no direct private capital participation in the controlled body.⁸ When all three of the above conditions for an in-house contracting are given, the in-house body can be contracted by the beneficiary through a direct award. Costs of the contracted in-house body must always be charged on a real-costs basis, thus without any profit margin.

Such costs shall be reported within the budget line external expertise and services, following the reporting rules and audit trail provided for in the present document. The above provisions concerning in-house contracting apply also to international organisations receiving funds within Italy-Croatia Programme projects.

2. Contracts for the cooperation between public bodies: In line with art. 12 (4) of Directive 2014/24/EU it is possible to conclude agreements between Public Bodies / Bodies governed by public law for the implementation of a specific part of the project's activities respecting following conditions:

- the contract establishes a cooperation among participating public authorities aimed at ensuring that the public services they must provide will be provided in order to achieve common objectives; the implementation of such cooperation is governed only by considerations related to public interest; the participating contracting authorities perform on the open market less than 20% of the activity covered by the cooperation agreement.

Moreover, if applicable, the agreement shall be governed in compliance with the National and Regional laws in force, as well as the internal rules of procedure of those public bodies/bodies governed by public law interested in signing.

This kind of agreement shall be activated only where the implementation of the project activities requires institutional and technical support from other public subjects and it shall be duly justified.

The Partner or Lead Partner intending to sign this kind of agreement shall clearly specify this intention in the description of relevant activities in "Section I - Project Workplan" of the AF

The activities and the budget that represent the object of the agreement may not become the object of an agreement signed with another third subject.

The agreement must, under penalty of nullity, be drawn up in written form.

⁷ Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014, art. 12 which also establishes the methodology for calculating the percentage of activities referred to in point 2.

⁸ With the exception of non- controlling and non-blocking forms of private capital participation required by national legislative provisions, in conformity with the Treaties, which do not exert a decisive influence on the controlled body.

It is desirable to sign these kinds of agreements already before the submission of the application form.

Otherwise, the interested applicant shall engage itself formally within the AF also referring to official internal acts that has been already adopted in order to prove this will and demonstrate that no obstacles exist in order to finalise the agreement before the start date of the project and in any event not later than the date of the signature of the Subsidy Contract (for LP) or Partnership Agreement (for PPs).

If an agreement between two public bodies/bodies governed by public law already exist and it has been signed on the basis of general common public interest of the two parties involved, a new formal act and/or an addendum to the act in force able to specify the new conditions of collaboration within the specific project applied to the Interreg V A Italy Croatia Programme must be provided.

The full costs of those activities that represent the object of these kind of agreements are eligible under “external expertise and services” budget line if the conditions as set above are met.

General and specific provisions on eligibility, reporting and audit trail, as outlined in this FS are to be followed in full by the sub-contracted body (the in-house or public authority cooperating with the project beneficiary).

C.4.2 State Aid

The amount of aid granted to an undertaking within the selected project co-funded by the Interreg V A Italy-Croatia Programme is linked to the respect of the “*de minimis*” threshold at the moment of granting the aid, according to the de minimis rule Regulation (EU) No 1407/2013.

Results of State Aid check, approved by the Monitoring Committee, may lead to conditions for approval of those projects that are relevant to State Aid.

When granting the de minimis aid, the undertaking is duly notified in writing by the Programme authorities about the amount of the aid and of its de minimis character. Should State Aid relevance be given, the MA might ask the LP to exclude certain activities from the project proposal or to take other measures in order to ensure compliance of the approved project with State Aid rules.

Otherwise, if no countermeasures and conditions can be adopted, the Programme will apply the above mentioned State Aid rule carrying out the related administrative tasks (i.e. registering at the Italian National State Aid Register) or alternatively may exclude the concerned partner or reject the proposal.

State Aid relevant activities will be regularly checked also during the project implementation by the MA/JS supported by the Programme bodies and authorities in both Member States in order to ensure that the projects comply with the applicable State Aid regulations.

C.4.3 Branding

All details concerning Programme branding rules are described in Factsheet n. 8 “Project Communication”.

As a general rule and good practice, projects have to give evidence of their project website URL whenever possible on publications, promotional materials and gadget in order to engage the stakeholders in the “call to action” and encourage them to visit the website which is the main hub of information.

Compliance of projects to the branding rules will be subject to a specific check within the procedure of appraisal of the Progress Report made by the JS: **failure to comply with those rules will result in the non-eligibility of the relevant expenditure.**

Specifically, the following rules will be applied in case of non-compliance to branding rules:

No	Type of non-compliance	Description of non-compliance / Examples	Financial correction
1.	Lack of basic visibility elements	<p>Lack of basic visibility elements as defined by programme specific rules. All project communication measures have to be branded with a logo combining EU elements with both Programme and project elements. The pre-defined logos for projects include all elements that are necessary for a successful branding of project activities:</p> <ul style="list-style-type: none"> • European Union emblem (EU flag and European Union label) • Name of funding strand (Interreg) • Programme name (Italy-Croatia) • Project acronym (written below the Programme name and in the colour of the related Thematic Priority) • Characterization element (wave in colour of the with Priority Axis the project is belonging to) • Fund label (European Regional Development Fund) * not always <p>*ATTENTION! Each project logo exists in two versions: with or without the fund label (ERDF)</p> <p>The Programme provided the project partners with their personalized communication kit containing communication material, ready for the download on the official Programme, therefore there should be no room for major mistakes.</p> <p>Examples of non-compliance:</p> <ul style="list-style-type: none"> - Use of a logo other than the one provided in the communication kit; - No use of official logo; 	100%
2.	Partial existence of basic visibility elements	<p>Partial use of basic visibility elements (in case when one or more of the abovementioned basic elements are missing)</p> <p>Eg.:</p> <ul style="list-style-type: none"> - “European Union” text is missing but all other programme logo elements are present; - programme logo is present, but there is no Interreg logo - certain visual elements are missing – e.g. the image of the wave of the programme logo is missing 	5-10 ⁹ %
3	Inadequate use or non-compliance with	<p>Inadequate use of additional visibility requirements as defined by programme rules such are: wrong proportions, the lack of a disclaimer, wrong size of a logo, etc.</p>	2%

⁹ In case more basic visibility elements are missig, a correction of 10% is applied. In case of smaller omissions a correction of 5% is applied.

additional
visibility
requirements

See **Project Brand Manual**, in particular pg. 9-18
<https://www.italy-croatia.eu/docs-and-tools-details?id=42271&nAcc=4&file=2>

C.4.4 Revenues

As a general principle, eligible expenditure of a project (and consequently the ERDF contribution to it) shall be reduced according to the net revenue generated by the project during its implementation or after its completion:

A. Operations which generate net revenue after their completion

For the potential net revenue of the operation determined in advance, in line with the Article 61, par. 3 of CPR, the Managing Authority decided to use calculation of the discounted net revenue of the operation.

- The discounted net revenue of the operation shall be calculated under Articles 15 to 19 of the Delegated Regulation (EU) No 480/2014, by deducting the discounted costs from the discounted revenue and, where applicable, by adding the residual value of the investment.
- The discounted net revenue shall be calculated over a specific reference period applicable to the sector of that operation. Reference periods are specified in the Annex I of Regulation 480/2014.
- If project's revenue is less than its operating costs, the project is not considered a revenue-generating project.

Where it is not possible to determine the revenue in advance, the net revenue generated within three years of the completion of an operation, or by the deadline for the submission of documents for Programme closure fixed in the Programme rules, whichever is the earlier, shall be deducted from the expenditure declared to the Commission. Net revenues not foreseen and/or not deducted at the application stage which are occurring after project closure have to be reported to the MA/JS. The corresponding ERDF contribution has to be either withheld from the last installment to the project or reimbursed to the MA. This obligation applies until three years following the date of closure of the project

Each beneficiary is responsible for keeping account and documenting all revenues generated following project activities for control purposes.

- ##### B. For the operations which generate net revenue during their implementation (to which the above mentioned method does not apply), the eligible expenditure of the operation to be co-financed from the ESI Funds shall be reduced by the net revenue not taken into account at the time of approval of the operation directly generated only during its implementation, not later than at the final payment claim submitted by the beneficiary.

Net revenues not foreseen and/or not deducted at the application stage must be stated in the progress report.

Calculation of net revenues shall not apply to:

- operations whose total eligible cost before calculation of net revenues does not exceed EUR 1.000.000;

- operations for which public support takes the form of lump sums or standard scale unit costs;
- State Aid: if the revenue-generating infrastructure or activity is subject to State aid regulation, the concerned partners do not have to report their revenues related to State aid relevant activities;
- And in other cases in line with the CPR Art. 61 and 65. Par 8.

The MA, as part of its management verifications, should check that the rules set in the EU Regulations and Programme documents have been followed, and that the assessment of revenue-generating operation has been carried out properly and is fully documented.

The following are examples of potential revenues from project implementation in CBC Italy-Croatia Cooperation Programme (the list is not exhaustive):

- | | |
|------|--|
| PA 1 | commercialization of results of R&D projects (exploitation rights, intellectual property rights) |
| PA 2 | lease of equipment/management systems, training courses fees |
| PA 3 | lease of premises and/or equipment, entry fees (events, visitor centers, museums, etc.), commercialization of results of R&D projects (exploitation rights, intellectual property rights...) |
| PA 4 | payment for the improved services and new links established (tickets for travel/cargo transportation/storage services, rent of vessels) |

Calculation examples will be provided by the JS to LPs of Projects that after a preliminary internal evaluation deem to generate net revenues.

C.4.5 Expenditure outside the Programme Area

As a general rule, project activities co-financed by an Interreg Programme should be implemented in the Programme area.

In exceptional and duly justified cases, the activities implemented outside the Programme area (including the participation in missions, study visits and events) can also be accepted by MA if the following conditions are met:

- It must be demonstrated that the activities are of benefit of the regions of the Programme area (e.g. justification is provided in the project application for support);
- The concerned activities are essential for the implementation of the project;
- The total amount of the concerned activities (the organisation of the project's meetings, events and seminars outside the Programme area) has to be under the ceiling of 20% ERDF of the Project's budget.

Such activities shall be described in the Application Form or, if not, shall have been previously authorized by the MA/JS. Authorisation shall be requested well in advance by informing the JS staff in charge of the project and the authorization of the mission should be submitted to the FLC as a part of the relevant project report. In particular, when reporting such expenditure within SIU system, each PP including the LP shall insert in the appropriate box “expenditure outside the Programme area” only the exceptional expenses quoted above (i.e. assimilated partners budget has to NOT be considered as occurred outside the Programme area).

NOTE: Costs for infrastructure and works outside the Programme area are not eligible.

The MA, as part of its management verifications, should check that the management, control and audit obligations as regards expenditure incurred outside the Programme area are fulfilled.

C.4.6 Non-eligible expenditures

The detailed list of non-eligible expenditures is reported in Factsheet 3, beneficiaries shall refer to such document for appropriate information.

C.5 Specific budget line provisions

C.5.1 Preparation costs

General information	<p>Budgeted in the application phase within the non-compulsory <i>WPO - Project preparation</i>;</p> <p>Must be indicated and described in the AF, under the budget line “Preparation Costs” and included under the budget of the concerned partners</p>
Amount	<p>Lump-sum max. €15,000 per project (ERDF + co-financing);</p> <p>ERDF contribution is limited to a co-financing rate equal to 85% of eligible costs for all partners.</p>
Form of reimbursement	<p>Reimbursement to the LP;</p> <p>The LP transfers the respective shares to the partners, according to the approved budget;</p> <p>For public bodies and bodies governed by public law located in Italy, the 15% national co-financing is ensured by the State (Fondo di Rotazione).</p>
Specifications, reporting and audit trail	<p>No need to document that the expenditure has been incurred and paid;</p> <p>Eligibility of costs incurred from 15/12/2015 to the date of closure of the relevant call for proposals;</p> <p>To be reported within the 1st progress report and included in the Certificate of Verified expenditure (CoVE) of the FLC; if the LP/PP does not report the expenditure in the 1st Progress report, preparation costs shall be reported in the first available progress report;</p> <p>In case the project (or part of it) is not implemented in line with Subsidy Contract and therefore it cannot be closed successfully (or just partly), the MA may recover from the LP in full (or in part) the granted amount of preparation costs in line with the rules applied for recoveries. Preparation costs are excluded from the flexibility rule.</p>

PREPARATION COSTS

EXAMPLE 1

For the Project XY the PPs estimate the preparation costs for the application as follows:

- LP in the amount of €4,200 (technical investment documentation)
- PP 1 in the amount of €2,800 (professional studies)
- PP2 in the amount of €3,700 (permits)
- PP 3 in the amount of €4,300 (professional studies)

The total amount of the preparation costs is €15,000 which will be indicated in the AF of the Project Proposal under the WPO – Preparation costs, and the individual amounts will be linked to concerned partners. The amount of €12,750 (85%) will be reimbursed to the LP, who will transfer the respective shares to the partners, according to the approved budget.

EXAMPLE 2

For the Project XZ the PPs estimate the preparation costs for as follows:

- LP in the amount of €4,000 (technical investment documentation)
- PP 1 in the amount of €2,500 (professional studies)
- PP2 in the amount of €3,700 (permits)
- PP 3 in the amount of €4,000 (professional studies)

The total amount of the preparation costs is € 14,200 which will be indicated in the AF of the Project Proposal under the WPO – Preparation costs, and the individual amounts will be linked to concerned partners.

The amount of € 12,070 (85%) will be reimbursed to the LP, who will transfer the respective shares to the partners, according to the approved budget.

EXAMPLE 3

For the Project YZ the PPs estimate the preparation costs for the application as follows:

- LP in the amount of €5,000 (feasibility studies)
- PP 1 in the amount of €3,500 (permits)
- PP2 in the amount of €3,200 (translation of the AF)
- PP 3 in the amount of €4,000 (professional studies)

The total amount of the preparation costs is €15,700, so the max amount of €15,000 will be indicated in the AF of the Project Proposal under the WPO – Preparation costs. Individual amounts will be linked to concerned partners, as well deducted to the max total admissible amount.

The amount of €12,750 (85%) will be reimbursed to the LP, who will transfer the respective shares to the partners, according to the approved budget.

