

Applicants' Manual

*2nd Calls for ordinary
project proposals*



Let's grow up together
Adriatic IPA
Cross Border Cooperation 2007-2013



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LIST OF ACRONYMS

AA	Audit Authority
CA	Certifying Authority
CBC	Cross-border Cooperation
CC	Candidate Countries
EC	European Commission
EU	European Union
FAQ	Frequently Asked Questions
FB	Final Beneficiary
IM	Implementation Manual
IPA	Instrument for Pre-Accession Assistance
JMC	Joint Monitoring Committee
JTS	Joint Technical Secretariat
LA	Lead Applicant
LB	Lead Beneficiary
LP	Lead Partner, corresponds to Lead Beneficiary
MA	Managing Authority
MIS	Management Information System
MS	Member State
NC	National Co-financing
NGO	Non-Governmental Organization
NUTS	Nomenclature of Territorial Units for Statistics
FLCO	First Level Control Office
OP	Operational Programme
PCC	Potential Candidate Countries
PP	Project Partner, corresponds to Lead Beneficiary/ Final Beneficiary
SME	Small and Medium-size Enterprise
WP	Work Package

§. 1. DEFINITION

Community Contribution	The part of the total eligible project cost which is financed by the Community, also called in the Programme documents' text as "IPA funds" or "EU Co-financing".
Beneficiary Countries/IPA Countries	Candidate Countries (Croatia and Montenegro) and Potential Candidate Countries (Albania, Bosnia Herzegovina, Serbia) eligible within the Programme.
Final Beneficiary/ project partner	"Body or firm, whether public or private, responsible for initiating or initiating and implementing operations. In the context of aid schemes, Final Beneficiaries are public or private firms carrying out an individual project and receiving public aid" (according to art. 2 EC Regulation n. 718/2007).
Financing Agreement	Agreement concluded between the Commission and each Beneficiary Country following a Commission financing decision approving the Community contribution to the IPA-Adriatic CBC Programme.
Fiscal Year (Financial Year)	Period used for calculating annual financial statements in businesses and other organizations. It regards accounting and taxation reported per twelve months, but do not require that the reported period constitutes a calendar year (i.e. January through December). Fiscal years vary according to businesses and Countries.
Impacts	The sustainable long-term benefits of an activity (e.g. improved regional situation because of more effective policies, fall in number of long-term unemployed, increase in biodiversity, increased regional GDP). They relate to the project objectives and tell us whether the short-term benefits (the results) have actually caused the desired improvements.
IPA	The Instrument for Pre-accession Assistance is the financial instrument established by the European Union (EC Regulation n. 1085/2006) to assist the Candidate Countries and the Potential Candidate Countries (beneficiary Countries) in their progressive alignment with the standards and policies of the European Union, including where appropriate the <i>Acquis communautaire</i> , with a view to membership.
Lead Beneficiary	One of the Final Beneficiaries (FB) of the approved project, who assumes all the responsibilities towards Programme Bodies and the other Final Beneficiaries, regarding the received grants. It is the contractor of IPA Subsidy Contract.
Lead Applicant	One of the potential Final Beneficiary of an operation appointed by the other potential Final Beneficiaries to submit the project proposal. It will be Lead Beneficiary, in case of approval.
National co-funding	It refers to the National co-financing ensured by each final beneficiary to the Project by National source, in compliance with the EC Decision C (2008) No. 1073, amended with the EC Decision (2011) n. 3396.
Outcomes	Used to describe the combination of project outputs, results and impacts.
Outputs	The products (tangible) of the activities funded (e.g. number of reports written, number of seminars held, kilometres of riverbed cleaned, number of innovation centres opened). They show what has actually been produced for the money given to the project. They are different from Outcomes.
Participating Countries	All Countries involved in the IPA Adriatic CBC Programme: Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia, Slovenia.
Partnership agreement	The contract concluded between the Lead Beneficiary and the Final Beneficiaries. It determines the rights and responsibilities of the Lead Beneficiary and the Final Beneficiaries.
Programme Contribution	IPA funding and National co-funding
Results	The immediate advantages of carrying out project activities (e.g. number of regional policy changes, number of members of target group/s, training, percentage of reduction of certain pollutants in a river system, number of new business start ups). They show the benefit of funding the outputs. They are different from Impacts.
IPA Subsidy Contract	Contract between the Lead Beneficiary and the Managing Authority; it states the final rights and responsibilities of the Lead Beneficiary, on one side, and of the Managing Authority, on the other side. It lays down the legal arrangements for the implementation of project activities.
Total budget	All financial resources needed to implement project activities.

§. 2. INTRODUCTION

The Applicants' Manual (hereinafter Manual) aims to provide accurate and detailed information concerning the second Calls for proposals launched under the IPA Adriatic Cross-border Cooperation Programme 2007-2013. It is necessary to highlight that the present Manual refers to the 2nd Calls for proposals launched for Priority 1, 2 and 3.

This Manual has to be considered as a useful tool for the Lead Applicants and all partners to understand the requirements, the commitments and other issues to be respected in order to submit an appropriate project proposal within the 2nd Calls for proposals. The focus of the Manual is on project development providing specific and useful information for Applicants on how to develop their project ideas.

The Applicants' Manual is part of the Application Package of the 2nd Calls for proposals, which also includes the following documents:

- General Conditions of the IPA Subsidy Contract
- 'Letter of intent' form
- 'de minimis and Legal Status Declaration' form
- 'Final Beneficiary Bank Account Identification Notice' form
- 'Letter of Interest' for Associates form
- 'Budget breakdown' form
- 'Investment details' form
- 'Financial guarantee' form.

The Application Form must be filled in on line through the Programme Management and Information System (M.I.S.). Therefore the Applicants have to read carefully also the "*Guideline for submission of project proposals through the Management and Information System*". This Guideline describes all the features of the System and how it technically works, whereas the Applicants' Manual is specifically dedicated to content-project development.

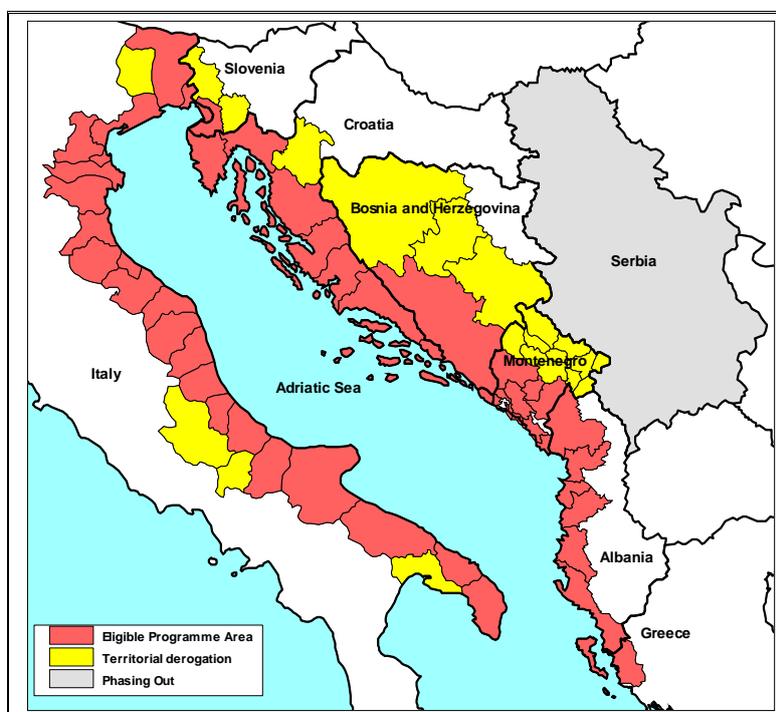
The above-mentioned documents are available on the Programme website: www.adriaticpacbc.org.