C.5.2 Staff costs

Definition	<p>Costs for staff members employed by the partner organization, who are working full time or part time on the implementation of the project;</p> <p>Costs of employees in line with the employment/work contract, and costs of natural persons working for the partner organization under a contract other than an employment/work contract and receiving salary payments;</p> <p>Relate to the activities which the partner organization would not carry out if the project was not undertaken;</p> <p>Include also any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions provided that they are:</p> <ul style="list-style-type: none"> • fixed in an employment document or by law; • in accordance with the legislation referred to in the employment document and with standard practices in the country and/or organization where the individual staff member is actually working; • not recoverable by the employer. <p>Costs for overtime hours of staff working for the LP/PP organisation are eligible provided the overtime is authorized by the person responsible for the implementation of the project activities and only for full-time employees on the project.</p> <ul style="list-style-type: none"> • To be eligible costs the overtime should: Be foreseen in the contract, in line with national legislation and common practices of the partner in question; • Actually paid; • Allocated to the project in a transparent way. <p>If the employee is only working part time in the project, no overtime can be reported.</p> <p>Point of attention</p> <p>The following types of working/employment contracts are eligible under the BL “Internal Staff”</p> <p>A) Italy</p> <ul style="list-style-type: none"> - Permanent staff (personale a tempo indeterminato)
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	<ul style="list-style-type: none"> - Temporary staff (Personale a tempo determinato) - Collaborators, term-contract workers (Co.co.co) - Scholarship, PhD Scholarship, Research grants, etc Borse di studio (borse di dottorato, assegni di ricerca, etc. .) <p>B) Croatia</p> <ul style="list-style-type: none"> - Work/Employment Contract signed both by the legal representative of the employer and the employee; - Appointment decision (for civil servants) issued by the legal representative of the employer’s institution which complies with the national legislation. <p>Other types of working/employment contracts such as “employees hired by a temporary work agency” (Lavoro da Agenzia interinale), in Italy, and/or Service/fee based contract (“Ugovor o djelu”), in Croatia, ARE NOT ELIGIBLE under BL “Staff”, being eligible under BL “External expertise and services”.</p>
Form of reimbursement	<p>The following options are eligible:</p> <p>Real costs (4 possible methods: full time, part-time with a fixed percentage of time worked per month; part-time with a flexible number of hours worked per month; contracted on an hourly basis). The beneficiary must document that expenditure has been incurred and paid out;</p> <p>Flat rate of 20% of direct costs other than staff costs (travel and accommodation, external expertise and services, equipment, small scale infrastructure and construction works). No need to document that the expenditure has been incurred and paid out.</p> <p>IMPORTANT: The choice is made at project level during the application phase and cannot be changed during project implementation.</p>
Specifications, reporting and audit trail	<p>A. Real costs</p> <p>Full time: an employee dedicated 100% of his/her working time to the project. The full-time assignment must be included in the employment document or in a specific statement/order issued by the partner. The total of the gross employment cost is eligible.</p> <p>Part-time with a fixed percentage of time worked per month: an employee dedicated to the project by a fixed percentage of his/her working time. This percentage is set out in a document issued by the partner at the beginning of the project, and/or in the employment document. No registration of the working time is required. The fixed percentage of the gross employment cost is eligible. The percentage can be changed from one reporting period to another, not within the same reporting period; the</p>

	<p>employer will have to change the assignment of the employee accordingly.</p> <p>Part-time with a flexible number of hours worked per month: an employee dedicated to the project by a flexible percentage of his/her working time. In such case the hourly rate shall be calculated according to one of the following methods:</p> <p>a) Hourly rate = monthly gross employment cost / monthly working time fixed in the employment document expressed in hours;</p> <p>b) Hourly rate = latest documented annual gross employment cost/1720 (standard annual working time fixed by art. 68.2 of Regulation (EU) No 1303/2013)</p> <p>The method a) shall be used only if the employment document expresses the number of monthly working time. In all other cases, the method to be applied is b).</p> <p>The hourly rate calculated with any of the above methods is fixed for the entire project duration, except in case the employment contract changes.</p> <p>The Eligible staff cost shall result by multiplying the hourly rate by the number of hours actually worked on the project by each concerned staff, as resulting from the working time registration system.</p> <p>The beneficiary must decide on the method applicable to each employee working part-time (and a flexible number of hours) on the project. Once selected, the same calculation method should apply to the employee for the entire project duration.</p> <p>Contracted on an hourly basis: an employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project. The staff costs are calculated on the basis of the hourly rate fixed in the employment document. Data from the working time registration system providing information on the number of hours spent per month on the project are required. Eligible staff cost shall result by multiplying the hourly rate by the number of hours actually worked on the project by each concerned individual.</p>
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	B. Flat rate	<p>No need to provide any justification or supporting documents to claim the staff costs. The beneficiary has only to demonstrate that it has at least one employee involved in the project. This is done through a self-declaration issued by the beneficiary's legal representative (or delegated person) certifying that at least one employee of the beneficiary institution has worked in the project in the concerned reporting period. In case of small companies where no staff is employed and the work is provided by the company's owner(s), the legal representative of the company has to issue a self-declaration certifying that the owner(s) of the company has(have) directly worked in the project in the concerned reporting period.</p> <p>Time sheets are not required.</p>
	<p><i>Reporting:</i></p> <p>To be included in the financial section of the progress reports under the relevant budget line.</p>	
Summary of options for the reimbursement of staff costs	A. REAL COSTS	
	Staff working full time on the project	<p>Full gross employment costs can be claimed</p> <p>Timesheet needed: NO</p> <p>Employment contract setting out 100% of time to be worked on the project; Job description (if not already included in the employment contract); Project assignment document (if needed); Staff report.</p>
	Staff working on a fixed % on the project	<p>Gross employment costs * fixed %</p> <p>The percentage can be changed in different Reporting periods; the employer will have to change the assignment of the employee accordingly.</p> <p>Timesheet needed: NO</p> <p>Employment contract; Job description (if not already included in the employment contract); Project assignment document / mission letter (if needed) setting out the % worked on the project; Staff report.</p>
	Staff working on a flexible number of hours on the project	<p>No. of hours * Hourly rate</p> <p>Hourly rate = Monthly gross employment cost / monthly working time fixed in the employment document expressed in hours</p>

		<p>OR</p> <p>Hourly rate = Annual gross employment costs/1,720 hours</p> <p>Timesheet needed: YES</p> <p>Staff report.</p>
	Staff working on an hourly basis	<p>No. of hours * Hourly rate agreed in the contract</p> <p>Timesheet needed: YES</p> <p>Employment contract; Job description (if not already included in the employment contract).</p> <p>Staff report.</p>
	B. FLAT RATE	
	<p>20% of direct costs other than staff costs</p> <p>Documentation for direct costs: YES</p> <p>Documentation for staff costs: NO</p> <p>Self-declaration certifying that at least one employee of the beneficiary institution has worked in the project.</p> <p>Timesheet needed: NO</p>	

STAFF COSTS

EXAMPLE 1 - Staff working full time on the project

Total monthly salary costs (gross salary and employer's social charges) = €3.000

Percentage of time worked monthly on the project = 100%

Eligible costs = €3.000 * 100% = €3.000

EXAMPLE 2 - Staff working on a fixed % on the project

Total monthly salary costs (gross salary and employer's social charges) = €3.000

Fixed percentage of time worked monthly on the project = 60%

Eligible costs = €3.000 * 60% = €1.800

EXAMPLE 3a - Staff working on a flexible number of hours in the project

Monthly gross employment costs = €3.000

Monthly working time fixed in employment document = 144 h.

Hourly rate = €3.000 / 144 = €20,83

Total number of hours worked on the project during the month (timesheet) = 120

Eligible costs = €20,83 * 120 = €2.499,60

EXAMPLE 3b - Staff working on a flexible number of hours in the project

Annual gross employment costs = €36.000

Hourly rate = €36.000 / 1.720 h = €20,93

Total number of hours worked on the project during the month (timesheet) = 120

Eligible costs = €20,93 * 120 = €2.511,60

EXAMPLE 4 - Staff working on a hourly basis

Hourly rate (indicated in the employment contract) = €25

Total number of hours worked on the project during the month (timesheet) = 105

Eligible costs = €25 * 105 = €2,625

C.5.3 Office and administration

Definition	<p>Operating and administrative expenses of the day-to-day operations occurred by the beneficiary and necessary for the implementation of the project</p> <p>List of eligible office and administration expenses (in line with exhaustive list defined in Del. Reg. 481/2014, Art. 4) in <i>Factsheet no. 3</i>.</p>
Form of reimbursement	<p>FLAT RATE: 15% of eligible direct staff costs</p> <p>Automatically calculated (regardless of the form of reimbursement applied under the 'staff cost' category)</p> <p>No need of submitting documents (contracts, invoices, or other proofs of payment)</p>
Specifications, reporting and audit trail	<p>No need to document that the expenditure has been incurred and paid</p> <p>No need to provide audit trail</p> <p>Management controls on: correct budget line, correct calculation of flat rate, correct reporting</p>

EXAMPLE

- Eligible reported staff costs
€36,000
- Flat rate for office and administration 15%
- Eligible reported office and administrative expenditure: €36,000 *
15% = €5,400

IMPORTANT

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

C.5.4 Travel and accommodation

<p>Definition</p>	<p>Travel and accommodation costs refer to the expenditure on travel and accommodation of the staff of the beneficiary organisation for missions necessary for the project implementation.</p> <p>Exhaustive list of eligible Travel and accommodation expenditures (in line with exhaustive list defined in Del. Reg. 481/2014, Art. 5) in <i>Factsheet no. 3</i>.</p>
<p>Form of reimbursement</p>	<p>Reimbursed by the Programme on a real cost basis.</p>
<p>Specifications, reporting and audit trail</p>	<p>Eligibility requirements</p> <p>Must be clearly linked to the project and be essential for its effective implementation. They must be justified by activities carried out within the project (e.g. participation in project meetings, project site visits, meetings with the Programme bodies, seminars, conferences, etc.);</p> <p>Beneficiaries must respect either their ordinary travel rules for travel and accommodation costs (if any), or respect any maximum ceiling for travel and hotel costs established at National level, whichever prevails;</p> <p>Cost must be definitely borne by the beneficiary. Direct payment of costs by a staff member of the beneficiary must be supported by a proof of reimbursement from the employer;</p> <p>The duration of the mission must be clearly in line with the purpose of it. Moreover, the duration of a mission cannot be longer than from the day before to the day after the concerned meeting. Costs for any longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights, extra daily allowances, additional staff costs) do not exceed the savings eventually made in the costs for transportation;</p> <p>Travel and accommodation costs occurred outside the Programme area are eligible only if they are in line with the general provisions on expenditure for activities implemented outside the Programme area (chapter C.3.3) and if they have been previously authorized by the MA/JS (unless already foreseen in the approved AF).</p> <p>Specific requirements for travel costs</p> <p>The most cost-efficient mean of transportation shall be used. No business or first-class tickets for air transport are eligible irrespective the fact that this may be allowed by internal rules of the beneficiary institution. Business-or first class train tickets are allowed if it can be proved that they are the most economic travel option when booking the ticket (e.g. through screenshots of booking webpages);</p>

Local transfers with taxi should be in principle avoided and shall be regarded as eligible only in case they represent the most efficient travel solution;

If the travel has been paid but has not been made the relevant expenditure is not eligible, except for exceptional and duly justified cases (for example strike, exceptionally bad weather conditions, illness, etc.) which must be duly documented.

The responsibility to decide about the eligibility relies on the FLC.

Travel insurance costs are eligible to minimise the financial impact on PP in case of such incurrences.

Specific requirements for accommodation cost and for daily allowances

Daily rates for hotels are considered as cost-adequate, if not ruled at national or internal level, when they are below the amounts mentioned in the Commission Delegated Regulation (EU) 2016/1611 of July 2016 which are available at:

<http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32016R1611&from=EN>

Higher daily rates shall be considered as exceptional and must be duly justified.

Daily allowances must be in line with national and internal rules of the beneficiary. If not ruled at national or internal level, as well as in case of international organisations, the maximum eligible daily allowances are those defined in the official list available on <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32016R1611&from=EN>

Any expenditure item covered by the daily allowance cannot be reimbursed in addition to the daily allowance, i.e. no double funding is permissible.

In case of travels to countries not listed in the Commission Delegated Regulation (EU) 2016/1611 of July 2016 Accommodation costs plus daily allowances are considered as cost adequate when they are below the current per diem rate that can be found on the EC website (the latest version should be considered):

https://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm_en

Per diem rates are eligible if set by national and internal rules of the organisation and if the expenditure complies with such national and internal rules.

Documents for the audit trail - the following documents must be provided to the controller

Authorisation of mission of the employee(s) travelling, bearing information on the destination and the start and end date of the mission (if applicable); such document shall be drafted in accordance with the institution's internal procedures and rules;

Proof of expenditure and of mission (e.g. invoice of travel agent, flight or train ticket, boarding pass);

Reimbursement request from the employee (in case of expenditure directly paid by the employee) on real cost or daily allowance (if applicable). When claiming on a real cost basis all necessary documents proving the costs occurred must be provided (e.g., bus or metro tickets, meal receipts);

Mileage calculation sheet or invoices, if an employee or company car is used. It has to include a statement of the distance covered, the cost per unit according to national or institutional rules (if applicable) and total cost;

Other supporting documents (e.g. invitation, agenda, list of participants, minutes);

Proof of payment of costs directly paid by the beneficiary and/or proof of reimbursement to the employee (e.g. extract from a reliable accounting system of the beneficiary, bank statement).

Accounting records that prove the separate accounting system for the project from the usual activity of the Organisation/Institution.

POINTS OF ATTENTION

Travel and accommodation costs of staff of external speakers and external participants (stakeholders/target groups) in project meetings and events can be reimbursed only under the external expertise and services budget line. However, such costs must comply with all provisions on eligibility applicable to the travel and accommodation budget line. Also, the travel and accommodation costs of the involved external stakeholders/target groups are eligible only if they participate in the project activities on the basis of an official invitation from LP/ PPs and if they actively contribute to the project activities (e.g. as speakers, moderators, etc.) or anyhow bring a clear added value to the project activities.

Rent a car service costs for staff travels are eligible in the budget line travel and accommodation, proved that the procedure is in line with the National legislation and the internal rules of the beneficiary.

Car rental services shall be used only in duly justified cases.

Participation in missions, study visits and events implemented outside the Programme area can be accepted only in exceptional and duly justified cases.

The following requirements must be respected:

- They are for the benefit of the regions of the Programme area;
- They are essential for the implementation of the project;
- They are explicitly foreseen in the AF or, if not, have been previously authorized by the MA/JS.

It is warmly recommended to limit as much as possible the organization of the project's meetings, events and seminars outside the Programme area, as they have to be under the ceiling of 20%ERDF of the Project's budget. Such activities and their related project expenditures should be detailed in a dedicated field of the AF on the web-based electronic management and monitoring system – SIU.

C.5.5 External expertise and services

<p>Definition</p>	<p>External expertise and services are provided by a public or private body or a natural person outside of the beneficiary organization.</p> <p>External expertise and services cover costs paid on the basis of contracts or written agreements and against invoices or requests for reimbursement to external experts and service providers sub-contracted to carry out certain tasks or activities or to provide supplies linked to the implementation of the project.</p> <p>List of eligible External expertise and services expenditures (in line with exhaustive list defined in Commission Delegated Regulation n. 481/2014, Art. 6) in <i>Factsheet no. 3</i></p>
<p>Form of reimbursement</p>	<p>Reimbursed by the Programme on a real cost basis.</p>
<p>Specifications, reporting and audit trail</p>	<p>Eligibility requirements</p> <p>Must be clearly and strictly linked to the project and be essential for its effective implementation;</p> <p>Must respect Programme branding requirements;</p> <p>Eligibility of costs for external expertise and services is subject to the full respect of EU, national and Programme procurement rules and must comply with the basic principles as described in chapter C.1.5.1.;</p> <p>External expertise and services have to be duly foreseen in the full AF by allocating the respective budget per PP and possibly describing the nature and quantity; they have to have a link to a relevant project deliverable or output as</p>

	<p>listed in the work plan.</p> <p>Alcohol is eligible given that it's part of a meal and provided that it is in line with relevant National legislation; if not in line with National legislation the stricter rule prevails.</p> <p>Where applicable, deliverables produced by experts/service providers must respect the relevant branding requirements as provided for in chapter C.1.5.3;</p> <p>Promotional materials or gifts (small items related to promotion, communication, publicity or information) are eligible up to a maximum value of EUR 50 per item, they must be branded with the project logo (that includes the Programme logo) and they must be linked to promotion, communication, publicity or information activities¹⁰.</p> <p>Complementary activities to events (e.g. site visits) must have clear and demonstrable project relevance, otherwise costs linked to them are not eligible;</p> <p>Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the expert/service provider, supported by receipted invoices (e.g. advance payment for an expert carrying out a study) are eligible but only if by the time of submission of documents to the FLC, confirmation that the service has been properly and timely delivered is available.</p> <p>Travel and accommodation costs of staff of external speakers and external participants (stakeholders/target groups) in project meetings and events can be reimbursed only under this budget line. Such costs must comply with all provisions on eligibility applicable to the travel and accommodation budget line, as described in chapter C.2.3.3.</p> <p>Also, the travel and accommodation costs of the involved external stakeholders/target groups are eligible if they participate in the project activities on the basis of an official invitation from LP/ PPs and if they actively contribute to the project activities (e.g. as speakers, moderators, etc.) or anyhow bring an added value to the project activities.</p> <p>NB: Rent a car service costs for staff travels are eligible in the budget line external expertise and services, proved that the procedure is in line with the</p>
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¹⁰ Programme branding requirements are detailed in Factsheet n.8.

	<p>National legislation and the internal rules of the beneficiary.</p> <p>Car rental services shall be used only in duly justified cases.</p> <p>Sub-contracting between partners of a same project is not allowed.</p>
	<p>Documents for the audit trail - the following documents must be provided to the controller</p> <p>Evidence of the selection procedure, in line with EU, national or Programme procurement rules, depending on the amount contracted and the type of beneficiary¹¹;</p> <p>contract/order form laying down the services to be provided, with clear reference to the operation and the Programme. For experts paid on the basis of a daily fee, such a fee together with the number of days contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the Programme procurement rules and must be documented;</p> <p>An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules, as well as references to the operation 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;</p> <p>Deliverables produced (e.g. studies, promotional materials) or, where applicable, documentation of the delivery (e.g. in case of events: agenda, list of participants, photo-documentation, etc.).</p> <p>Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement).</p> <p>Accounting records that prove the separate accounting system for the project from the usual activity of the Organisation/Institution.</p>

¹¹ For further details on public procurement please refer to chapter D.2.1.

POINTS OF ATTENTION	
IN-HOUSE	<p>Costs referring to project-related tasks sub-contracted by the beneficiary to in-house bodies (including staff and travel and accommodation costs) are eligible under “external expertise and services” budget line on condition that the following is met:</p> <ul style="list-style-type: none"> • Costs incurred by the in-house body are charged on a real costs basis without any profit margin; • The sub-contracting to the in-house body of project related tasks complies with national and institutional public procurement provisions in force. <p>In case of subcontracting of project’s tasks by a Public Body to an In-House Body, the beneficiary will have to detail the reasons behind the choice made and provide the following documents for the audit trail:</p> <ul style="list-style-type: none"> • Invoice or equivalent probative value document • Detailed report on the incurred expenditure • In case of bill of costs, all supporting documents (tickets, receipts, proof of payments, etc.) will have to be provided. <p>Additional supporting documents, such as timesheets, travel reports etc., shall be available at the premises of the In-House Body for on-site controls.</p>
CONTRACT CONCLUDED BETWEEN TWO OR MORE PUBLIC BODIES/BODIES GOVERNED BY PUBLIC	<p>In line with art. 12 (4) of Directive 2014/24/EU it is possible to conclude agreements between Public Bodies / Bodies governed by public law for the implementation of a specific part of the project’s activities respecting following conditions:</p> <ul style="list-style-type: none"> • the contract establishes a cooperation among participating

<p>LAW</p>	<p>public authorities aimed at ensuring that the public services they must provide will be provided in order to achieve common objectives;</p> <ul style="list-style-type: none"> • the implementation of such cooperation is governed only by considerations related to public interest; • the participating contracting authorities perform on the open market less than 20% of the activity covered by the cooperation agreement. <p>Moreover the agreement shall be governed in compliance with the National and Regional laws in force, as well as the internal rules of procedure of those public bodies/bodies governed by public law interested in signing.</p> <p>This kind of agreement shall be activated only where the implementation of the project activities requires institutional and technical support from other public subjects and it shall be duly justified.</p> <p>The Partner or LP intending to sign this kind of agreement shall clearly specify this intention in the description of relevant activities in the AF.</p> <p>The activities and the budget that represent the object of the agreement shall not become the object of an agreement signed with another third subject.</p> <p>The agreement must, under penalty of nullity, be drawn up in written form.</p> <p>In case these kind of agreements were not signed before the submission of the Application form it is necessary to finalise the agreement before the start date of the project or no later than the date of the signature of the Subsidy Contract (for LP) or Partnership Agreement (for PPs).</p> <p>If an agreement between two public bodies/bodies governed by public law already exist and it has been signed on the basis of general common public interest of the two parties involved, a new formal act and/or an addendum to the act in force able to specify the new conditions of collaboration within the specific project applied to the Interreg V A Italy Croatia Programme must be provided.</p>
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	The full costs of those activities that represent the object of these kind of agreements are eligible under “external expertise and services” budget line if the conditions as set above are met.
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C.5.6 Equipment

Definition	<p>This budget line refers to expenditure for equipment purchased, rented or leased by a beneficiary other than those covered by the budget line “office and administrative expenditure”, which is necessary for the implementation of the project. This includes costs of equipment already in possession by the beneficiary and used to carry out project activities.</p> <p>Exhaustive list of eligible Equipment expenditures (in line with exhaustive list defined in Del. Reg. 481/2014, Art. 7) in <i>Factsheet no. 3</i></p>
Form of reimbursement	Reimbursed by the Programme on a real cost basis.
Specifications, reporting and audit trail	<p>Eligibility requirements</p> <p>Must be clearly linked to the project and be essential for its effective implementation;</p> <p>Equipment has to be duly foreseen in the full AF by allocating the respective budget per PP and possibly describing the nature and quantity; it has to have a link to a relevant project deliverable or output as listed in the work plan;</p> <p>Eligibility of costs for equipment is subject to the full respect of EU, national and Programme procurement rules and must comply with the basic principles as described in chapter D.2.1.;</p> <p>Full purchase cost of equipment that, according to national and internal accountancy rules is not depreciable (e.g. low-value asset) is eligible;</p> <p>Costs cannot refer to items already financed by other EU or third party subsidies (as provided for in chapter C.1.2) and must not be already depreciated;</p> <p>Where applicable, equipment items must respect the relevant branding rules as provided for in chapter D.2.3;</p> <p>Contractual advances in accordance with normal commercial law</p>

	<p>and practice, stipulated in a contract between the beneficiary and the supplier, supported by receipted invoices (e.g. advance payment for the purchase of a machinery being part of a small scale infrastructure and construction works) are eligible but only if by the time of submission of documents to the FLC, confirmation that the equipment has been properly and timely delivered is available.</p> <p>Thematic equipment forming part of a small scale infrastructure and construction works realised within the project shall be reported under the “equipment” budget line when it cannot be categorised under the “small scale infrastructure and construction works” budget line, i.e. it does not belong to the items listed in Annex II of the Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014. For further details please see chapter C.2.6.</p> <p>Equipment cannot be purchased, rented or leased from another partner within the project.</p>
	<p>Documents for the audit trail - the following documents must be provided to the controller</p> <p>Evidence of the selection procedure, in line with EU, national or Programme procurement rules, depending on the amount contracted and the type of beneficiary¹²;</p> <p>Invoice (or a supporting document having equivalent probative value to invoices, in case of depreciation) providing all relevant information carried out in line with the contents of the contract, the applicable national accountancy rules and internal accountancy policies of the beneficiary and, where applicable, bearing references to the project and the Programme. 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> <p>In case of thematic equipment, the contract or written agreement laying down the services and/or supplies to be provided with a clear reference to the project and the Programme.</p> <p>In case of assets subject to depreciation, the following calculation method for depreciation has to be applied:</p> <p>Cost of the item x % of depreciation x timeframe of usage during the project = annual eligible amount.</p>

¹² For further details on public procurement please refer to chapter D.2.1.

	<p>The % of depreciation is extrapolated from the relevant applicable tables to be applied according to National legislation.</p> <p>In case the real usage timeframe or the reporting period is not equal to a solar year, but to days or months, the calculation has to be made on a daily/monthly basis:</p> <p>Annual eligible amount /360 x days of usage = eligible amount</p> <p>Annual eligible amount/12 x months of usage = eligible amount</p> <p>In case of thematic equipment used only partially for project purposes: calculation method showing the share allocated to the project and justification for the share allocated.</p> <p>Proof of existence (pictures, delivery note, etc.).</p> <p>Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement).</p> <p>Accounting records that prove the separate accounting system for the project from the usual activity of the Organisation/Institution.</p>
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Overview of specific differences of eligibility requirements between equipment for general (office) use and thematic equipment		
Categories of equipment	Equipment for general (office) use	Thematic equipment
Definition	<p>Equipment for general (office) use is used for the daily work of the project staff and which is not already included under the “office and administrative expenditure” budget line.</p> <p><u>This type of equipment should be purchased within the first 6 months of the project duration, meaning from the starting date of the Project stated in the AF.</u></p> <p><i>In duly justified cases, purchases of equipment can be prolonged for the next six months of the project implementation and the justification must be clearly provided to the FLC in charge of the controls.</i></p>	<p>Thematic equipment is directly linked to (or forming part of) the project outputs, which will be used by beneficiaries and target groups in line with project objectives. Equipment is here considered as thematic and functional to the implementation of project activities. It can be a tool or a device that remains in use after the completion of the project.</p> <p><u>It is mandatory to associate the budgeted “thematic” equipment to Implementation THEMATIC WPs, providing for a description of the items of equipment planned in the box “Description” of Activities planned within Implementation WPs.</u></p>

	<p><u>For Strategic Projects:</u></p> <p><u>Equipment for office use can be purchased within 6 months from the signature of the Subsidy Contract.</u></p>	<p>For Strategic Projects:</p> <p>If it's not linked to the THEMATIC WPs, the thematic equipment will not be considered as eligible.</p> <p><u>This type of equipment must be purchased in accordance with the project's Gantt of activities and in any case not later than 6 months before the closure of the project.</u></p>
Usage of the equipment for project purposes	The equipment for general (office) use has to be used <u>exclusively</u> for project purposes.	The thematic equipment does not have to be used <u>exclusively</u> for project purposes and it can be <u>partially used</u> for project purposes.
Eligibility of new equipment	<p>Costs for new equipment shall be claimed applying <u>depreciation</u>.</p> <p>In case the depreciation period is shorter than the time lap between the purchase of the equipment for general (office) use and the end of the project the <u>full cost</u> can be eligible.</p> <p>Furthermore, for non-depreciable equipment (e.g. low-value asset) - the <u>full cost</u> of the equipment can be reported.</p>	In case of new thematic equipment exclusively used for project purposes the <u>full cost</u> of new equipment is eligible. If the equipment is only partially used for project purposes it shall be reported <u>pro-rata</u> on the basis of a transparent method set in place by the beneficiary for allocating the share of its use in the project.
Eligibility of equipment already in possession of the beneficiary organisation	Equipment for general (office) use already in possession of the beneficiary organisation is <u>not eligible</u> .	Cost of thematic equipment can be reimbursed as <u>depreciable asset</u> in compliance with national accounting rules and internal accounting policies of the beneficiary.
Eligibility of second hand equipment	Second hand equipment for general (office) use is <u>not eligible</u>	<p>Second hand thematic equipment is eligible provided that the following conditions are met:</p> <ul style="list-style-type: none"> • no assistance has been received for it from the ESI Funds; • its price does not exceed the

		<p>generally accepted price on the market in question;</p> <ul style="list-style-type: none"> the equipment has technical characteristics necessary for the project and complies with applicable norms and standards. <p>If the equipment is only partially used for project purposes it shall be reported <u>pro-rata</u>; if the equipment is exclusively used for project purposes it can be reported applying <u>depreciation</u>.</p>
On-site verifications	<p>On-site verification of equipment for general (office) use is performed by controllers as explained in chapter C.1 In case that equipment items are not checked on-the-spot, controllers shall verify their existence by other means of verification (as e.g. photo documentation).</p>	<p>On site verification of thematic equipment is performed by controllers for all items with a purchase cost equal or above EUR 5.000 VAT excluded. In case of equipment items below such threshold, on-site verifications might be substituted by other means of verification (as e.g. photo documentation).</p>

Labelling of equipment

In line with national/regional provisions, equipment must be registered in special registers.

The equipment shall be properly labeled/plaqued complying with the reference to the Programme. Labeling or plaques and their content shall comply with provisions laid down in the Programme Guidelines for Branding.

In the case of inventoried assets, it shall be reported (with separate labeling) the inventory registration number.

POINTS OF ATTENTION

Costs of equipment are eligible if they have been foreseen within the AF approved by the Programme. Generally, only planned equipment is eligible for funding. Unplanned equipment can be eligible for funding only in exceptional cases and needs to be duly justified in the first available reporting period, with prior check carried out by the JS.

C.5.7 Small scale Infrastructure and construction works

<p>Definition</p>	<p>In line with Article 2(1) of the Directive 2014/24/EU “work” is “the outcome of building or civil engineering works taken as a whole which is sufficient in itself to fulfil an economic or technical function”. Small scale Infrastructure and construction works may either refer to an object (e.g. a building) that will be set up ex-novo or to the adaptation of an already existing infrastructure.</p> <p>List of eligible small scale Infrastructure and construction works expenditures (in line with exhaustive list defined in Annex II of the Directive 2014/24/EU) in Factsheet no. 3</p>
<p>Form of reimbursement</p>	<p>Reimbursed by the Programme on a real cost basis.</p>
<p>Specifications, reporting and audit trail</p>	<p>Eligibility requirements</p> <p>Works must be clearly linked to the project and be essential for its effective implementation;</p> <p>Works have to be duly described in the approved AF in the dedicated section;</p> <p>Full cost for realising small scale infrastructure and construction works within the project is eligible insofar as it is fully justified as part of project’s activities, i.e. no depreciation is necessary;</p> <p>Costs for small scale infrastructure and construction works outside the Programme area are not eligible;</p> <p>Eligibility of costs for works is subject to the respect of EU, national and Programme procurement rules and must comply with the basic principles as described in chapter C.1.5.1.;</p> <p>Costs of small scale infrastructure and construction works are eligible if no other Union or national funds have contributed towards financing of the same expenditure (no double funding is permissible).</p> <p>Furthermore, and depending on the nature of the intervention linked to the works to be carried out, all compulsory requirements set by Community and national legislation on environmental policies, must be fulfilled. Community law incorporates over 200 legal acts in the environmental field. Whilst all the environmental <i>acquis</i> applies to all project expenditure, in the context of the Interreg Italy-Croatia CBC Programme the following directives are of particular relevance:</p> <ul style="list-style-type: none"> • Environmental Impact Assessment or EIA Directive • Strategic Environmental Assessment Directive

- Freedom of Access to Information on the Environment Directive
- Birds and Habitats Directive
- Water Framework Directive
- Waste Framework Directive
- Landfill Directive
- Incineration Directive

Where applicable, works must have been previously authorised by national/regional/local authorities (building permission);

The land and/or buildings where the works will be carried out must be in the ownership of the beneficiary or the beneficiary must have set in place long-term legally binding arrangements in order to fulfil durability (including maintenance) requirements as provided for in chapter E.2;

The purpose and ownership of the infrastructure cannot be changed for at least 5 years after the final payment to the project.