§. 3. GENERAL PROGRAMME INFORMATION

3.1. The Programme eligible area

The Programme eligible area consists of:

- the NUTS 3 territories of the participating EU Member States (Greece, Italy, Slovenia) and
- the equivalent level territories of the participating Candidate Countries (Croatia and Montenegro) and the Potential Candidate Countries (Albania, Bosnia and Herzegovina) on the Adriatic Sea, and
- the whole territory of Serbia which participates in the Programme under a *phasing out* condition and
- the areas (NUTS 3 territories or equivalent level territories) admitted by the Programme as derogations to the territorial eligibility rule for adjacent areas to eligible territories, up to the limit of 20% of the amount of the Community contribution to the Programme, according to Article 97(1) of IPA Implementing Regulation.



The Programme eligible area

The following table shows details of IPA Adriatic Programme eligible area (included derogation territories):

Participating Countries	Programme eligible area	
Member States		
Italy	<i>Eligible</i>	Gorizia, Trieste, Udine, Padova, Rovigo, Venezia, Ferrara, Forlì-Cesena, Ravenna, Rimini, Ancona, Ascoli Piceno, Fermo, Macerata, Pesaro-Urbino, Chieti, Pescara, Teramo, Campobasso, Bari, Brindisi, Foggia, Barletta-Andria-Trani, Lecce.
	<i>Derogated</i>	L'Aquila, Pordenone, Isernia, Taranto
Greece	<i>Eligible</i>	Kerkyra, Thesprotia
Slovenia	<i>Eligible</i>	Obalno-kraška regija
	<i>Derogated</i>	Goriška regija, Notranjsko-kraška regija
Candidate Countries		
Croatia	<i>Eligible</i>	Dubrovnik-Neretva, Istra; Lika-Senj; Primorje-Gorski kotar; Šibenik-Knin; Split-Dalmatia, Zadar
	<i>Derogated</i>	Karlovac County
Montenegro	<i>Eligible</i>	Bar, Budva, Cetinje, Danilovgrad, Herceg Novi, Kotor, Nikšić, Podgorica, Ulcinj, Tivat
	<i>Derogated</i>	Pljevlja, Bijelo Polje, Berane, Rožaje, Plav, Andrijevisa, Kolašin, Mojkovac, Šavnik, Žabljak, Plužine
Potential Candidate Countries		
Albania	<i>Eligible</i>	Fier, Durrës, Lezhë, Shkodër, Tiranë, Vlorë
Bosnia and Herzegovina	<i>Eligible</i>	Bileća, Čapljina, Čitluk, Gacko, Grude, Jablanica, Konjic, Kupres, Livno, Ljubinje, Ljubuški, Mostar, Neum, Nevesinje, Posušje, Prozor/Rama, Ravno, Široki Brijeg, Stolac, Berkovići, Tomislavgrad, Trebinje, Istočni Mostar
	<i>Derogated</i>	Sarajevo Region, North-West Region, Central Region
Phasing-out Country		
Serbia	Whole territory	

3.2. Programme goal and strategic approach

The global objective of the Programme is:

Strengthening of sustainable development capabilities of the Adriatic region through a concerted strategy of action between the partners of the eligible territories.

The Programme strategy consists of the following specific objectives:

- 1. Strengthening research and innovation to facilitate development of the Adriatic area through economic, social and institutional cooperation.** Economic, social and institutional cooperation is intended to develop research and innovation capacity, creation and application of knowledge. This aspect is particularly important to the Programme. This Priority is central

because it aims at growing and creating competitiveness in the territorial and productive economic systems. There are several types of intervention aiming at strongly supporting the actions that give added value to cross-border activities.

2. **Promoting, improving and protecting natural and cultural resources through joint management of technological and natural risks.** The improvement of the environmental, natural and cultural resources of the area of the Programme is the second identified Priority. The significant qualitative and quantitative potential of the areas' natural and cultural resources is considered very important and consequently is inserted in the Programme. The interventions aim to improve, promote and protect these resources through joint maximising use of them.
3. **Strengthening and integrating existing infrastructure networks, promoting and developing transport, information and communication services.** Fundamental role to the development and the revival of the Adriatic area is the development of the infrastructure and the promotion of transport, information and communication services. A "corridor", even a marine one, connecting the two banks, would contribute to strengthening the economy of the whole area and encourage exchange outside it.

The specific objectives will be achieved through the following Priorities and Measures:

Priority 1 Economic, Social and Institutional Cooperation	Priority 2 Natural and Cultural Resources and Risk Prevention	Priority 3 Accessibility and Networks
<i>Measure 1.1</i> – Research and innovation	<i>Measure 2.1</i> – Protection and enhancement of the marine and coastal environment	<i>Measure 3.1</i> – Physical infrastructure
<i>Measure 1.2</i> – Financial support for innovative SMEs	<i>Measure 2.2</i> – Natural and cultural resources management and prevention of natural and technological risks	<i>Measure 3.2</i> – Sustainable mobility systems
<i>Measure 1.3</i> – Social, labour and health networks	<i>Measure 2.3</i> – Energy saving and renewable energy resources	<i>Measure 3.3</i> – Communication networks
<i>Measure 1.4</i> – Institutional cooperation	<i>Measure 2.4</i> – Sustainable tourism	

Furthermore, the Programme strategy took into account the opportunity of building on experience gained in the previous programming period, both in terms of results achieved and of Adriatic networks created.

The Programme objectives contribute to the Lisbon and Gothenburg agendas with particular attention paid to sustainable development. The Programme strategy and implementation of cross-border actions are adopted in the light of objective of sustainable development and the relevant Community legislation concerning environmental impact and strategic environmental assessment.

The Programme aims to ensure equal opportunities between men and women and to avoid all kinds of discrimination.

3.3. The 2nd Calls for proposals budget allocation

The total Programme contribution available for the 2nd Call for proposals under each Priority is broken down as shown in the table below:

Priority	IPA funds	Public national co-financing	Total Fund
Priority 1 - Economic, Social and Institutional Cooperation	€ 23.228.205	€ 4.099.095	€ 27.327.300
Priority 2 - Natural and Cultural Resources and Risks Prevention	€ 23.228.205	€ 4.099.095	€ 27.327.300
Priority 3 - Accessibility and Networks	€ 23.228.205	€ 4.099.095	€ 27.327.300
TOTAL	€ 69.684.615	€ 12.297.285	€ 81.981.900

The JMC and the Managing Authority reserve the right not to grant all available funds in each Call, if the number of received project proposals that satisfy all selection criteria and evaluation criteria is insufficient.

The Programme may finance expenditure incurred in implementing projects or parts of projects in territorial derogation areas for an amount up to a maximum of 20% of the Community Contribution to the Programme. In practical terms, it means that the IPA (Community) contribution for expenditures incurred by project partners in derogation areas cannot exceed 20% of the total Programme budget (for all the Programming period 2007-2013). The MA/JTS will monitor the percentage of funds allocated to derogation areas at the level of the Programme in order to ensure that the 20% rule is respected. It means that in case this limit is reached, the JMC will not finance totally or partly expenditures incurred in territorial derogation areas. In such case, Final Beneficiaries located in derogation areas will be promptly informed before the Lead Beneficiary signs the IPA Subsidy Contract with the Managing Authority.

3.4. Relevant Documents

Before submitting any project, it is fundamental to refer to the Commission Regulations, as well as to the framework documents of the Programme:

- Council Regulation (EC) n. 1085/2006 of 17 July 2006 establishing an Instrument for Pre-accession Assistance (hereinafter "IPA Regulation").
- Commission Regulation (EC) n. 718/2007 of 12 June 2007 implementing Council Regulation (EC) no. 1085/2006 establishing an Instrument for Pre-accession Assistance (hereinafter "IPA Implementing Regulation").
- Commission Regulation (EU) No 80/2010 of 28 January 2010 amending Regulation (EC) N. 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) (hereinafter "IPA Implementing Regulation as amended").
- IPA Adriatic CBC Operational Programme 2007-2013, approved on 25th March 2008 and modified on 30th June 2010.
- IPA Adriatic CBC Implementation Manual.
- External aid rules for the award of service, supply and work contracts, established by the European Commission and indicated in the Chapter 3 of Part 2, Title IV of Regulation (EC, Euratom) No 1605/2002 and Chapter 3 of Part 2, Title III of Regulation (EC, Euratom) No 2342/2002, as well as Commission Decision C (2007) 2034 of 24 May 2007.

It is fundamental to refer also to some applicable Italian provisions since the Managing Authority is located in Italy (in the Abruzzo Region) and has to apply also national and regional rules as the following¹:

- a) Italian Law No. 241/1990 and Abruzzo Regional Law No. 1/2000 and following amendments for the administrative selection procedure for the access to the documents:
- b) Italian Legislative Decree No. 104/2010 and following amendment for the Court jurisdiction competence and terms to apply in the matter of administrative procedure.

These documents can be downloaded from the Programme website www.adriaticpacbc.org.

¹ The Abruzzo Law (Reg. No. 1 of 18 May 2000 of the Abruzzo Region) is available also in English in the Programme website. Should potential Beneficiaries ask for clarifications, the JTS will provide explanation about the mentioned Italian law/degree, in the official language of the Programme.

§. 4. PROJECT DEVELOPMENT

4.1. Project proposals in the framework of IPA cross-border cooperation

It is important to stress that IPA Adriatic CBC Programme 2007-2013 operates in the context of the Instrument for the Pre-Accession Assistance (IPA) and, specifically, cross-border cooperation component.

In general the Instrument for the Pre-Accession Assistance provides a single financial umbrella for five components each of them with specific characteristics:

- 1 Transition Assistance and Institution Building
- 2 **Cross-Border Cooperation (with EU Member states and other Countries eligible for IPA)**
- 3 Regional Development (providing support to transport, environment infrastructure and enhancing competitiveness and reducing regional disparities);
- 4 Human Resources Development (strengthening human capital and combating exclusion);
- 5 Rural Development (rural development type of measures).

While other components are providing support inside of beneficiary Countries, cross-border cooperation between Member states and IPA Countries aims to bring common benefit on both sides of the border of Member States and candidate/potential Candidate Countries. Both parties have to benefit from projects financed under IPA CBC programmes.

Therefore, projects financed within IPA Adriatic CBC Programme shall be developed under this framework and promote enhanced cooperation and progressive economic integration between the EU and the candidate/potential Candidate Countries through the wide variety of themes tackled by the Programme.

4.2. Project development support

Seminars for Applicants

The Joint Technical Secretariat and Info Points will proactively support those who are preparing a project proposal in the application phase through specific seminars to help them in developing a complete and well structured project application. Such events will be organized in the Programme area during the opening of the Calls and before the deadline for submission of applications. During the seminars a more detailed guidance will be provided on the minimum requirements that proposals have to respect and on the submission of the Application Form. The dates and locations of the seminars will be promptly publicized in the Programme website.

Partner search

In the Programme website (www.adriaticpacbc.org), a section devoted to the “partner search” has been developed.

In this space it is possible to publish project ideas looking for partners through the submission of a “Partner search” form. All the submitted project ideas will be then collected into a public database providing with the necessary information to establish useful contacts.

The published project ideas are sorted by title, measure, and promoter.

It is advisable to consult this section on a regular basis to find an interesting project idea and partner information.

The project ideas displayed in the Programme website have not been screened nor approved.

Therefore the MA/JTS are not responsible for the quality of the project ideas submitted.

References regarding the projects previously approved

The booklet of projects already approved under the first Calls for proposals within IPA Adriatic CBC Programme is available on the Programme website. The Applicants are however strongly

recommended to consult all the available data concerning projects which cover the Adriatic area in order to avoid repetition of ideas/results/achievements.

Other measures for supporting applicants

In the Programme website the **Frequently Asked Questions (FAQ)** will be available giving information on general issues or on Country related specific issues².

JTS helps applicants to solve problems and answers to specific questions mainly by email. However direct contact with JTS by phone may concern technical questions, such as how to fill in some sections of the Application Form or the documents included in the Application Package.

The Info Points established in the Participating Countries will provide additional information on project generation. Their addresses are available at the Programme web site.

4.3. Overview of the online Application Form

For the submission of a good quality project proposal, Applicants and all potential project Beneficiaries are recommended to read carefully the following paragraphs which help them to develop the content of the project proposals taking into account both the Programme requirements and the Application Form (hereinafter referred to as AF) features.

The IPA Adriatic Cross-border Cooperation Programme has developed a web-based Application Form (AF) which is valid for submitting proposals under the 2nd Calls for proposals launched for each Priority.

The Applicants must carefully read also the *GUIDELINE FOR THE SUBMISSION OF THE PROJECT PROPOSALS THROUGH THE MANAGEMENT AND INFORMATION SYSTEM* which describes all the technical features of the Application Form.

The link to access to the Application Form online is <https://sso.adriaticpacbc.org/gestionale/view/public/pubblicaBando.do>.

Final Beneficiaries which are already registered into the M.I.S. must use the following URL: <https://sso.adriaticpacbc.org/gestionale>

4.3.1. Structure of the Application Form

The Application Form is structured in these Sections:

AF Sections
<i>Project Identification</i>
<i>Project Description</i>
<i>Beneficiaries & Associates List</i>
<i>Work Plan</i>
<i>Budget</i>
<i>Time Plan (automatically produced)</i>

The following paragraphs will guide you in developing the content of your project proposals.

It is reminded that the assessment of project proposals will be based on information provided in the AF, not taking into account any information elsewhere.

² The potential Final Beneficiaries may put questions in writing no later than eleven days before the closing date of the Calls for proposals, and the JTS shall provide the answers to the questions in writing no later than three days before the closing date.

The proposal should be self-explanatory and easy to understand, thus too many superfluous words and phrases should be avoided.

4.3.2. Language of project proposal

The Application Form should be filled out in English in all its Sections and annexes unless another language is specifically required (e.g. name of the institution in original language).

It is even reminded that Lead Beneficiaries whose projects will be finally financed by the IPA Adriatic CBC Programme will have to communicate with the Programme bodies in English.

4.4. Content of the Application Form

4.4.1. Project identification

This Section contains an overview of the project identification information. The information to be filled in concerns: title, acronym, priority/measure, project length, project summary.

4.4.1.1. Priority/Measure

A successful project preparation process starts with a well-formulated project idea that has to fit one Programme priority/measure.

An ordinary project must refer only to one specific Measure of one Priority.

Applicants are suggested to consult the Implementation Manual (last version), available on the official web site of the Programme www.adriaticpacbc.org, in particular chapter 2 which illustrates the objective and some examples of eligible activities for each Measure. The examples are not exhaustive, only illustrative, however it is possible to find elements that can help to identify the correct Priority/Measure.

4.4.1.2. Project length

The starting and ending dates of the project must be indicated in the AF. The project duration of ordinary projects **must not exceed 36 months**.

The length of project does not include the preparation phase but only the implementation phase of the project.

The project ends when all the activities are completed, the last expenditures have been paid out and the last Progress Report has been submitted to the competent First Level Control Office. It is important to take into consideration the time necessary for closing the project since the end of project is also the end of the eligibility of expenditure. This means that the end date stated in the AF will be also the last month within which all the payments must be done otherwise the related expenditures will not be eligible for reimbursement. It is suggested not to envisage activities in the last month or pretty nearer but to devote a feasible time to make all the payments and close the project (send the last Progress Reports) within the indicated project end.

4.4.1.3. Project Summary

The summary will be the "business card" of your proposal. It should be a brief, but comprehensive summary of the project and should provide the reader at a glance with a clear understanding of the objectives of the proposals and how they will be achieved. It should provide also a summary of the impacts of your project and their relevance in the IPA Adriatic CBC Programme.

The project summary must be consistent with the information contained in the other sections of the AF.

It is highlighted that the summary will be published on the official web site of the Programme in case of approval of the project therefore it should not contain any confidential information.

4.4.2. Project description

This Section includes the description of the main project proposal aspects (relevance, main problems/challenges, objectives, implementation methodology, sustainability and partnership) and it is divided into nine sub-sections described below.