Small scale infrastructure and construction works expenditure cannot refer to items financed by other EU or third party subsidies (as provided for in chapter C.1.2) and must not be already depreciated;

In the case of small scale infrastructure and construction works being part of a larger infrastructure, the part realized by the INTERREG Italy-Croatia Programme project must be clearly and univocally identifiable;

Where applicable, small scale infrastructure and construction works realised by the project must respect the relevant publicity requirements as provided for in chapter C.1.5.3 Branding;

Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the provider, supported by receipted invoices (e.g. advance payment for the company selected for construction works) are eligible but only upon verification that small scale infrastructure and construction works have been properly and timely executed; Invoices for phases of performed construction, properly evidenced with signed reports for contracted oversight engineer are eligible.

The existence of small scale infrastructure and construction works realised by the project and their clear identification to the project must be verified on-the-spot by controllers for each realised item.

The Cross-border impact of small scale infrastructure and construction works must be evident and should be demonstrated.

Documents for the audit trail - the following documents must be provided to the controller

Legal documents specifying the ownership or long-term arrangement for 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;

Evidence of the appropriate selection procedure, in line with EU, national or Programme procurement rules, depending on the nature of the concerned works, the amount contracted and the type of beneficiary;

Infrastructure and construction works shall be compliant with applicable European, National and internal procurement rules, including e.g. feasibility studies, environmental impact assessments, building permissions, etc. The above mentioned authorisations have to be possessed at the moment of the application or at least within 1 month of the closure of the Call.

Contract or written agreement laying down the infrastructure/works/supplies and/or services to be provided with a clear reference to the project and the Programme. For contracts including also a daily/hourly fee, such fee together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented;

Invoice or interim 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 small scale infrastructure and construction works carried out in line with the contents of the 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;

Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement).

Accounting records that prove the separate accounting system for the project from the usual activity of the Organisation/Institution.

Proof of respect of Programme publicity requirements rules (see below) and where relevant, EU and national legislation in terms of environmental impact;

Durability statement, as described in chapter 5.2, signed by the LB/PP (following the final payment to the LB/PP).

POINTS OF ATTENTION

Ownership of infrastructures realised within the project must remain with the concerned beneficiaries either for at least five years following the final payment to the beneficiary or for a different period of time if required by a specific legislation (e.g.: State Aid).

All small scale infrastructure and construction works with costs claimed under this budget line have to comply with Article 71 Common Provisions Regulation (EU) No 1303/2013 on durability. This means that the small scale infrastructure and construction works must be in line with the following requirements up to 5 years after the final payment to the beneficiary:

- Cessation of operation
- Relocation outside the Programme area
- Substantial change (e.g. different use than indicated in the AF)
- Change ownership giving an undue advantage

There will be no exceptions from this rule for different kind of partners. Should the small scale infrastructure and construction works fail to comply with any of those criteria; the unduly paid sums will be recovered in proportion to the period of non fulfilment. In the case of a non-fraudulent bankruptcy of a partner, Article 71 will not be applied.

In order to be eligible, small scale infrastructure and construction works must be the result of cross-border cooperation activities specifically directed at improving the development of the Programme area in line with the additionality principle. The cross-border dimension and added value must be evident.

Small scale infrastructure and construction works will be financed only if crucial for the achievement of the project's outputs and results, and if they are inscribed in one or more implementation work packages described in the AF.

The realisation of small scale infrastructures and works and their clear identification within the project must in any case be verified by controllers with on-site verifications.

Publicity requirements

Where the total public support for a project carrying out infrastructure and/or construction works exceeds EUR 500.000, it is obligatory to establish temporary billboards during their implementation. No later than three months after completion of the infrastructure, projects have to put up a permanent plaque or billboard of significant size on the infrastructure or construction, or (if not possible) at a place nearby, readily visible to the public. In case of several infrastructure or construction measures carried out within one project, billboards or permanent plaques have to be placed on all of them. Where it is not possible to place a billboard or permanent plaque on an infrastructure or construction, other appropriate branding measures have to be taken in order to display the public support. Where the total public support for a project with infrastructure or construction measures does not exceed EUR 500.000, at least one poster (minimum size A3) has to be placed on the infrastructure or construction, or (if not possible) at a place nearby readily visible to the public. The poster has

to include information about the project.

The temporary billboards/permanent plaques have been provided by the Programme in every project specific Communication kit, therefore the partners planning small-scale infrastructures in their budget can download project Temporary Billboard and later permanent plaque, fill out the required information and place it on a visible place.

D. PROJECT PROGRESS

Project reporting is the basis for monitoring the implementation of a project compared to the approved AF. It is also a necessary step for the partnership to receive the reimbursement of the expenses incurred in compliance with approved funding. A timely reporting is an obligation of the LP and the PPs, according to the Subsidy Contract and the Partnership Agreement. The payment of the ERDF can only be requested on the basis of periodic reports submitted to the MA/JS via the Programme management and monitoring system (SIU).

D.1 The Partner Report

The first step in the reporting procedure is the information made available at partner level on the progress made in the delivery of activities and the relevant expenditure. A specific report template called “Partner Report” is made available by the Programme. This is to be filled in by each PP individually. Each PP (including the LP) reports on the progress made in the relevant reporting period compared to what was planned in the AF. Deviations from the AF may be possible if they comply with the Programme rules on project modifications (see Section E) and provided they are duly justified in the relevant sections of the report. Reporting on activities is structured per Work Package; detailed costs are reported in SIU by each PP.

During the reporting period, each PP is recommended to regularly fill in the Partner Report on its activities and expenditure which would allow for an easy tracking of the progress made and reduce bottlenecks in the reporting process.

D.1.1 Submission of expenditure to FLCs

The eligibility of activities and costs is confirmed by the FLC of each partner. The supporting documents needed by the FLC to perform its checks (such as original invoices, proofs of payments, deliverables, etc.) will have to be provided to the FLC separately and individually by each LP/PP.

Specifically, the following supporting documents have to be uploaded in SIU and will be verified there by FLCs:

- Invoices or equivalent probative valued documents (including payslips);
- Proofs of payments;
- Awarding administrative document or equivalent related to subcontracting of suppliers;
- Contract of subcontracted suppliers;

All other supporting documents and proofs of deliverables/outputs will have to be provided via other means to each authorised FLC.

PPs should be aware that expenditure can only be reported to the Programme for reimbursement if its eligibility has been confirmed by the authorised FLC.

The LP as well as its PPs will produce all documents required for the above controls and audit, provide necessary information and give access to their premises, to their accounting books, to supporting documents and to all other documentation related to the project. All the controls must be well documented and the Programme provides standard documents providing guidelines for the controllers during the control work, to ensure the application of the same quality standards and to document the control steps properly. In addition, at national level, Italy and Croatia have set up their own guidelines and requirements, which are available to all beneficiaries.

The following documents have to be issued by the FLC, provided to the PP in original (electronic and, if relevant, paper format) and then submitted by the PP to LP in digital (scanned documents):

- **Certificate of Verified Expenditure (CoVE):** the document certifying the compliance of the expenditure verified by the controller with the principles of eligibility, legality and relevance as listed above. The certificate of expenditure must be signed by the designated controller. A Programme model of CoVE is made available to all beneficiaries;
- **Control checklist:** the document in which the controller gives evidence of the verifications performed. Programme checklists are made available to FLCs;
- **Control report:** the document in which the controller describes the methodology used for the verifications. If applicable, the ineligible expenditure found during the verifications also needs to be described, including the reasons leading to this judgment.

The templates of the Certificate of Verified Expenditure, Control Checklists are developed by the Programme and their use by the FLCs is compulsory.

According to Article 23(4) of the ETC Regulation, each Member State shall ensure that the expenditure of a beneficiary can be verified within a period of **three months** of the submission of the documents by the beneficiary concerned. In order to meet the regulation requirement, FLCs can agree with beneficiaries ad hoc deadlines for the submission of Partner Reports.

In particular as the FLC System in Croatia is centralised, the Ministry of Regional Development and EU funds, in charge of first level controls, set the following deadlines for Croatian beneficiaries:

- Project partners have 10 days to complete and submit the report to the FLC after the closure of the Reporting Period;
- After receiving complete report, the FLC have 60 days for control of documentation and issuing of CoVE;
- After issuing of CoVE, the LP have 20 days to submit the Progress Report.

D.1.2 Retention of control documents

The documents can be kept either as originals or in versions to be in conformity with the original on commonly accepted data carriers. In case of retaining the documents in electronic format, internationally accepted security standards must be met.

Original invoices, accounting documents and supporting documents (e.g. contracts with providers of services or goods, communication material, Partnership Agreements, employment contracts and assignments to the projects, etc.) shall be kept at the respective beneficiary premises.

All supporting documents used to verify the expenditures, shall be stored at the respective beneficiary premises. It is recommended that FLC bodies keep copies of relevant checked documents.

Progress reports, , CoVEs, Control reports and Control checklists shall be stored in the SIU system.

LPs and PPs are obliged to retain for audit purposes all files, documents and data about the project for a period of four years following the project end.

D.1.3 Reporting of verified expenditure to the LP

PPs have to submit their Partner Activity Reports to the LP within the deadlines set in the Partnership Agreement, in coherence with the schedule set in the Subsidy Contract.

To do so, PPs will have to upload PP Activity reports in SIU.

PPs have to report their financial progress in SIU, by inserting each expenditure and linking it to the relevant budget line and activity.

FLCs will enter the SIU and perform their checks and verifications there, certifying expenditure and issuing a CoVe, Control Checklists and a Control report. These documents have to be uploaded in SIU by FLCs.

Certified expenditures of each PP will automatically be summed up by SIU and be displayed in the Progress Report printed version.

PPs are reminded that reporting according to the Programme deadlines is a contractual obligation. In addition, those projects and their partners lagging behind their spending targets risk losing funds if this results in insufficient spending at Programme level (please see paragraph C.4.4 on de-commitment of funds). In exceptional and duly justified cases, if a PP is not be able to include expenditure in its report still this PP is requested to report on the activities delivered within the reporting period.

D.1.4 LP verifications

The LP bears the overall responsibility for ensuring the implementation of the project, which includes ensuring that the expenditure presented by all PPs have been verified by the controllers appointed by the Country where the PP is located according to the specificities of the national First Level Control.

LP also has the responsibility to check that the control documents (i.e. certificate of verified expenditure, control checklists, control report) are correct and complete. Such verification does not imply re-performing the checks

already carried out at partner level considering that the financial control is the responsibility of the Partner State. However, it is still up to the LP, due to its particular role and knowledge of the project as a whole, to gain some assurance by screening the information available to it (partner report and outputs, CoVE, control checklists, control reports). In cases of doubt, the LP has to justify to the partner (and the relevant first level controller) and clarify the matter before the cost item is actually included in the progress report submitted to the JS.

The LP is required to confirm in SIU the project progress report within three months after the end of each reporting period. Project expenditure must therefore be verified within this timeframe. In order to ensure timely confirmation and subsequent submission, the controls at PP and LP levels have to be scheduled carefully in relation to the submission deadlines. In this context, it is important to keep in mind that:

- Expenditure has to be reported regularly. Expenditure has to be incurred and paid until the end of the reporting period. Expenditure referred to a previous reporting period but not yet included in the progress report can also be reported;
- Expenditure has to be reported in SIU by each PP, following the instructions given in the relevant User Manual;
- the PP's controller can only carry out the control after receipt of all the documents from the partners;
- time limits for carrying out the control have to be respected when the documentation is submitted (and limits for potential clarifications);
- the LP can only confirm the progress report after having checked the duly signed control documents from the partners reporting expenditure.
- Given the points above and the complexity of reporting procedures, it is crucial that projects establish a clear timeline for the reporting procedure:
 - after the end of the reporting period: submission of the documents from the PP to the first level controller. In Croatia, the verification is carried out on a first come, first served basis. Hence for those partners, it is obviously most important to submit documents shortly after the end of a reporting period (see point 1.1 above for specific deadlines). All partners should already towards the end of a reporting period have established a timeline with their first level controllers, in order to avoid any bottlenecks;
 - after insertion of the content and financial input by the partners in the SIU system, the LP has sufficient time left to compile the progress report and, in cooperation with the partners, clarify any open points or questions in the reports. As a subsequent step, the LP confirm the progress report in SIU.
- After confirmation the Report is no longer modifiable and shall be verified by the JS.
- JS has one month to perform checks and eventually ask for clarifications to LPs.
- Once the PR is verified by the JS, the LP can officially submit the PR in SIU.
- As a final step, the JS will formally validate the report: this allows the LP to submit the payment request.

D.2 The Progress Report

Projects are requested to report on their activities and expenditure on a regular basis (every 6 months). The overall project report is named “Progress Report” (PR) and covers the reporting periods from 1 January to 30 June and from 1 July to 31 December of each project implementation year. The Progress Reports are due 3 months after the closure of the reporting period. The precise deadlines for submission are fixed in the Subsidy Contract of each project.

For Strategic Projects:

Additional Activity Reports to be provided via email to the MA are required by the LP of Strategic Projects each 3 months. Such Reports will be provided in a format that will be made available by the MA/JS and will contain information about physical progress, advancement of the expenditure and on the status of procedures and tenders necessary for the implementation of the planned activities.

The main information requested in a Progress Report is:

- Highlights of main achievements;
- Level of achievement of the project specific objectives;
- Project main outputs achievement;
- Target groups reached;
- Description of activities per work packages;
- Main deliverables;
- Justification of possible deviations from original plan (where relevant);
- Financial report of the project as a whole, including detailed information per WP and per Partner.
- Proofs of project achievements (deliverables, outputs, communication activities).

The reporting templates are provided by the Programme. Projects (LPs) are provided with access to the relevant module of the SIU system. Technical information on the use of the SIU and its operability are provided in the dedicated technical manuals. The latter will also contain references to the sections where the supporting documents related to the project activities have to be uploaded.