4.4.2.1. *Problems or challenges to be addressed*

Proposals often lack a clear analysis of the starting point. Applicant should describe the problems and the issues that the project is planning to address.

In particular it must describe:

- background information what is the current situation in the targeted Countries/regions according to the theme tackled, what are the gaps, barriers, problems, challenges that the projects would like to overcome,
- what is the motivation to implement such a project, why addressing this issue is important,
- why the issue is important for the participating territories and how it regards the whole Adriatic area.

4.4.2.2. *Project objectives*

Applicant should describe the general objectives and the specific objectives of the project, clearly referring to the chosen Programme Priority and Measure.

The objectives have to be coherent with the problems/issues tackled by the project: it means that the objectives should provide solutions to the addressed problems.

Applicant must describe objectives at two distinct levels:

- **general objective** is the expectation and the effects/benefit of the project in the long-term on beneficiaries' territories and for Programme area beyond the specific project purpose and the temporary funding received;
- **specific objectives** are what the project is going to achieve concretely at the end of the project lifetime. What are the changes produced in the field tackled and on the project target groups.

Both of them must be concrete, quantifiable and realistic, thus it can be useful in defining them to answer to the following questions:

- what type of change/s is/are going to be achieved in the short and long run?
- where shall the change/s happen?
- for whom is it going to be done (project target group/s)?
- by when does it have to happen?

Applicants should keep focused while writing objectives: a list of 20 objectives is not more explanatory than a few well-described and comprehensive objectives.

Keep project objectives within a reasonable, manageable and meaningful number.

4.4.2.3. *Coherence of the Project*

It is highlighted that the IPA Adriatic CBC Programme cannot be considered a substitute of the series of local/regional/national programmes or other EU Programmes.

Therefore, the project must demonstrate how it is consistent with:

- **the Programme:** Applicants should clearly describe how the project proposal is in line with the objectives of the Programme and the relevant Priority;

- **the EU sector and horizontal policies:** Applicants should describe the coherence of the project objectives with:
 - ✓ the Gothenburg/Lisbon strategy,
 - ✓ the relevant EU sector policies (such as environment, ICT, trade, transport, social issues, health, justice, border security, etc.) according to the theme tackled and
 - ✓ one or more horizontal issues of the Programme (sustainable development, equal opportunities and non discrimination, fair competition);
 - ✓ the activities and the expected results have to respect the relevant EU rules.

The indication of additionality, complementarity and/or synergy of the project with EU relevant programming documents and regulations could be useful;

- **the national and sub-national strategies of the involved territories:** Applicants should clearly explain the consistency of the project objectives with the relevant policies of the national and sub-national public Authorities (regions, provinces, counties, districts, municipalities) of all the territories involved in the partnership. The indication of the relevant programming documents and regulations could be useful.

4.4.2.4. *Added value of the cross-border cooperation in this project*

Applicants have to explain why the issues addressed in their project proposal cannot be sufficiently addressed acting at national, regional or local level and why the cross-border approach will be more effective in relation to the involved regions/Countries. The added value of a cross-border approach needed for achieving the objectives as well as solving the problems and/or capture the opportunities has to be shown on both sides of the border, that is to say in all territories of the Participating Countries from which project partners come from.

4.4.2.5. *Methodology approach*

This section is dedicated to describe the approach adopted by the project, and entails the following aspects:

- **Rationale for the composition of the Partnership:** it should be described why the partnership has been in such a manner composed for achieving the foreseen objectives, and how each Beneficiary is adequate to carry out the work plan in the context of the theme tackled according to the tasks assigned to it;
- **Capitalization:** in case the project is built upon past and/or current experience/projects already implemented, Applicants are required to describe those initiatives. A mere list of them should be avoided, but the focus should be on how the current project will benefit from outputs and lessons learned from the previous ones, how the new project will be built on them in order to avoid re-inventing the wheel but showing a clear need for a new initiative which will not overlap with the past ones.
- **Innovation:** the innovative character of the project results should be demonstrated. It is clear that what can be considered innovative for someone, in other context is not. Hence the proposal should demonstrate the benefits over and above normal returns that Final Beneficiaries would receive from a standard action/service, notably through innovative approaches (e.g. organizational, technological, financial) and the added value it develops in relation to the following degree(s) of innovation:
 - ✓ Process-oriented innovation: encouraging the development of new approaches, methods and tools and the improvement of existing ones (e.g. use of ICT etc.);
 - ✓ Goal-oriented innovation: focusing on the formulation of new objectives and strategies, and/or
 - ✓ Context-oriented innovation: related to innovation in political and institutional structures and systems.

- **Target groups/stakeholders:** it should be outlined which are the relevant **target groups and stakeholders**. *Target groups* are actors who will benefit directly from the results of the project in the short run as well as in the long run. *Stakeholders* are the key actors who can contribute to the achievement of the project results even if not directly participating in the partnership. They can be for instance multiplayer organizations, political authorities other than the partners. They shall be engaged in the project activities thus the way in how they will participate and give feedback should be described.

4.4.2.6. **Expected results and outputs**

In this Section, Applicants should describe the expected results and outputs of the project clearly linked to the specific problems tackled and the described objectives:

- **Results** are direct and immediate advantages resulting from the project and from the production of the outputs, they are the effect to which the outputs lead to: for instance the realization of a seminar, workshop, is the means to reach the increased competences/skills/knowledge of some target groups. Compared to outputs, results imply a qualitative value, even if they should also be measured in concrete units such as the number of staff with increased capacity, the number of good practices successfully transferred, the number of policies improved.
- **Outputs** are tangible deliverables and visible products of the project directly resulting from the activities carried out in the project. They can be, for instance, seminars, study visits, conferences, publications and so on. They are typically measured in concrete units such as number of seminars. The realization of the defined outputs will be taken into consideration when monitoring the project performance, thus Applicants should indicate a realistic unit for each output which is likely that the project can achieve. Let's say, for examples, a high number of workshops does not represent a better project.

The table below shows some (not exhaustive and only for illustration purpose) examples of indicators set respectively for outputs and for results:

Output Indicator (immediate result of the project)	Results Indicator (effect/consequence of the immediate result)
Number of regional seminars on biomass held	Number of biomass policies improved/implemented
Number of participants to one-week study tour on technological transfer	Number (percentage) of cross-border SMEs with improved capacities in technological transfer
Number of ports modernized with facilities	Number (percentage) of increased voyagers in Adriatic

In order to ensure consistency with the Programme outputs and results, applicants should define outputs and results at project level taking into account also the outputs and results envisaged in the Operational Programme for each Priority (see § 5.5 "Quantified Targets and Indicators" of the OP). To set a good indicator system at a project level, the indicators should also be S.M.A.R.T, which means:

- **Specific:** is it clear what exactly will be measured, in what geographical area measurements will be made, what units (number of participants, euros, kms etc.) will be used etc.?
- **Measurable:** will the project be able to collect accurate information to measure progress towards the targets set? The information required for measurements should be quite easy to collect. It should be aware that different regions and Countries collect data in different ways, thus all partners should be able to monitor and report on the indicators selected.

- **Achievable:** closely linked to identifying what changes are anticipated as a result of the project work and whether the results planned are realistic (e.g. decrease in water pollution by XX rather than no water pollution);
- **Relevant:** will the indicators measure all of the project's key activities?
- **Timed:** stating when something should happen (e.g. increase in visitor numbers by the end of the project).

4.4.2.7. *Sustainability and long lasting effects of the project*

The results planned to be achieved within the project must not be lost at the end of the funding period. Therefore the Applicants must explain how sustainability of the project results will be secured after the completion of the project. In doing so, a distinction between the following three dimensions of sustainability has to be made:

- **Financial sustainability** (financing follow up activities, financial sources for covering all future operating and maintenance costs, etc.).
- **Institutional sustainability** (which structures will allow, and how the results of the project will be carried on after the end of the action? Address the issues about the local "ownership" of project outputs).
- **Political sustainability** (what structural impact will the project have? - e.g. will it lead to improved legislation, codes of conduct, methods, etc.?).

4.4.2.8. *Level of cross-border cooperation*

According to the Calls, project partners must cooperate in at least two of the following ways:

- **Joint development:** it means that project must be planned out (developed) jointly by the representatives of the cross-border partnership. Project proposals must clearly integrate the ideas, priorities and actions of stakeholders of all the involved territories and Final Beneficiaries from the different Countries have to contribute to design objectives, results, output, activities, budget and timing. The Lead Applicant is the coordinator of this process but should include other partners since the starting of the design process.
- **Joint implementation:** it means that project must be carried out throughout a close linkage and collaboration among Final Beneficiaries; activities must be carried out and coordinated on all the involved territories. It is not enough that activities run in parallel: There must be a clear content-based links between what is happening on all the involved territories and regular contact between the partners to ensure a smooth coordination of the tasks and activities in terms of contents, planning, timing and quality of outcomes. Every Beneficiary must play an active role in project implementation. An efficient shared project management system shall be appointed under the Lead Beneficiaries responsibility in order to ensure that activities are properly coordinated, that schedules are kept and that the right quality levels and desired outputs are achieved by all Final Beneficiaries.
- **Joint staffing:** it means that project should not duplicate functions on the cooperation area and staff of project partners should work together on the project. As a minimum there should be a joint project manager with overall responsibility for coordinating project activities on the cooperation area. The Lead Beneficiary generally will hire the core project staff, but of course all project Final Beneficiaries may allocate own human resources according to their responsibilities within the project. The important is that unnecessary duplications of functions in different partner organizations are avoided. Yet, each Beneficiary remains fully responsible for its own actions and expenditure. The LB is responsible for the implementation of the whole project vis-à-vis the MA and ensures the administrative link between the project and the Programme.
- **Joint financing:** it means that the project has one joint budget with funding allocated to partners according to the planned activities. The reimbursement of the Community contribution for all Final Beneficiaries will be made only through the bank account held by the Lead

Beneficiary who is responsible for the administration and distribution of these funds to the other project Final Beneficiaries. National co-financing should come from all the cooperation area and must be guaranteed by all partners with own resources or third national resources and illustrates the commitment of each partner to the joint project.

It should be stressed that, even though satisfying two of these conditions is the minimum requirement, fulfilling more than two of these criteria will strengthen project applications. In fact, it should be taken into consideration that all projects surely fulfil the "joint financing" since all the projects have one joint project budget divided among partners according to the activities to be carried out and each Lead Beneficiary will be responsible for administration and distribution of Community funds to the other project Final Beneficiaries. Some of these cooperation criteria are interlinked: for example if there is a joint staffing, for sure a certain level of joint implementation is fulfilled too. Moreover, if the process of set up the project idea has started through, for example, joint project development, it is probably easier to cooperate on all four levels. Therefore, the Applicants should aim at fulfilling all four criteria as far as possible.

The Applicant must then select the checkboxes in the AF corresponding to the joint cooperation criteria which are intended to be respected. How will the project ensure these levels of cooperation has also to be described in order to understand to what extent the partnership is aware of the cross-border cooperation.

It is also clear that what is described in this section of the AF is really reflected in the rest of the AF content. These cooperation criteria should be really respected not only described. Hence it should emerge also from the work plan and from the budget, that the partnership is not totally dominated by a single Beneficiary or by some of them, that partners should not merely carry out the activities in parallel without truly coordinating and exchanging the information, consequently every stage of project development and implementation is jointly carried out.

4.4.2.9. Project management

In a broad sense "project management" concerns coordination of project's activities, monitoring and reporting of project progress in terms of activities and resources.

Moreover project management regards also the definition of the management structures necessary to implement the project activities (such as the human resources' team and the project's decision making body), the methods to be used to ensure a proper information flow among partners (internal communication), and the method for internal evaluation and accounting system.

Management structures

Since the project developing phase, the partnership should agree on the decision making process and (if possible) should envisage a project's decision making body such as a project's steering committee, or management board, or an advisory group.

Irrespective of its name, such a committee, which should guarantee an adequate representation of all partners, will be the main decision making body during the entire project lifetime and thus it will oversee strategic planning, coordination, monitoring, evaluation and achievement of outputs/results.

The role and the responsibility among the partners should be agreed on and clearly defined by the partners all together. It is recommended that the coordination and management procedures remain as transparent and simple as possible.

Project team

The management of a cross-border project is a challenging and time-consuming task. Therefore it is suggested that the human resources devoted to the project should have experience in the management of previous projects (such as in cross-border cooperation or other international projects), be able to handle the challenges of different languages and cultures, and should enable the partnership to work together as a team.

Each partner can appoint (internal or external) specific human resources to carry out the project activities. However the Lead Beneficiary, which will have the responsibility to ensure an efficient and reliable management and co-ordination system for the whole project, should appoint (internally) or contract (externally) a project coordinator and a financial manager.

The **project coordinator (or project manager)** is the person responsible for co-ordinating the whole project's work among the involved partners, for ensuring that tasks are fulfilled according to the

scheduled timeframe, the foreseen resources and the division of responsibilities among partners; for monitoring the progress of the project; for ensuring proper information flow with the Programme bodies, as well as with and among the project partners. In practice, he/she should be able to act as a driving force in the partnership in order to achieve smoothly the project's objectives.

The **project financial manager** is the person responsible for an adequate and orderly project accounting, for properly financial managing of the total budget and for monitoring financial progress of the project.

The project coordinator and the financial manager should work in close contact with each other, with the partners' organizations and with the Programme's bodies in order to establish effective project management. They should cooperate mainly in preparing and submitting the Project Progress Report (project activity and financial reports) to the Managing Authority/Joint Technical Secretariat. Since all the Programme official language is English communication with the Managing Authority/Joint Technical Secretariat must be in English and thus it is strongly recommended that these persons are familiar with English.

Information flow between the partners

It is important to envisage a good communication flow among partners agreeing on means, modality and timeframe for the internal communication since the beginning.

The main subjects of the internal communication within the project are:

- to share information that partners need in order to work together,
- to inform constantly about project progress,
- to identify problems and overcome them if necessary,
- to take decisions on project changes (if needed).

When teams are working together over long distances between different Countries, good internal communication flows are important. Good in this context means that information needed for working together has to be shared among all partners and to be **concrete, clear and timely** during the project lifetime. Insufficient communication can easily lead to conflicts and problems; too much information or irrelevant information can, on the other hand, make confusion.

Therefore to ensure a good communication flow in complex, multinational and long-distance environment as in the cross-border cooperation projects, the following aspects should be kept in mind:

- a clear language, that is also easy to understand for non-native speakers, should be used (being the language of the Programme, English is suggested);
- vague messages should be avoided and it is preferable to be as concrete as possible;
- in case of using technological means, all partners have to get the technical access/capacity and the skills to use these tools without creating extra work for others.

The **project meetings** remain the basic pillar to guarantee an effective communication within the project as moments to afford vis a vis the management and coordination tasks and to build up a certain level of confidence and trust. There are different views on what the "ideal" frequency of project meetings is. Surely only one meeting per year would not be enough; some projects find appropriate to meet every three months, others every six months. This choice depends on the size of the project in terms both of funding and of number of partners. It should be taken into account, however, that although large partnerships can benefit from more frequent meetings to communicate on a "face to face" basis, at the same time, it is difficult to arrange meetings for a large number of people to be available on a certain date. The number and frequency of the project's meetings should be decided early on, also in order to plan correctly the needed resources. The basic meetings to be arranged are the kick-off meeting, interim meetings (to discuss progress, reporting) and the final meeting (to evaluate outputs and initiate project closure). The results of meetings are to be documented and communicated to all partners as minutes and specific decisions taken to address issues/problems.

A way to reduce the need for physical meetings, which can be more timely and costly, is to use video-conferences. It is however stressed that while they are extremely useful, they cannot replace the basic need for face-to-face meetings for some key occasions (for example, the kick-off meeting).