Each FLC must provide as finance-related annexes to the Progress Report the following documents:

- Signed control documents (CoVEs, Control Report and control checklists) issued by FLCs covering the entirety of the amounts claimed by the LP and the PPs in the Progress Report;

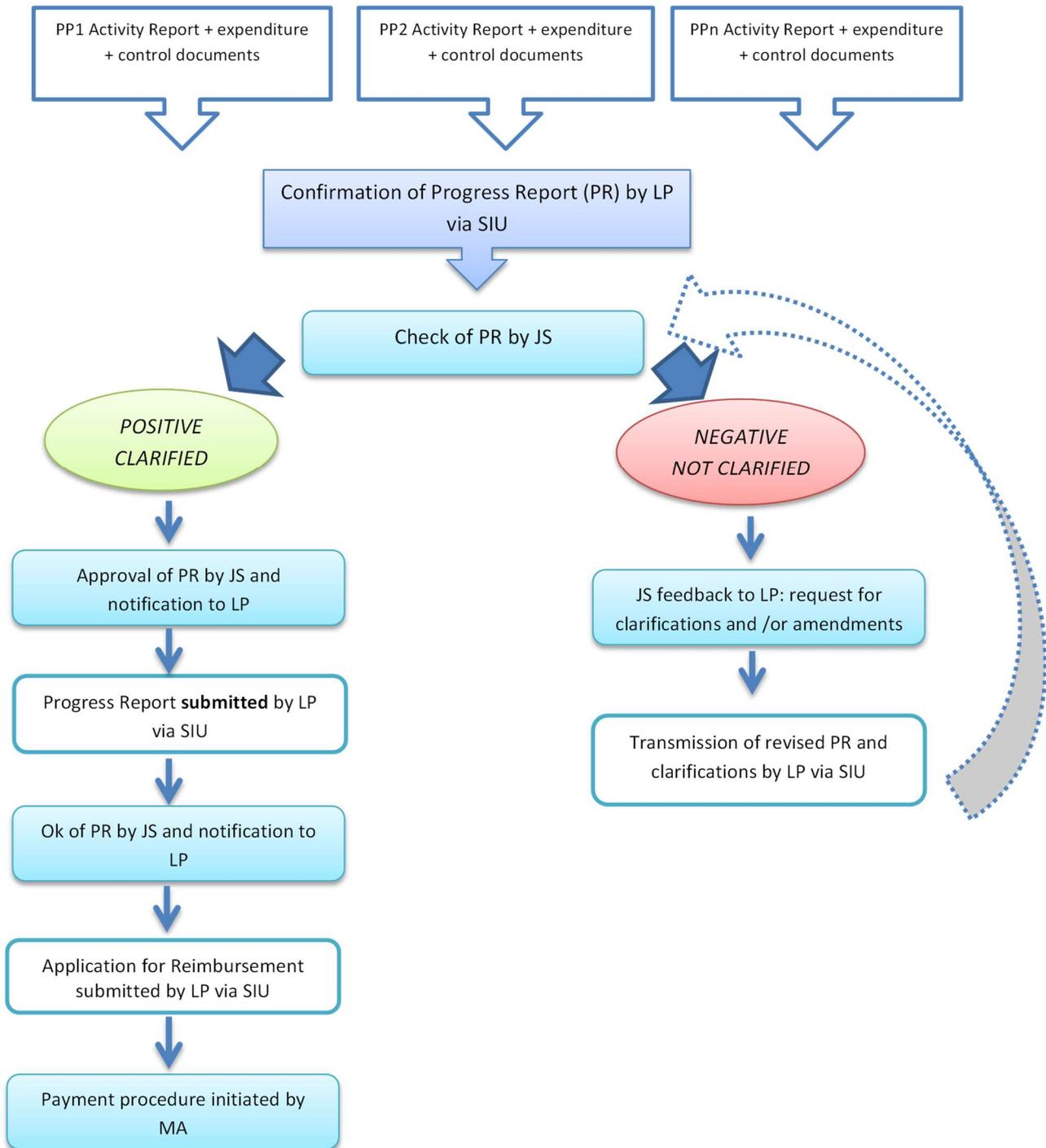
Progress Reports have to be confirmed by the LP in SIU within the deadlines set in the Subsidy Contract and then officially submitted within 30 days from the confirmation deadline.

The only exception to this rule is set concerning the Final Progress Report as described in par. C3.1 above.

Reporting is done through the SIU: the information on activity progress is provided by each PP and then collected by the LP and compiled into the project Progress Report, providing details on the implementation of the overall project. Financial reporting is done by each PP, including the LP; once the PP has concluded the insertion of expenditure, it can enable its FLC that will access the System to verify and certify expenditure.

Incurred expenditure related to previous periods can always be included in the following Progress Report.

Reporting process



D.2.1 Completion of the Progress Report

The LP is responsible for the confirmation and formal submission of the project report to the JS via the SIU system.

The **content related part of the Progress Report** has to be compiled by the LP based on the information provided at partner level. (In the PR there is no section G. For this purpose the communication report has been elaborated by the Communication Unit in order to give more clear evidence on the communication outputs. It could be discussed during the joint JS meeting on how this part may be integrated in SIU by creating additional text spaces, or left to be uploaded by the projects on SIU as word document that was given to the projects during the LP Standard+ seminar. Besides this, the upload of the communication/promotion products and outputs as a proof of communication deliverables and related declared expenditures for each PR should be available on SIU on or other storage space in accordance of internal JS agreement and considering the technical availabilities and current possibilities).

The **financial part of the Progress Report** is filled in based on the expenditure reported in the system by each PP and on FLC certification made by controllers within the system (proved by FLC certificates to be uploaded on SIU).

The LP has to confirm and then submit the Progress Report via the SIU system within the reporting deadlines, as set in the Subsidy Contract. Even for those exceptional cases where partner(s) may not be in a position to report expenditure (e.g. if no FLC certificates are available) a project report has still to be submitted in accordance with the reporting schedule.

D.2.2 Check of project reports

Once the PR is confirmed in SIU, the JS checks it (activities, finance, and communication). If information is missing or is unclear, the JS asks for clarifications, for the revision of the project report and/or the submission of missing documents (where applicable). The LP will have a certain number of working days (depending on JS requests) to provide the JS with the requested information or documents. A project report cannot be approved until all points of clarifications are solved. Once the project report meets the Programme requirements, the JS informs the LP that the project report is accepted. The entire process of the clarification procedure shall last 30 days excluding those days needed for the revisions.

D.3 Monitoring of progress report and reimbursement of funds

The payment scheme applied by the Programme is based on the principle of reimbursement, according to which each beneficiary must fully pre-finance its project expenditure, exception made for the advance payment which can be requested after the signature of the Subsidy Contract and is then deducted at each reporting period (see par. B.2.3).

D.3.1 The reimbursement of funds to the LP

After the approval of the Progress Report by the JS, the LP has to submit, via the SIU System, an Application for Reimbursement in which it confirms, among others, that expenditure reported in the Progress Report has been incurred by itself and by its PPs for the purpose of implementing the project and that it corresponds to the activities laid down in the latest version of the approved Application Form.

Once the MA has performed the necessary formal checks on the Application for Reimbursement, the payment procedure is launched and the MA transfers due funds to the bank account of the LP.

The MA transfers the ERDF to all LPs.

Moreover, only for Italian PPs that have the status of public bodies or of bodies governed by public law, the Italian National co-financing (*Fondo di Rotazione*) contribution is also transferred by the MA in the following way:

- in case of Italian LP: the amount of the due Italian National co-financing contribution is transferred to the LP.
- in case of Croatian LP: the amount of the due Italian National co-financing contribution is transferred to the concerned Italian PPs.

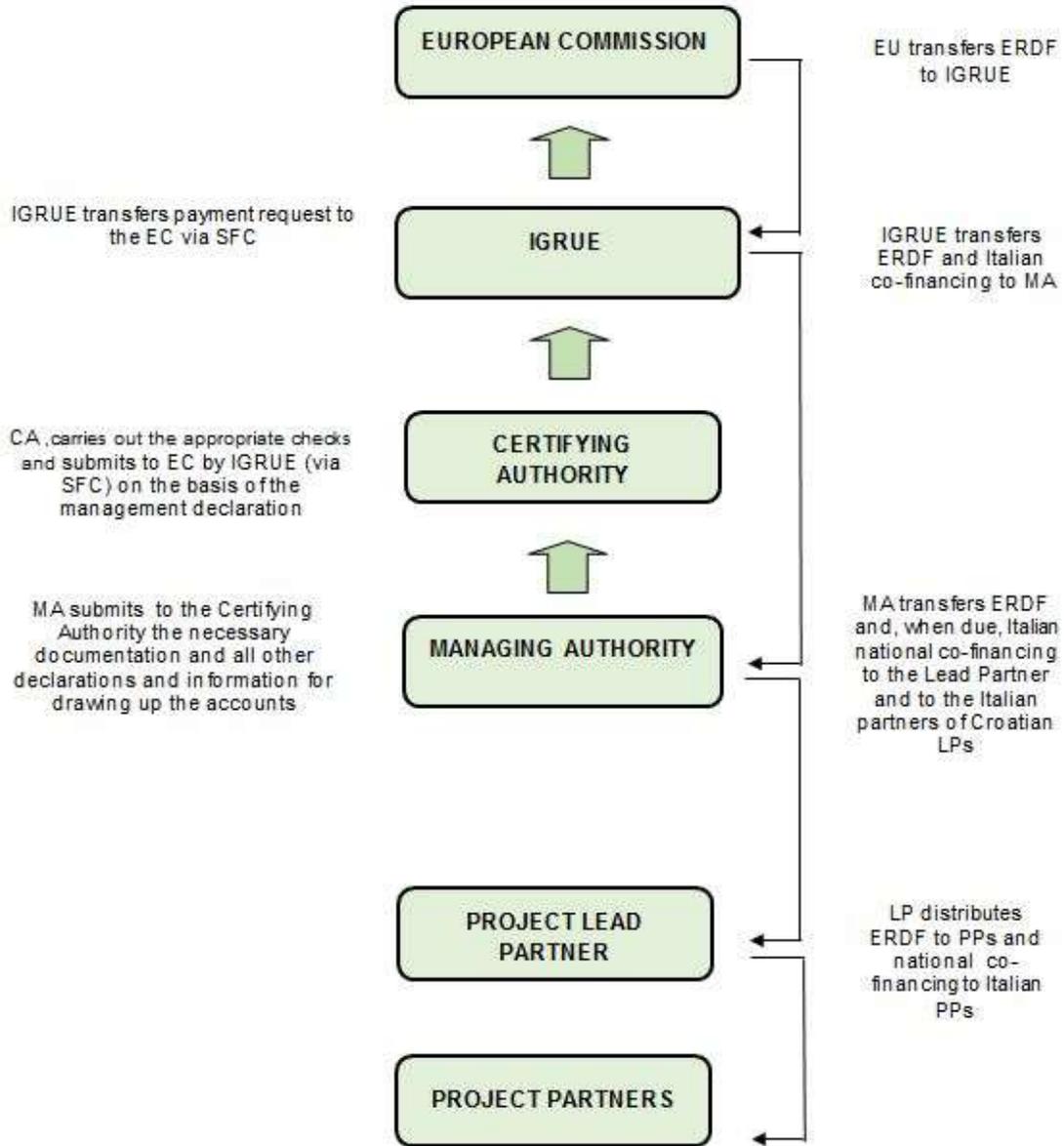
The disbursement of funds by the MA takes place as soon as possible and at the latest within 90 days from the date of submission of the Application for Reimbursement following the completion of the monitoring performed by the JS. This payment deadline may be interrupted by the MA if an investigation has been initiated by national, Programme or European institutions in relation to a possible irregularity. In such cases the LP is informed in writing of the interruption and the reasons for it.

As stipulated in the Subsidy Contract, the disbursement of funds to the LP is subject to the condition that the European Commission makes the necessary funds available. Should no funds be available, the LP will be duly notified and – if possible - a provisional date for the expected payment will be announced.

After receipt of funds from the MA, the LP is obliged to transfer in time and in full the share of ERDF which corresponds to each PP, including the national co-financing (*Fondo di Rotazione*) for the Italian PPs entitled to it. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied, which would reduce that amount for the PPs.

The overview of the financial flows between the project, the Programme and the European Commission is presented in the flowchart below:

Programme financial flow

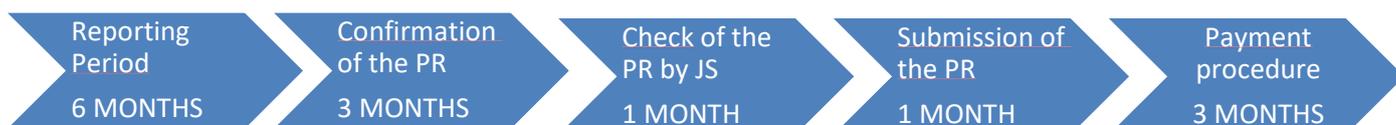


Note: green arrows show reporting and black arrows show financial flow

D.3.2 Timeframe of reimbursement of funds

The LP and its PPs have to consider the timeframe of the reimbursement of funds when preparing the time plan of their project activities.

The following flowchart presents the procedures described in the previous sections with the indicative timeframes:

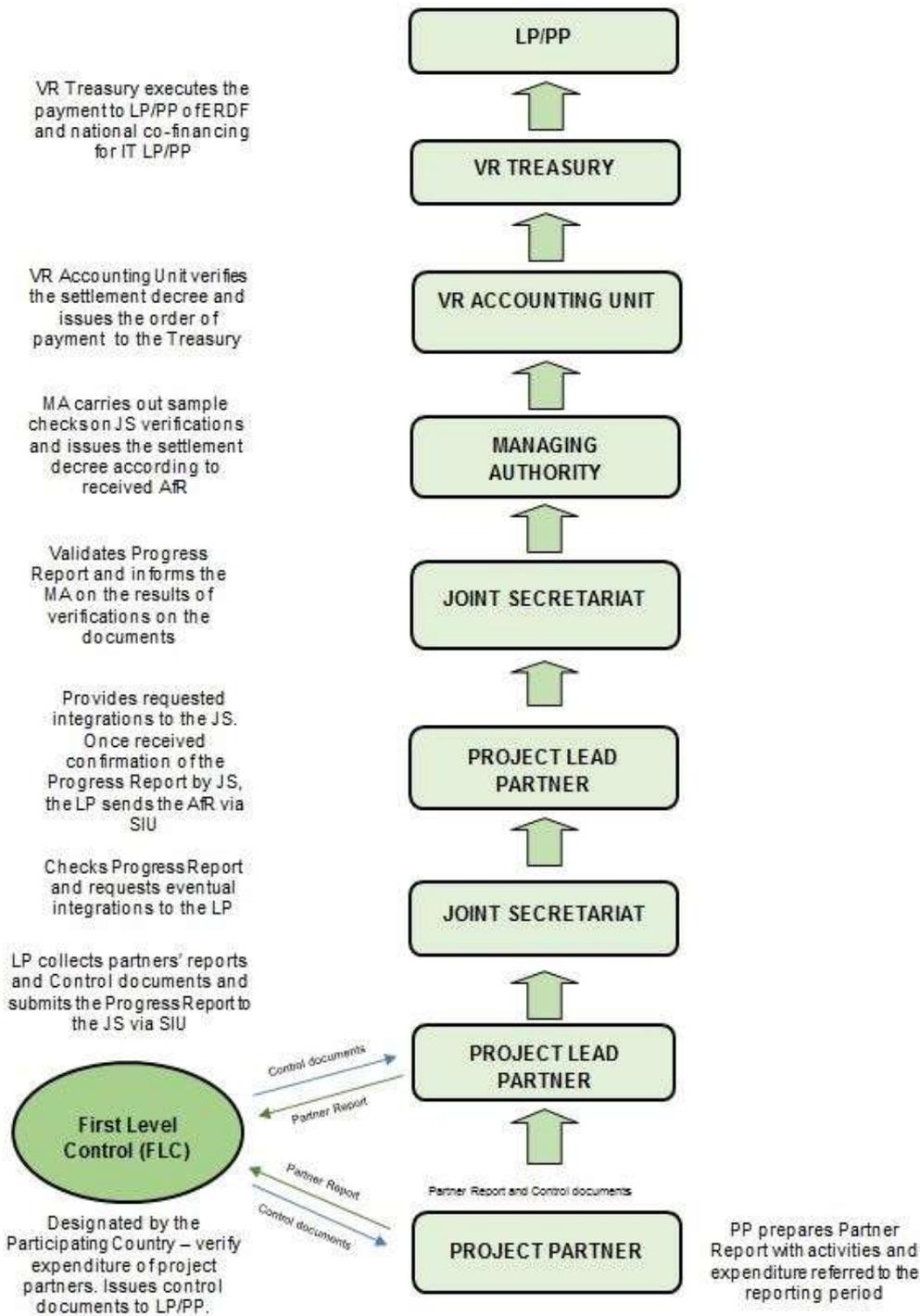


The JS needs in general 30 days for the verification of the PR at the time of the confirmation in SIU. In case the content part or the financial part of the PR is requested to be integrated, additional days for checking the completed PR by the JS should be calculated.