Projects can envisage the use of **technological means** to facilitate the communication activities among partners, mainly the day-to-day work. In this respect, while phone, fax and e-mail are the most commonly used tools, such cross-border cooperation projects often may have a need for additional, more sophisticated technologies that can support collaboration. The implementation and use of such systems should be planned well (including financial resources and time for their set-up) in order to ensure benefit for the project and not creating extra work for partners' organizations. The use of technological tools and devices can improve the working efficiency of the team. For instance it could be useful to envisage an online storage of documents, which is a good way to ensure that all partners have easy access to the latest information and documents, templates, etc. It could be useful to use also shared internet-based work spaces for collaboration among team members. These are often a combination of storage and management platforms, which can be highly valuable for teams working together over long distances.

The possible management and coordination outputs indicators that projects can plan may be the following (not exhaustive list):

- number of steering group meetings organized by project;
- number of videoconferences (if any) organized by project;
- number of Project Progress reports produced;
- number of interim evaluations.

In the *Project Management* section of the AF the following information must be provided:

- **overview of the project structure:** a brief explanation of the rational structure of the work plan, the logics behind the chosen work packages (WPs), and how they are logically inter-related, their dependencies and their sequence;
- **overall description of the decision-making:** how the project activities will be steered, if a steering group/committee will be set up, which will be its competences and procedures how the decision-making procedures will be organized for the management of the overall project;
- **Interim evaluation:** description of the procedures for internal evaluation. The project proposal must illustrate that "quality control" mechanisms are built (e.g. questionnaires, assessments, regular reviews of progress made thorough reporting) and how these are used to improve/or adjust implementation if necessary. Internal evaluation does not necessary mean that the exercise should solely be carried out by the project team; calling upon an outside view (external evaluation) is also valuable evaluation mechanisms.

It is noted that a repetition of what is stated in the WP1 "Project Management and coordination Work package" should be avoided.

4.4.3. Final Beneficiaries

In the AF there is a section dedicated to the description of Final Beneficiaries.

The development of the partnership shall meet both Programme/Calls requirements and the project idea needs. In this respect, the following paragraphs will give you all the useful information to set up the project partnership.

The Final Beneficiaries' section must be filled before completing the section work plan.

4.4.3.1. The partnership composition

The partnership required for an IPA Adriatic CBC project must involve at least one Beneficiary from an EU Member State (Greece, Italy or Slovenia) and one Beneficiary from Candidate or Potential Candidate Country (Albania, Croatia, Bosnia and Herzegovina, Montenegro or Serbia).

Projects with Final Beneficiaries from Member States only or from (potential) Candidate Countries only are not eligible and will be rejected.

Partnerships from only territories covered by other CBC programmes financed with EU funds (i.e. IPA CBC Programme Slovenia Croatia; IPA CBC Programme Greece Albania) are not allowed. With regards to the participation of Slovenia, Greece, Albania and Croatia in the Programme, the following cross-border partnerships are not eligible:

- the Obalno Kraška region in Slovenia and the Istarska županija and/or the Primorsko goranska županija counties in Croatia;
- the Thesprotia and/or the Corfu prefectures in Greece and the Vlore region (districts of Vlore and Saranda) in Albania.

In order to be considered eligible under the IPA Adriatic CBC Programme, a project with the above-mentioned partnership must involve also at least a Beneficiary either from another eligible Member State or another Candidate or Potential Candidate Country.

In addition to this minimum requirement, which determines the eligibility of a project, **the composition of the partnership should reflect the objectives of the project and be built in order to facilitate an efficient implementation.**

The size of the partnership depends on the type of the project. The complexity of a wide partnership must not be underestimated, mainly in terms of reporting activities and financial management.

In order to optimize the project management, it is recommended to build a partnership of no more than 15 Beneficiaries. However, an involvement of partners from several Participating Countries is highly recommended.

The partnership should be composed of those organizations which can give a contribution relating to the aims and the expected results of the project and have benefit from them.

All project partners are Final Beneficiaries of the Programme funds and must have an active role in the project.

The Lead Beneficiary or any other Final Beneficiary cannot act as an intermediary in the project or as a supplier (i.e. contractor or sub-contractor that provides services and products against payment).

In such cases the related expenditures will not be eligible.

4.4.3.2. Partner legal status

Any body or firm, whether public or private, with registered office in one of the Programme Participating Countries, having legal personality under the applicable national law, is eligible as project Final Beneficiary under 2nd Calls for proposals.

The registered office is the official address of a body (public or private), where the various registers and records are normally kept and may be inspected, where the official correspondence is sent; in other words the registered office is the "Head office", the address of the legal residence of a body.

Under the 2nd Calls for proposals, entities which do not have legal personality under the applicable national law are not eligible.

Thus, according to the above explained conditions, for instance a body established in France can never participate in a project as Final Beneficiary because France is not a Participating Country in the IPA Adriatic CBC Programme; whereas a body established in Ljubljana can participate in a project even if Ljubljana is not in the Programme eligible area, because Slovenia is a Participating Country of the IPA Adriatic CBC Programme.

Final Beneficiaries must belong to one of the following categories:

- **Public bodies:** national, regional, local authorities and other public bodies. Public bodies are organizations founded and governed by public law, and their main purpose is to satisfy public needs.
- **Bodies governed by public law:** pursuant to the Article 1.9 of Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004, a *body governed by public law* means any body:
 - a) established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character,
 - b) having legal personality and
 - c) financed, for the most part, by the State, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.
- **Private organizations, including private companies:** any organization (non profit and profit making) established by private law, not falling in the previous categories.

Under the 2nd Calls for proposals, profit making organization means only Small and Medium Enterprise (SME), according to the Recommendation C(2003) 1422.

SMEs can only act as Final Beneficiary and cannot be Lead Beneficiary of a project.

Serbian SMEs cannot participate as project Final Beneficiaries at all within these 2nd Calls for proposals.

As general principle, the project must be implemented in the Programme eligible area (see § 4.4.5.3).

4.4.3.3. *International organization*

International organizations are not eligible as Final Beneficiaries. They can participate in a project only as Associates.

International organizations are not eligible either as Lead Beneficiary or as Beneficiary under the 2nd Calls for proposals.

4.4.3.4. *Serbian Final Beneficiaries*

Serbia participates in the Programme with the whole territory under a *phasing out* condition.

This means also that the phasing out participation of Serbia in the Programme should mainly concern universities, research institutes, hospitals, some line Ministries and cultural institutions, museums, theatres, etc. to participate in projects developed under the specific priorities and measures.

The participation of Serbian Beneficiaries is then open to all cross-border initiatives concerning the institutional cooperation in the specific areas under each Priority as indicated in the following table:

Priority	Areas for Serbian participation
1	<i>Science and Research, Health, Environment, Tourism, Culture, Social Cohesion, Education, Economy and Regional Development, Governance and Public Administration, Sport.</i>
2	<i>Culture, Science and Research, Environment, Tourism, Governance and Public Administration.</i>
3	<i>Science and Research, Environment, Economy and Regional Development, Governance and Public Administration.</i>

In case Serbian Beneficiaries' participation does not cover at least one of the above mentioned sectors, the JMC will reserve the right to reject the whole project, or to require the exclusion of the Serbian Beneficiary from the project partnership. In case the Serbian Lead Beneficiary does not participate in at least one of the above mentioned thematic areas, the whole project will be rejected.

As stated above, it is reminded that Serbian SMEs are not eligible either as Lead Beneficiary or as Final Beneficiary.

The expenditures of Serbian Beneficiaries must be incurred and actually be paid at the latest until 31st December 2015.

4.4.3.5. *The role of Lead Beneficiary*

According to the Article 96 of EC Regulation n. 718/2007, the Final Beneficiaries of an operation shall appoint a Lead Beneficiary among themselves prior to the submission of the proposal for the operation. All eligible Beneficiaries can act as Lead Beneficiary of a project, with the exception of the SMEs, that are eligible only as Final Beneficiaries.

In case the Lead Beneficiary is not eligible, the whole project will be rejected.

When the project is selected for funding the Lead Applicant becomes the Lead Beneficiary.

The Lead Beneficiary shall assume the following responsibilities:

- it shall lay down the arrangements for its relations with the Final Beneficiaries participating in the operation in an agreement (Partnership Agreement) comprising, inter alia, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;
- it shall be responsible for ensuring the implementation of the entire operation and support the Final Beneficiaries in carrying out the overall project implementation in accordance with the programme documents and the pertinent EU regulations;
- it shall be responsible for transferring the Community contribution to the Final Beneficiaries participating in the operation;
- it shall ensure that the expenditure presented by the Final Beneficiaries participating in the operation has been paid for implementing operation purposes and corresponds to the activities agreed among the Final Beneficiaries participating in the operation;
- it shall verify that the expenditure presented by the Final Beneficiaries participating in the operation has been validated by the respective National First Level Controllers.

All eligible Beneficiaries can act as Lead Beneficiary of a project, with the exception of SMEs, that are eligible only as Final Beneficiaries.

The Lead Beneficiary will form the link between the partnership and the Programme bodies. The Lead Beneficiary takes over the responsibility and coordination for management, internal communication, implementation and coordination of activities among the involved partners, including the full

administrative and financial responsibility of the Community funds. In order to fulfil its task and responsibility, it has to set up an efficient shared project management system.

The Lead Beneficiary can appoint a project manager and a financial manager which will be responsible respectively for the coordination of the entire project activities and for the financial aspects (see also § 4.4.2.9. of this Manual).

In case the project will be selected for funding, Final Beneficiaries will be required to sign a Partnership Agreement whose purpose is to make sure that all partners deliver the information that the Lead Partner needs to fulfil its responsibilities and that if anything goes wrong, the partner concerned will accept responsibility and pay back any incorrectly used funds.

If the Lead Beneficiary of a project selected for funding is a private organization (different from SMEs), at the moment of the finalization of the IPA Subsidy Contract, it will be required to provide proof that a financial guarantee/s is/are in force (in a form accepted by the Managing Authority). The guarantee/s shall be issued for the total IPA contribution allocated to the private project partners and be valid until the final reimbursement is made by the Programme.

4.4.3.6. **The Associates**

Associates are institutions/organizations which may contribute to the professional implementation of the project and/or may give support to the Project Partner(s), however they will not receive any IPA funding or other co-financing from the Programme.

As they are not Final Beneficiaries, **the Associates do not have to respect the eligibility rules envisaged for the project Beneficiaries** and cannot be considered for the fulfilment of the partnership requirements.

Associates have to be clearly identified in the Application Form. It is important to describe the expected contribution of Associate/s to the project implementation and mainly the added value of its/their participation relating to the aims and objectives of the project proposal.

The Associate cannot act as contractor in the implementation of the project.

Associates can not require reimbursement for their expenditures since the expenditure for their travel and accommodation to participate to project's meetings/events must be always paid directly by any Final Beneficiary. Thus the Final Beneficiary/ies sustains only the travel and accommodation costs incurred for the participation of the Associates to project meetings or other project events.

The expenditures for the participation of Associates in the project meetings/events are eligible only if these costs are incurred by one project Beneficiary.

Associates are required to fill in and submit the Letter of Interest, annexed to the 2nd Calls, otherwise their participation will not be accepted (see § 4.6.2.5 of this Manual).

4.4.3.7. **Beneficiaries' information to be inserted in the AF**

In the Application Form information concerning both Lead Applicant and Final Beneficiaries must be inserted.

The preliminary information to be inserted regards: Name, address, phone/Fax numbers, information about Legal representative/authorized person and contact person.

In the field of the '*Institution Name*', it is recommended to write also the name of the relevant department, unit, office in charge to implement project activities. It is not sufficient to generally write for instance "Province of...", "Municipality of...", "Region of...".

In the field of '*Address*' the **address of the registered office** must be **always** indicated and thus the '*NUTS III or equivalent*' corresponding to the **location of the registered office** must be chosen.

Beneficiaries with their registered office established outside the Programme eligible area **must select** in the field '*NUTS III or equivalent*' the option "*other (art. 97 Reg. (EC) 718/2007) – <Country>*", choosing the Participating Country where the registered office is located.

Serbian Beneficiaries must always select "Serbia".

For the Lead Beneficiary and all Final Beneficiaries, the following must also be indicated:

- the 'Legal status' (see also §. 4.4.3.2 of this Manual),
- and the *de minimis* condition answering 'Yes' if the Final Beneficiary acts as undertaking in the project context (see also §.4.5.1 of this Manual).

It is important that the option indicated here is coherent with what declared in the *de minimis and Legal Status Declaration*.

Besides this, both for the Lead Beneficiary and every Final Beneficiary, a set of information must be provided in order to better understand their relevance:

- **Final Beneficiary organization (human resources, equipment, budget, other important information):** the number of employees, their competences, technical conditions, professional capacities of Lead Beneficiary/Final Beneficiary organization's department, unit, office in charge of implementing project activities must be indicated. These details should demonstrate the capacities of this unit to ensure the good functioning of a cross-border project and joint partnership.
- **Description of previous (and current) experiences in CBC and international projects:** the previous and/or current experience of Lead Beneficiary/Final Beneficiary organization's department, unit, office in charge to implement project activities in cross-border cooperation and/or in international cooperation project/s must be outlined by stressing those experiences gained in the same field or sector of the project proposal in order to check out if the unit has technical capacities and expertise in the field of action of the project proposal. A mere list of the titles of the initiative/s should be avoided, but the capacity, expertise, skills achieved in implemented such project/s should be stressed.
- **Contribution of the Beneficiary to the project:** how and why the partner contributes to the project must be explained. The description from the Work Packages must not be repeated in this field but the added value of that specific partner's participation related to the aims and the expected results of the project must be shown. In case of Final Beneficiaries located outside the eligible area (§ 4.4.3.2) this section should be used to describe more in depth the reasons for why the FB and its planned expenditures are necessary to achieve the project objectives.
- **Competences, capacity and knowhow of the Beneficiary in implementing project activities:** every Final Beneficiary will be responsible for fulfilling specific tasks according to the work plan described. Therefore in this section the competences, the capacities and knowhow of Lead Beneficiary/Final Beneficiary organization's department, unit, office in charge of implementing project activities, must be described, in other words, will those specific competences of the Final Beneficiary be used in the implementation of the tasks assigned.

4.4.4. Work plan

The work plan is the section of the AF where the Applicant in agreement with the partnership, describes the actions they want to perform in order to reach the objectives and the results of the project.

The work plan should be realistic and achievable according to the common project objectives.

Work plan can be split into several Work Packages (WP), each of them groups some correlated actions/activities. The number of WPs or of the actions of each WP should correspond to the complexity and the financial resources foreseen for the project content.

The maximum number of WPs available is 10. In each WP maximum 5 actions are available. It is not compulsory to fill in all the available WPs and actions.

It is up to the project partners to define the proper number of WPs. It should be noted that a higher number of WPs doesn't necessarily imply a more well-structured proposal and does not lead to a better score.

It is recommended that the descriptions of the Work Packages/actions are complete but concise, avoiding continuous repetition of concepts that are not providing additional information.

Firstly, for each WP the following should be indicated:

- **Title:** which should preferably reflect the strategic cross-border focus and the intended results of WP rather than the activities grouped in it.
- **Description:** brief and concise overview of the overall WP, its aim and how the tasks of the WP are distributed among the partners, and which among the project target groups are involved in the specific WP.
- **Responsible Beneficiary** of the WP: indicating which is the Final Beneficiary leading the WP, responsible for making sure that all the WP activities are implemented according to the timeframe and the defined content.