After approval of the PR and after the LP has submit the AfR via the SIU system, the CA and the MA initiate the transfer of the contributions from the EU Funds to the LP.

The complete process of reporting and reimbursement of funds is described in the flowchart below:

Application for Reimbursement (AfR) processing and payments



C.3.3 Withdrawal or recovery of unduly paid-out funds

As specified in the Subsidy Contract, in case the MA or CA discover (e.g. during the day-to-day management or during on-site checks) any unduly paid out funds (e.g. due to administrative errors or irregularities, a breach of contract or infringement of the legal provisions as laid out in the Subsidy Contract), or in case the MA is notified of such cases, the MA or CA shall, if necessary in consultation with the respective Member State concerned and by informing the MC, demand from the LP repayment of the subsidy in whole or in part.

The amount to be repaid can be withdrawn from the next payment to the LP or, where applicable, remaining payments can be suspended. In case of closed projects, the LP is obliged to transfer the unduly paid-out funds to the MA.

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

If the irregularity lies under the responsibility of a PP, the LP shall ensure that, if applicable, the concerned PP repays the LP any amounts unduly paid, as provided for in the partnership agreement. If the LP does not succeed in securing repayment from the concerned PP, the MA and the CA will inform the MC and act in accordance with Art. 122 of Regulation 1303/2013 and with Commission Delegated Regulations 1970/2015.

If the MA does not succeed in securing repayment from the LP, the concerned Member State on whose territory the partner concerned is located (or, in the case of an EGTC, is registered) shall reimburse the CA the amount unduly paid to that partner. Therefore the concerned Member State shall be entitled to claim the unduly paid funds from the partner concerned.

Any delay in effecting repayment shall give rise to interest on account of late payment, starting on the due date and ending on the date of actual payment. The rate of the late interest applied to the amount to be recovered will be calculated in accordance with Art. 147 of Regulation (EC) N. 1303/2013

D.3.4 De-commitment of the project

In case the Programme is affected by de-commitment of ERDF, or in case the financial performance of a project is affected by serious delays, based on the decision of the MC the MA is entitled to de-commit the project by reducing the original project budget and the corresponding ERDF contribution.

Based on the fact that the payments by the European Commission to the MA/CA will only be made in accordance with the corresponding budget commitments, the LP must report on the expenditure as foreseen in the financial forecast of the AF for each reporting period.

In case the LP requests fewer funds on behalf of the Partnership than the budget commitments indicated in the financial forecast of the AF per each reporting period, the following rule shall apply: if less than 80% of the spending target (ERDF contribution tranches to be requested per reporting period as indicated in the financial forecast of the AF) is met, the difference is to be considered as "under risk" and the MA is entitled to de-commit the project contribution.

In case of MC decision on the de-commitment of the project, the adapted AF and the corresponding budget must be submitted by the LP within 15 days. The rest of the project change and Subsidy Contract amendment procedure follow the general procedure described in section B.2.2.

E. PROJECT MODIFICATIONS

E.1 General principles (types of project modifications)

All projects are implemented in accordance to the approved AF (AF); however, during its implementation, a project might face the need to modify the AF in order to adapt it to the actual developments. Depending on their focus the following types of modifications may occur:

- Modifications of the **partnership**;
- **Budget** modifications;
- Modifications of the **work plan**.

In exceptional and well justified cases, also an extension of the project **duration** may occur.

Depending on the impact on the project, minor and major project modifications should be distinguished. While minor modifications can be implemented within a certain flexibility range, as presented in the next chapter, major modifications require prior approval by the MC. Please check paragraph E.5 for a summary of possible project changes and related procedures.

Any non-authorized major modification going beyond the flexibility limits as defined by the Programme lacks legal value and is therefore void. Consequently, expenditure linked to this kind of modification becomes ineligible.

The following project changes can be requested only once:

- budget reallocation among work packages and budget lines above the following flexibility limit:
 - 20 % for Standard+ and Standard projects
 - 10% for Strategic projects;
- prolongation of the project duration.

The last request for modification of the Subsidy Contract can be submitted to the JS **not later than three months before the end date** of the project.

E.2 Minor modifications

Minor modifications are adjustments of the project which do not have a significant impact on the project budget, activities, objectives and/or results and do not require prior approval by the MC. They may concern administrative/management issues as well as work plan and budget adjustments within the flexibility limits allowed by the Programme.

Minor modifications have to be reported as “deviations” to the MA/JS within the Progress Reports. A justification of minor modifications compared to the approved AF, an explanation on their consequence on the project’s

implementation and, if applicable, the solution agreed within the partnership on how to tackle them should be included as well. LP shall always authorize – and JS notified by LP – in advance about any PP submitting for validation to FLC costs whose amount are going beyond the approved AF. PP should offer proof of this communication to their FLC.

It is important that the LP keeps an accurate and updated status of the project Implementation, in order to timely identify the need for a project modification. It is strongly recommended to seek advice and guidance from the JS as soon as the risk of a deviation is identified by the LP. The JS will help in clarifying whether the needed modifications are minor or not.

Minor modifications are limited to the following:

- Budget flexibility;
- Minor adaptation of the work plan;
- Other minor changes (e.g. administrative elements).

E.2.1 Budget flexibility

Although the budget from the approved AF should be as precise as possible, when implementing the project the LP might need to adapt the budget to the actual project implementation developments. The Programme Budget flexibility rules are defined in the table below and they refer only to reallocations among work packages or budget lines separately but cannot be connected to any major change of the partnership, or the content of the project.

Modification ¹³	Required action	Restriction
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¹³ As mentioned in chapter B.3.3, it is a responsibility of the LP to monitor project expenditure in order to ensure the respect of the budget flexibility thresholds. Consequently, any expenditure carried out at PP level exceeding the overall budget availability of the respective PP as well as the allocation per budget line and work package should be authorised by the LP

<p>Increase of budget by up to (included):</p> <ul style="list-style-type: none"> • 20% for Standard+ and Standard projects • 10% for Strategic projects <p>compared to the latest version of the approved AF in the following two cases:</p> <p>a. Increase of budget in any budget line</p> <p>b. Increase of budget in any work package, with exception of WPO "Preparation costs"</p>	<p>- report the modification as "deviation" in the progress report (PP shall proof their FLC that any financial deviation – above the approved AF – is authorized by providing the FLC with the LP confirmation on the proposed change)</p> <p>- report verified expenditure remaining within the flexibility limit in the progress report</p>	<p>- The overall ERDF contribution to the project cannot be increased</p> <p>- The nature, quantity and use of small scale infrastructures cannot be changed</p> <p>-State aid contractual conditions setting thresholds to the budget granted to beneficiaries may limit the application of the budget flexibility rule¹⁴</p> <p>- Preparation costs are excluded from the flexibility rule</p>
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If flexibility thresholds allowed by the Programme are exceeded at Project level, the SIU system will issue an error notification in the progress report and will impede its submission.

Examples of budget changes

BL / WP	AF Original budget	New budget	Increase (tot.)	Increase (%)	Application of 20% Flexibility rule (Y/N)	Allowed without MC Approval (Y/N)
BL Travel and accommodation	50.000,00€	80.000,00€	30.000,00€	60%	No	No
BL External expertise and services	200.000,00€	220.000,00€	20.000,00€	10%	Yes	Yes
WP1 Management	300.000,00€	350.000,00€	50.000,00€	17%	Yes	Yes
WP3 Implementation	320.000,00€	400.000,00€	80.000,00€	25%	No	No

¹⁴ For more information on State aid assessment performed by the Programme and linked contractual conditions please see chapter C.1.5.2.

Unless there is a prior approval of a relevant major budget modification from the MC, all expenditures that are reported above the flexibility limits (in the amount above the flexibility limits) will automatically be declared as ineligible by the First Level Controller.

E.2.2 Minor adaptation of the work plan

The LP should timely and in advance inform the JS by email on any upcoming work plan modification. Based on this information the JS will either confirm whether it is a minor modification or inform the LP on the need to request a major modification. Details on possible elements to be considered as work plan adjustments are provided in the table below.

Work plan adjustments

Modification	Required action	Restriction
<p>Minor adaptation of the timeline of activities, deliverables or outputs</p> <p>Modification of the format of activities or deliverables (e.g. postponement or change of location of a planned workshop, merging of deliverables, adjustment of scope of deliverables etc.)</p>	<ul style="list-style-type: none"> - Inform the JS in advance by email - Report the modification as “deviation” in the respective work package of the progress report and providing the necessary justification 	<ul style="list-style-type: none"> - The modification must not affect the project intervention logic (i.e. project overall and specific objectives and results as well as project outputs) or the overall CB cooperation approach - The modification must not change the nature, quantity and use of the planned outputs and investments (thematic equipment and/or infrastructure and works) - No modification of the target values of indicators is allowed - Modifications of activities considered as State aid relevant, for which contractual conditions apply, must be authorized by the MC even if minor
Change of work package responsible partner	Report the modification as “deviation” in the respective work package of the progress report	N/A

E.2.3 Other minor changes (e.g. administrative elements)

The LP should inform the MA/JS within the relevant Progress Report on the changes of administrative information occurred. The JS will then analyse the modification and, if applicable, the respective section in the SIU system shall be updated (i.e. administrative info and relevant annexes). The updating of Legal Representative (LR) and Person in Charge of Signature (PiCoS) must be done within the PR where the change takes place. Details on the modification of administrative elements are provided in the table below.

Modification ¹⁵	Required action
Change of contact data of LP/PPs	- To update the “LP data” or “partners” section of the AF in the SIU system
Change of legal representative of LP/PPs	
Change of LP/PPs name with no impact on its legal status ¹⁶	- To upload the relevant supporting document in SIU system (e.g. official letter communicating the change)
Change of contact data of the project, finance or communication manager	
Change of bank account of the LP	

E.3 Major modifications

A “major modification” is any deviation from the latest version of the approved AF going beyond the flexibility limits applicable to “minor modifications”. Any major modification must be previously approved by the MC. Major modifications concern the following changes:

- Modification of budget (reallocation above the flexibility rules as presented in chapter E.2.1 and reallocations between PPs);
- Changes in the content of the project (including additional or reduced project activities, deliverables and outputs), main characteristics of planned outputs and investments, project objectives and results (going beyond a mere adjustment of the work plan as presented in chapter E.2.2);
- Changes in the partnership (e.g. withdrawal, replacement of a partner);
- Prolongation of the project duration

The request process for major modifications

¹⁵ It is to be noted that any modification of administrative elements linked to (or affecting the) structure and/or legal status of the beneficiary institution is to be regarded as a major modification and it has to be managed following provisions included in chapter D.3.

¹⁶ E.g. it is not a legal succession.

Major modifications are to be considered as an exception and they may be approved only in duly justified cases. Partnerships should be aware that a major modification is a complex process and that the procedure can only be launched under these conditions:

1. After the first half of project duration, with the exception of a request for modification of partnership.
2. Before the project end date. However, in order to ensure proper planning and implementation of activities in the final phase of the project, it is requested to submit any major modification request at least 3 months prior to the project end date.

After preliminarily informing the JS about the needed project modification, the LP has to fill in a “project modification request form” and submit it to the Programme¹⁷. In this form the LP has to briefly describe the requested modification and provide a clear justification for it. The JS will provide support to the LP during this process.

After the modification request submission, the JS screens the provided information and gives initial feedback to the LP. If the outcome of this preliminary screening is positive, the JS grants the possibility to the LP to revise the relevant parts of the AF (partnership, work plan, or budget) in SIU system. In addition, the LP has to provide a detailed reasoning including the cause and effects of the requested modification.

In case the requested modifications require additional supporting documents (e.g. LP or partner declarations, withdrawal letters etc. as indicated below for the respective type of modification), they have to be uploaded to the SIU system as annexes of the revised AF.

ATTENTION

LPs shall always inform the JS as soon as they become aware that a major modification might be needed. The JS will then support and guide the LP through the modification process.

The JS analyses the revisions done in the AF and the relevant explanations. If the submitted revisions of the AF and the related explanatory information are not sufficient, the LP will be asked to provide further clarifications and/or amendments of the AF. Based on the final submission of the revised AF together with the modification request signed by the LP legal representative, the JS gives a technical opinion on the requested modification. The JS technical opinion will support the MC in deciding on the requested modifications.

The LP will be notified by the MA on the decision taken by the MC after which the modification enters into force. Only in case of a partner change, an approval of such modification could be required on a retroactive basis. For all other types of modifications a retroactive approval is considered exceptional.

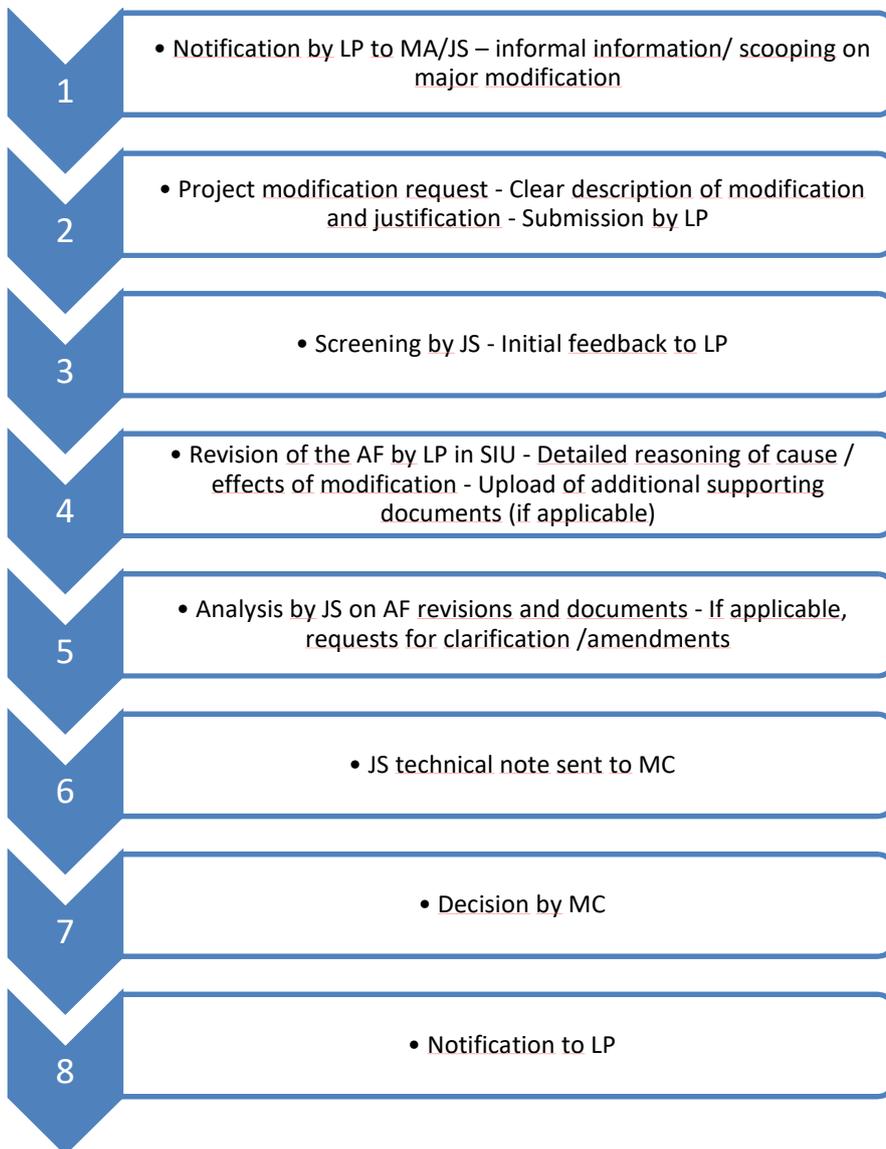
In case of rejection by the MC, the same modification cannot be requested again.

A project modification might result in a revision of the Subsidy Contract and/or the Partnership Agreement in order to enter into force (e.g. in case of modifications in the partnership). In any case, it is the LPs obligation to inform the partnership on the approval of the modification request and of the consequent entry into force of the revised AF.

¹⁷ The template of the project modification request form can be downloaded from www.italy-croatia.eu

The procedure for a major project modification is illustrated in the chart below:

Figure 8 – Overview of the procedure for project major modifications



E.3.1 Modification of budget

Major budget modifications occur if the needed budget reallocation exceeds the level of flexibility presented in chapter E.2.1. For such modification an approval by the MC is required. It is strongly recommended to collect all the needs for modification and submit them all together as only one major budget modification is allowed in the project lifetime.

Financial implications of a partnership modification are not considered as budget modification (e.g. reallocation of tasks and budget within the partnership), but rather as a consequence of the partner modification.

When requesting a budget modification, supplementary documents have to be enclosed to the signed modification request, as listed in the following table.

Modifications of budget

Modification	Supplementary documents
Increase of budget above 20 % for Standard+ and Standard projects or above 10% for Strategic projects compared to the latest version of the approved AF in the following two cases: a. Increase of budget in any budget line b. Increase of budget in any work package	None
Reallocation of budget among PPs and LP	Updated partner declaration of partner(s) having a higher ERDF allocation Acknowledgement of partner(s) with reduced ERDF budget

It is to be noted that following the approval of a major budget modification, the new budget can still benefit from the budget flexibility rules (as described in chapter E.2.1) in order to perform minor modifications.

E.3.2 Changes in the content of the project (activities/deliverables/outputs)

If there is a need to modify project activities going beyond a mere adjustment of the work plan (as presented in chapter D.2.2), a formal and exhaustive request for change has to be formally approved by the MC. This type of major modifications may be:

- Modification of project approach having an impact on project objectives and results;
- Modification of activities, deliverables, outputs and/or their characteristics including output indicator targets;

Modifications of outputs might also lead to a revision of the indicator targets as set in the approved AF.

Any modification of activities considered as State aid relevant within the project selection procedure needs to be previously approved by the MC. Furthermore, modifications of activities may affect the State aid relevance of a project, which was initially considered as not State aid relevant. All these cases may result in specific contractual conditions applicable to the concerned partners.

Requests for modifications of activities/deliverables/outputs shall be submitted at the latest one month before the activities are to take place according to the work plan. A retroactive approval may be granted only in exceptional and duly justified cases. It is to be reminded that major activity, deliverable or output modifications (as well as any other major modification) can only be requested after the half of the project duration.

E.3.3 Changes in the partnership

The partnership is a core element of a project and changes to its composition should therefore be limited as much as possible. Therefore, it is crucial that the partnership explores all solutions in order to avoid partners changes. All changes in the Partnership require the submission of a request for change describing the new allocation of responsibilities and budget. In case of approval of the request, modification of the the AF and of Subsidy Contract is required.

It is important to remark that the Programme has set minimum requirements for the composition and number of PPs (see Call announcement). Projects should be aware that if the minimum number of partners is no longer ensured, the MA is entitled to withdraw the entire project.

In cases of institutional changes where according to national law in force the legal personality does not change and/or in any case all assets of the LP or a PP are taken over so that a deterioration of the financial capacity of the acquiring institution is not to be expected (i.e. in cases of universal succession), prior consent by the MC is not necessary. The LP, however, must submit in due time related information to the MA/JS together with all documents that are necessary to analyze the legal case. If the MA/JS comes to the conclusion that the conditions as stated above are not fulfilled (e.g. in cases of a singular succession), the LP will be informed that a partnership modification procedure has to be initiated.

In case a PP withdraws from the project, the remaining partners should undertake all possible measures to find a rapid and efficient solution to ensure the further proper implementation of the project. They should ensure that the responsibilities and project tasks of this partner are taken over by a new partner or are reallocated within the existing partnership.

1. The withdrawing partner is replaced by a new incoming organization

In case a partner withdraws from a project, the replacing organization must have the necessary experience and technical, organizational and financial capability to properly participate in the project. The replacing partner shall comply with all partner criteria used for assessing the original partnership (see Factsheet 5).

During the modification process, relevant national authorities of the Member State where the new partner is located can be asked to support the JS in performing a check on the legal status/eligibility of the new partner.

In case the withdrawing partner has not yet started the implementation of its activities, tasks and the related budget can be fully taken over by the new partner. If the withdrawing partner has already partially carried out the planned activities and cannot continue in the project, only the remaining tasks and budget may be taken over by the new partner.

It is to be highlighted that funds of the withdrawing partner become available for the new partner only after replacement approval by the MC and signing of the Addendum of the Subsidy Contract. The expenditures related to the activities and outputs of the new partner can be eligible from the day of the new Partner entry, based on the

Partner declaration, signed by the new partner and the LP and also indicated in the related Addendum of the Subsidy Contract.

2. The withdrawing partner is replaced within the existing partnership

One or more of the existing partners can decide to partly or fully take over the role and activities of the withdrawing partner and no new institution/body is joining the partnership. As a consequence, the budget may be partly reallocated among the partners taking over tasks of the withdrawing partner.

3. No replacement

The LP in accordance with the partnership can decide that no other body (either from outside or within the partnership) is taking over the implementation of activities of the withdrawing partner. In this case a revised AF has to be provided with the exclusion of the activities in the work plan referring to the withdrawing partner and the respective budget. However this option is only possible if the concerned activities and the role of the withdrawing partner are not crucial for the project implementation and their exclusion do not have an impact on reaching the project results as planned in the AF initially approved for funding.

4. Combined replacement

A combination of the above three types of partnership modifications is possible, e.g. only part of the activities are taken over by a newly incoming PP and other activities (and related budget) are either excluded or distributed within the partnership.

Obligations deriving from the Subsidy Contract and the Partnership Agreement in terms of audits, retention of supporting documents and durability of outputs remain applicable to the withdrawing beneficiary institution even if only part of the originally foreseen budget was spent.

In the framework of a request for partnership modification, supplementary documents have to be enclosed to the signed modification request. These are listed in the following table.

Modifications of partnership

Modification	Supplementary documents
Partner withdrawal with replacement by new partner	<ul style="list-style-type: none"> - Withdrawal letter of the concerned partner - In case of a withdrawing partner that already received funds: a declaration concerning the observation of obligations deriving from the Subsidy Contract and Partnership Agreement - Partner declaration of the incoming partner
Partner withdrawal with replacement by existing partner(s)	<ul style="list-style-type: none"> - Withdrawal letter of the concerned partner - In case of a withdrawing partner that already received funds: a declaration concerning the

	<p>observation of obligations deriving from the Subsidy Contract and Partnership Agreement</p> <ul style="list-style-type: none"> - Updated partner declaration of partner(s) taking over activities and budget of the withdrawing partner
Partner withdrawal without any replacement	<ul style="list-style-type: none"> - Withdrawal letter of the concerned partner - In case of a withdrawing partner that already received funds: a declaration concerning the observation of obligations deriving from the Subsidy Contract and Partnership Agreement
Structural or legal status change of partner institution (e.g. legal succession)	<ul style="list-style-type: none"> - Official document stating the structural/legal change of institution - In case of already received funds, a declaration from the changed partner institution concerning the observation of obligations also related to the previous partner institution deriving from the Subsidy Contract and Partnership Agreement - Updated partner declaration

In case of replacement of a withdrawing partner, additional information might be requested for assessing the State aid compliance of the institution taking over activities of the withdrawing partner. This may result in specific State aid contractual conditions applicable to the new incoming partner (or the partner within the partnership taking over the activities of the withdrawing partner)¹⁸.

E.3.4 Prolongation of the project duration

Projects should put their efforts in completing their activities successfully and within the time set in the AF. LP and PPs shall put in place all the necessary measures to identify and tackle possible delays at an earliest stage. In case of difficulties leading to a possible delay, projects are also requested to inform the JS (e.g. through the project reports, direct contact with the JS).

In exceptional and well justified cases partnerships can request a modification of the project duration, which then needs to be approved by the MC.

The prolongation of the project duration means an extension of the eligibility time and, if relevant, the revision of the spending forecast.

Some limitations apply:

¹⁸ For more information on State aid assessment performed by the Programme and linked contractual conditions please see chapter C.1.5.2.

- The extension of the project duration cannot exceed 6 months;
- The maximum duration of a project, including extensions, cannot be longer than 36 months for “Standard” and “Strategic” projects and 21 months for “Standard+” projects;
- In any case, the latest end date for a project is 31 December 2022 and no extension of duration beyond this date shall be granted.

A request for prolongation can be submitted only in the second half of the project lifetime. In order to ensure a proper planning and implementation of activities in the final phase of the project, it is strongly recommended to timely identify any potential need for prolongation and to submit the respective request for extension of project duration at least 3 months prior to the original project end date.

Any extension request submitted after the end of the project implementation period will be rejected.

E.4. Revision of the spending forecast

As far as the spending forecasts are concerned, no requests for change are admitted. LP shall report the incurred expenditure as foreseen in the financial plan of the AF for each reporting period.

In case the LP requests fewer funds on behalf of the Partnership than the budget commitments indicated in the financial plan of the AF, the following rule shall apply: if less than 80% of the spending target (ERDF contribution tranches to be requested per reporting period as indicated in the financial plan of the AF) is met, the difference is to be considered as "under risk" and the MA is entitled to de-commit the project contribution.

E.5. Summary table of types of project modifications and additional documents required

Category	Modification	Minor Change	Major change	Additional documents requested
Budget	Increase of budget by up to 20 % included compared to the latest version of the approved AF in the following two cases: a. Increase of budget in any budget line b. Increase of budget in any work package	X		X
	Increase of budget above 20% compared to the latest version of the approved AF in the following two cases: a. Increase of budget in any budget line b. Increase of budget in any work package		X	
	Reallocation of budget among PPs and LP		X	X
	If applicable, budget reductions following the mid-term project review or Programme de-commitment		X	
Work plan	Minor adaptation of the timeline of activities, deliverables or outputs Modification of the format of activities or deliverables (e.g. postponement or change of location of a planned workshop, merging of deliverables, adjustment of scope of deliverables etc.)	X		

	Change of work package responsible partner	X		
Administrative adjustment	Change of contact data of LP/PPs	X		
	Change of legal representative of LP/PPs	X		
	Change of LP/PPs name with no impact on its legal status	X		
	Change of contact data of the project, finance or communication manager	X		
Partnership	Partner withdrawal with replacement by existing partner(s)		X	X
	Partner withdrawal with replacement by new partner(s)		X	X
	Partner withdrawal without any replacement		X	X
	Structural or legal status change of partner institution (e.g. legal succession)		X	X
Duration	Prolongation of project duration		X	X

F. MANAGEMENT AND MONITORING SYSTEM (SIU)

The Management and Monitoring System (SIU) was developed according to the obligation set forth in art. 122(3) of CPR and further specified in the Commission Implementing Regulation 1011/2014, that exchanges of information between beneficiaries and the MA, CA and AA shall be carried out by means of electronic data exchange system. The exchange of documents and data includes reporting on progress, payment claims and exchange of information related to management verifications and audits.

The INTERREG V A Italy-Croatia CBC Programme 2014-2020 agreed to use of the SIU, a web-based system already developed by the Veneto Region to support the implementation of other ESI funded-Programmes. The SIU was thus customised to make it suitable to the needs of a CBC Programme. SIU has been designed to manage all the interactions via electronic data exchange for the entire Programme cycle, starting from the drafting and submission of the applications, to their assessment, the financial management and control and also the monitoring requirements. It should be able to ensure all electronic interactions between beneficiaries and MA/CA/AA along all the Programme duration.

Once registered into the system, beneficiaries will use the SIU to perform the following actions:

- Application: function dedicated to the submission of project proposals to answer a call for applications;
- Advanced payment: first economic request submitted by the Lead Applicant during the start-up phase of the project;
- Reimbursement & Progress Report: function aimed to request the payments to reimburse the expenditures occurred during the project implementation and periodically reported;
- Final payment & Final Report: function to request the last reimbursement, performed at the end of the project.

F.1. How to use the SIU

The SIU Management and Monitoring System is a web application which can be accessed with recent versions of most common browsers (e.g.: Chrome, Firefox, and Internet Explorer). SIU access is provided to Lead Applicants to allow them to create, prepare, revise and submit online forms (application and request for change forms, reports and final reports, payment claims).

To access the SIU a preliminary accreditation on GUSI (Information System Users Management) is needed (a dedicated supporting Manual for the registration on GUSI is available). Both links to access the GUSI and the SIU are available on the Italy-Croatia CBC Programme 2014-2020 web site at the following address:

<https://www.italy-croatia.eu/siu-how-to-start->

SIU uses a single browser window to display the pages, as for the usual web navigation. The navigation is divided into three parts (sections): header, menu and main.

The Header section is located at the top of the browser window. It contains the logo of the Programme and it allows the user to exit. Countdown of Session timeout is also displayed on the header indicating the remaining time for the user to fill in the current Session before it expires. In case of users' inactivity of more than 30:00 minutes the Session expires and the user will have to log in again. The user can click the button called "Extend session" to reset the timing countdown.

The Menu section is located under the Header section of the browser window. It contains links to the general functions of the application. The user can select the function clicking on the corresponding title. The content of the section changes in a dynamic way (depending on the active function).

The Main section is located below the Menu section and displays many functions of the application. This section shows the following information: position of the displayed function; title of the displayed function; system messages; data; buttons.

F.2. Help Desk for applicants and beneficiaries

The JS staff provides Help Desk support for applicants and beneficiaries. An email address js.italy-croatia@regione.veneto.it and telephone number +39 041 279 3120 are available to provide information and assistance.

All the general requests about the SIU and GUSI can be sent to the email address IT-HR.SIUsupport@regione.veneto.it or by phone +39 041 279 3120 (from Monday to Thursday 9-17 and Friday 9-14).

For any problem related to IT aspects it is possible to contact the Veneto Region call center by email at the address call.center@regione.veneto.it or by phone +39 800 914 708, that is however only for Italian speaking beneficiaries; for non-Italian speaking users, the same assistance related to IT aspects is provided contacting IT-HR.SIUsupport@regione.veneto.it or by phone +39 041 279 3120.

More information:

SIU User Manual: <https://www.italy-croatia.eu/docs-and-tools-details?id=41709&nAcc=2&file=2>

GUSI Manual: <https://www.italy-croatia.eu/docs-and-tools-details?id=41709&nAcc=1&file=1>

Reference documents

- Regulation (EU) No 1303/2013 (Common Provisions Regulation)
- Regulation (EU) No 1301/2013 (ERDF Regulation)
- Regulation (EU) No 1299/2013 (European Territorial Cooperation Regulation)
- Regulation (EU) No 481/2014 (Eligibility of expenditure for cooperation Programmes)

- Financial Regulation (EU, Euratom) 2018/1046
- Cooperation Programme INTERREG V-A IT-HR - Italy-Croatia (2014TC16RFCB042) and the official documents issued for the 1st Call for proposals on <https://www.italy-croatia.eu/1st-call>
- Programme Factsheets (N. 1, 2, 3, 4, 5, 8)
- Template of Subsidy Contract
- EU Directives on public procurement and National (Italian and Croatian) procurement rules
- Interact expert tools (<http://www.interact-eu.net/library>)
- “Manuale per la rendicontazione ed i controlli in relazione alla spesa dei programmi di Cooperazione Territoriale Europea”, Version 1.1 - December 2016

G. WHERE TO FIND ASSISTANCE

The JS (JS) is based in Venice, with two branch offices one in Zadar and one in Dubrovnik and can be contacted at any time by Lead Partners for any queries related to project implementation.

Contact details of the JS are:

INTERREG V A Italy – Croatia CBC Programme JS - website: <https://www.italy-croatia.eu/home>

c/o Veneto Region, Organisational Unit MA of INTERREG V A Italy – Croatia CBC Programme

Dorsoduro 3494/a – 30123 Venice, Italy

e-mail: JS.Italy-Croatia@regione.veneto.it

c/o JS Branch Office in Zadar

Liburnska obala 6, 23000 Zadar – Croatia

e-mail: js.it-hr.branch-offices@mrrfeu.hr

c/o JS Branch Office in Dubrovnik

Branitelja Dubrovnika 41, 20000 Dubrovnik, Croatia

e-mail: js.it-hr.branch-offices@mrrfeu.hr

H. PROGRAMME OUTPUT INDICATORS

Specific Objective	ID	Output indicator	Explanatory note
1.1	CO01	Productive investment: Number of enterprises receiving support	<p>Number of enterprises receiving support in any form from ERDF (whether the support represents State Aid or not). Support: includes grants, financial support other than grants, non-financial support, support that does not involve direct financial transfer (such as guidance, consultancy, etc.). Venture capital is considered as financial support.</p> <p>Enterprise: Organisation producing products or services to satisfy market needs in order to reach profit. The legal form of enterprise may be various (self-employed persons, partnerships, etc.).</p> <p>This indicator sums up the indicators CO02 and CO04.</p>
	CO02	Productive investment: Number of enterprises receiving grants	Number of enterprises receiving support in forms of non-refundable direct financial support conditional only to completion of project (grants).
	CO04	Productive investment: Number of enterprises receiving non-financial support	Number of enterprises receiving support that does not involve direct financial transfer (guidance, consultancy, enterprise incubators, etc.). Venture capital is considered as financial support.
	CO42	Productive investment: Number of research institutions participating in cross-border,	If a participating organisation has departments operating in different places, the location of the participating department(s) should be taken into account to qualify as cross-border

		transnational or interregional research projects	project.
	CO44	Labour market and Training: Number of participants in joint local employment initiatives and joint training	Joint local employment initiatives are promoting sustainable and quality employment and supporting labour mobility by integrating cross-border labour markets, including cross-border mobility, joint local employment initiatives, information and advisory services and joint training as defined under the art. 7 (a) (i) of the ETC regulation. Participants are those who start in such initiatives.
2.1	2.101	Climate change monitoring systems put in operation	Climate change monitoring refers to a continuous process of examining progress made in planning and implementing climate adaptation. This might also include examining the context and environment within which adaptation occurs or drivers which shape resilience and vulnerability. The objective of monitoring can be described as keeping track of progress made in implementing an adaptation intervention by using systematic collection of data on specified indicators and reviewing the measure in relation to its objectives and inputs, including financial resources (EEA, 2015 ¹⁹).
	2.102	Plans of adaptation measures put in place	Adaptation to climate change means anticipating the adverse effects of climate change and taking appropriate action to prevent or minimise the damage they can cause, or taking advantage of opportunities that may arise. Examples of adaptation measures include: using

¹⁹ EEA, 2014, National monitoring, reporting and evaluation of climate change adaptation in Europe— 2015, EEA Report No 20/2015, European Environment Agency, Copenhagen (<http://www.eea.europa.eu/publications/national-monitoring-reporting-and-evaluation>).

			scarce water resources more efficiently; adapting building codes to future climate conditions and extreme weather events; building flood defences and raising the levels of dykes; developing drought-tolerant crops; choosing tree species and forestry practices less vulnerable to storms and fires; and setting aside land corridors to help species migrate.
2.2	2.202	People reached by initiatives for increasing awareness	Public awareness raising (of natural and man-made disasters) is the process of increasing the community's consciousness and understanding of cause-and-effect relationships between these phenomena and human behaviour, by means of: development of information and communication; advocacy and campaigning; development of global education.
	2.204	Population benefiting from oil spills and other marine hazards protection measures	Number of people living in the coastal Municipalities interested by the oil spills or other marine hazards protection measures implemented by the supported projects.
	CO20	Risk prevention and management: Population benefiting from flood protection measures	Number of people living in the Municipalities interested by the flood protection measures implemented by the supported projects.
	CO21	Risk prevention and management: Population benefiting from forest fire protection measures	Number of people living in the Municipalities interested by the forest fire protection measures implemented by the supported projects.

	3.102	Actors involved in actions aimed at promoting natural and cultural heritage (including typical products, joint branding and tourism)	The potential actors to be involved are those listed in the Section 2 of the Cooperation Programme, Specific Objective 3.1 “Conserving, protecting, promoting and developing natural and cultural heritage”.
3.1	3.103	Natural and cultural heritage destinations with improved accessibilities (e.g.: to disabled tourists, virtual tourists etc.) in place	<p>Accessibility refers to the opportunity for all to enjoy natural and cultural heritage through finding a balance between the ethical issue of equal opportunity, the acceptance of social diversity, the demand for accessibility and the duty of remembrance of preserving and promoting heritage sites and landscapes. It is about finding a balance between the supporters of a restrictive protection of monuments and sites, and those in favour of a free access for all types of visitors, at the risk of altering this built heritage or participating in the artificialization of natural areas.²⁰</p> <p>Virtual accessibility is an information system allowing people to engage with cultural heritage. A Virtual tour is a simulation of an existing place that can be composed of a sequence of videos or still images or multimedia elements such as sound effects, music, narration, and text.²¹</p>

²⁰ <http://whc.unesco.org/en/events/1005>

²¹ http://www.webopedia.com/TERM/V/virtual_tour.html

	3.104	Beneficiaries with ecolabel/green certification	<p>The EU Ecolabel helps you identify products and services that have a reduced environmental impact throughout their life cycle, from the extraction of raw material through to production, use and disposal. Recognised throughout Europe, EU Ecolabel is a voluntary label promoting environmental excellence which can be trusted.²²</p> <p>Green certifications are meant as any EU Member States certificates officially recognized as evidence of verifiable environmental quality standards for processes and products.</p>
	3.105	Cultural and natural heritage (tangible and intangible) promoted	<p>Tangible cultural heritage mainly includes:</p> <p>monuments and physical artefacts: architectural works, works of monumental sculpture and painting, elements or structures of an archaeological nature, inscriptions, cave dwellings and combinations of features, which are of outstanding universal value from the point of view of history, art or science;</p> <p>groups of buildings: groups of separate or connected buildings which, because of their architecture, their homogeneity or their place in the landscape, are of outstanding universal value from the point of view of history, art or science;</p> <p>sites: works of man or the combined works of nature and man, and areas including archaeological sites which are of outstanding universal value from the historical, aesthetic, ethnological or anthropological point of view;</p> <p>handicrafts can be defined as products which are produced either completely by hand or</p>

²² <http://ec.europa.eu/environment/ecolabel/>

			<p>with the help of tools. Such products can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant.</p> <p>Tangible natural heritage mainly includes:</p> <p>natural features consisting of physical and biological formations or groups of such formations, which are of outstanding universal value from the aesthetic or scientific point of view;</p> <p>geological and physiographical formations and precisely delineated areas which constitute the habitat of threatened species of animals and plants of outstanding universal value from the point of view of science or conservation;</p> <p>natural sites or precisely delineated natural areas (including landscapes) of outstanding universal value from the point of view of science, natural beauty and/or rural activities.²³</p> <p>Intangible heritage:</p> <p>It includes traditions or living expressions inherited from our ancestors and passed on to our descendants, such as oral traditions, performing arts, social practices, rituals, festive events, knowledge and practices concerning nature and the universe or the knowledge and skills to produce traditional crafts.</p>
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²³ The UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage - <http://whc.unesco.org/en/conventiontext/>

3.2	3.201	Natural ecosystems supported in order to attain a better conservation status	<p>According to the Habitat Directive²⁴ “the conservation status <i>“of a natural habitat”</i> means the sum of the influences acting on a natural habitat and its typical species that may affect its long-term natural distribution, structure and functions as well as the long-term survival of its typical species within the territory.²⁵</p> <p>The “conservation status of a species” means the sum of the influences acting on the species concerned that may affect the long-term distribution and abundance of its populations within the territory.</p>
	3.202	Monitoring systems and data collections for protecting biodiversity and ecosystems put in place	<p>Monitoring systems for protecting biodiversity consist of systematic, continuing and harmonized observations and biodiversity data collections, in order to measure qualitative and quantitative changes of variety and variability among living organisms and to take on clear and concrete measures for their conservation and/or protection.</p> <p>Biodiversity data can be related to four main types of information: 1) Reported records of a particular species, or taxonomic group of species at a specific spatial reference; 2) Habitat</p>

²⁴ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora.

²⁵ “1. The aim of this Directive shall be to contribute towards ensuring bio-diversity through the conservation of natural habitats and of wild fauna and flora in the European territory of the Member States to which the Treaty applies.

2. Measures taken pursuant to this Directive shall be designed to maintain or restore, at favorable conservation status, natural habitats and species of wild fauna and flora of Community interest.

3. Measures taken pursuant to this Directive shall take account of economic, social and cultural requirements and regional and local characteristics”.

			maps for a given geographical location; 3) Details, including boundaries, of designated nature conservation sites, including the level of designation of the site; 4) Full site reports including descriptions and species lists ²⁶ .
	3.203	Restoration actions supporting endangered species	The EU Habitats and Birds Directives are the cornerstones of the EU's nature legislation. Together, they require Member States to ensure both the physical protection of individual specimens across the 28 EU countries as well as the conservation of core breeding and resting sites for certain particularly rare and threatened species under the Natura 2000 Network. List of endangered species is provided in http://ec.europa.eu/environment/nature/conservation/index_en.htm
	3.204	Integrated management systems (sea, coastal and river environment) put in place	Integrated management for the development of coastal areas and maritime zones under national jurisdiction, providing an appropriate balance between environmental and developmental requirements and, to this end, development of integrated management techniques, including environmental impact assessment.
3.3	3.301	Environmental friendly technological solutions (and approaches) implemented	Eco-innovation is the introduction of any new or significantly improved product (good or service), process, organisational change or marketing solution that reduces the use of natural resources (including materials, energy, water and land) and decreases the release of harmful substances across the whole life-cycle. ²⁷

²⁶ CIEEM (2016) Guidelines for Assessing and Using Biodiversity Data. Chartered Institute of Ecology and Environmental Management (CIEEM).

²⁷ http://www.eco-innovation.eu/index.php?option=com_content&view=article&id=22&Itemid=23.

	3.303	Microplastic waste collected in marine areas	Microplastic waste is generally defined as plastic waste fragments less than 5mm in size accumulating in marine habitats. With their large surface area-to-volume ratio, microplastics may have the capacity to make chemicals more available to wildlife and the environment in comparison to larger sized plastics. Ingestion of microplastic provides a potential pathway, for the transfer of pollutants, monomers, and plastic-additives to organisms with uncertain consequences for their health.
4.1	4.101	Improved multimodal transport services	Multimodal transport: carriage of goods by two or more modes of transport. International multimodal transport means the carriage of goods by at least two different modes of transport on the basis of a multimodal transport contract from a place in one country at which the goods are taken in charge by the multimodal transport operator to a place designated for delivery situated in a different country.” ²⁸
	4.102	New links established	Support to the creation of new connections (port to hinterland; port to port, etc.) aimed at improving maritime and coastal transport.
	4.103	Harmonized services for passengers put in place	Common services aiming at simplifying cross border mobility for passengers. Tangible services: services responding to specific needs of passengers appropriately during the trip cycle. E.g. services for people with reduced mobility. Intangible services: E.g. harmonisation of the administrative procedures applied to maritime

²⁸ The definition jointly given by the United Nations Economic Commission for Europe (ECE), the European Conference of Ministers of Transport (ECMT) and the European Commission (EC).

			transport (National Single Windows - NSW) for reporting formalities from ships arriving in and/or departing from ports (Directive 2010/65/EU); electronic information services enabling a more efficient use and reuse of digitalised information currently produced and stored by many different stakeholders.
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