Within each WP, several actions can be inserted and for each of them it should be indicated:

- **the starting and ending period** of the action according to the project length;
- **description** of the action, giving sufficient details to understand the action's content and allowing the monitoring of the action's progress if the project will be financed. The description of the action should take into account also the budget indicated for it, in case high amount is required for the action, then the description should be very well elaborated;
- **the role of each Beneficiary** involved in the action indicating the mix of partners which take part in the implementation of the action, who is responsible for what, in other words the extent of their involvement;
- **location** of action indicating the city/ies and or the territory/ies where the action will take place;
- **total amount** which is the budget required to implement the described action.

The sum of the total amounts of all actions grouped in a WP should correspond to the WP total amount indicated in the section budget. If the WP total budget does not match with the one indicated in the table 5.1, a red message will warn Applicants which should correct the mistakes changing the budget of one or more action/s.

For each WP, Applicants are even required to clearly define and describe the planned outputs (tangible goods, services, infrastructure, etc.) and the expected results, that, in case the project will be financed, will be taken into consideration as project indicators, relevant to measure whether the project – and as a sum of projects the Programme - has achieved its objectives. The planned outputs and the expected results have to be the same with what stated in the “*Expected results and outputs*” section of the AF (see § 4.4.2.6 of this Manual). The Beneficiaries are encouraged to define the project indicators taking into account also the Operational Programme indicators given (see § 5.5 “Quantified Targets and Indicators” of the OP).

At the end of each WP, Applicants are then required to fill in the following two tables:

- the “*qualitative and quantitative description*” table of the outputs with a brief description of the expected outputs of the specific WP, their target value and the date of delivery (*i.e.*: *n*).

of participants to seminars, n. of brochures printed, n. of steering committee meetings' minute...);

- the "qualitative and quantitative description" table of results with a brief description of the expected results of the specific WP, their target value and the date of delivery. If it is not possible to give a target value to a result, it is better to write "not relevant".

A maximum number of 10 outputs and results can be listed per each WP.

Three Work Packages are already predefined. They are Work Package 0 "Project Preparation" (not compulsory), Work Package 1 "Cross-border Project Management and Coordination" and Work Package 2 "Communication and Dissemination". Some useful guidelines for the completion of these WPs are given below.

4.4.4.1. *Work Package 0 – Project Preparation*

This Work Package refers to all the activities done by the partnership in view of the preparation and development of the project idea. Costs declared in this Work Package have to show a direct and demonstrable link to the development of the project idea and can be funded only if the project proposal is approved.

Typical activities during the preparation phase of a project are the following:

- finalization of the application documents (staff costs and external expertise);
- joint meetings for the preparation of the project (travels, accommodation, meeting and events costs);
- preparatory studies, analysis and researches for activities to be carried out within the project (staff costs, external expertise);
- Participation in IPA Adriatic Cross-border Programme events like Partner Search Forum, Info days, Lead Applicant briefings, individual consultations with the JTS and the Info Points etc.

For this WP, only the following categories of costs can be budgeted: staff costs, external expertise, travel and accommodation, meeting and events costs. **Other categories of cost (including overheads) are not eligible.**

The activities must actually take place and the related cost must be incurred according to the eligibility rules of project preparation costs.

4.4.4.2. *Work Package 1 – Cross-border Project Management and Coordination*

This WP is dedicated to the management and coordination tasks. In particular it deals with all the activities related to the administrative, legal and financial aspects which are necessary to run a cross-border project within IPA Adriatic CBC Programme.

In order to successfully reach its objectives, a project has to be managed and coordinated efficiently and reliably, according to the foreseen timetable, the division of tasks among the beneficiaries, an efficient operational management and financial system, as well as monitoring and reporting activities.

Therefore some organizational aspects should be put in place and in particular actions of this WP should regard:

- how project management structures (such as advisory board, or steering committee, project teams) are intended to be established; and which will be the roles of the partners in management context;
- how the information flows among partners (internal communication) will be guaranteed;
- how the day-to-day management (how, who, what) will be carried out;
- how the monitoring and evaluation system will be set up.

It is important to stress that the Lead Beneficiary and all Final Beneficiaries need to plan adequate funding in this Work Package: the first one being responsible for the overall project coordination, and the Final Beneficiaries being responsible for coordinating, managing and reporting their activities.

It is noted that a repetition of what stated in the section '*Project Management*' should be avoided. The difference is that in the '*Project Management*' section, emphasis should be put on a quality description of the management of the overall project whereas the description of the WP1 should be focused on how the internal management and coordination tasks will be implemented.

The Lead Beneficiary in order to ensure the implementation of its task can appoint a project manager and a financial manager, internal or external to the organization. If this will be the case, the Applicants shall describe how they will be appointed and which will be their responsibilities and tasks.

It is recommended that the budget for WP 1 does not exceed 20% of the project total budget.

4.4.4.3. *Work Package 2 – Communication and Dissemination*

This WP covers the specific communication activities to be carried out in order to make sure that outputs and results of project are transferred outside the partnership and disseminated in an effective way.

Communication, dissemination and knowledge management stand out as being both crucial and universal; they are the life-blood of projects among all the factors and characteristics required for the success of a European cooperation project.

The knowledge acquired in the project should be easily applicable, transferable and possible to use in other initiatives inside and outside of the partnership and good communication activities can make this possible. For this purpose, the external communication is not only a technical aspect of the project implementation, but a vital activity to ensure project sustainability after the end of the co-financing.

Therefore, the Lead Beneficiary of approved project are strongly recommended to develop together with the partnership a detailed **communication plan** covering external communication and publicity (outside the partnership).

The communication plan should briefly specify aim and purpose of the planned communication and information activities, target groups as well as communication tools and channels. In addition, it is aimed at specifying the information and communication tools to be used for disseminating the results of the projects to the identified target groups (such as websites, meetings, seminars, publications, press conferences, newsletters), and the different initiatives to which the project intends to participate or organize.

The possible communication outputs and relevant indicators that the projects can plan may be the following:

- Number of public events advertising the projects organized by the project and number of expected participants at these events
- Number of newsletters issued and/or downloaded online
- Number of printed publications distributed
- Number of brochures/flyers produced
- Number of public events advertising the projects attended by project representatives (exclude the ones organized by project)
- Number of TV/radio/web streaming broadcasts
- Number of articles in international/national/regional/local press (newsletters, magazines etc.)
- Number of connections to the project website.

In some cases also specific skills and expertise are necessary to make sure that communication activities are carried out as professionally as all the other WPs. If this is the case, project should give evidence that a communication manager responsible for implementation of information and

communication measures will be appointed (he/she could be e.g. the same person as the project coordinator).

The communication and publicity activities developed specifically in this WP (as well as in other WPs) shall be implemented in compliance with the requirements deriving from EU Regulations and the Programme requirements on publicity and information in order to be considered as eligible.

4.4.4.4. **Content of the other Work Packages**

Other Work Packages can be defined by the partnership according to the field of action of the project and its objectives. The additional WPs chosen should be complementary among each other and their activities should not overlap.

4.4.5. **Budget**

4.4.5.1. **Project size**

The total project budget for ordinary projects must respect the following thresholds:

- **Minimum total budget:** 500.000,00 EUR.
- **Maximum total budget:** 5.000.000,00 EUR.

In order to ensure a balanced participation of the cross-border partnership, each Final Beneficiary budget cannot exceed 60% of the total project budget. Additionally, Final Beneficiary and must have a minimum total budget of 100.000,00 EUR.

Final Beneficiaries have to calculate project budget with a "total budget" planning approach. "Total budget" is always 100% of the financial resources needed to implement project activities. Total project budget includes the Programme contribution (IPA funds and national co-financing) and any contribution required by the Calls for undertaking activities (*in case of "de minimis" subsidies*).

Specifically, the Programme contributions are financed:

- up to 85% by the IPA fund,
- up to 15% by national co-financing ensured by each Final Beneficiary according to the rules applied in the Country where it is established.

In case project Beneficiaries act in the project as undertaking, the maximum amount granted will be calculated in compliance with the *de minimis* regime. In this case, the maximum aid intensity is equal to 85% of the eligible costs, the remaining 15% should be covered by Final Beneficiary's own contribution. 85% of subsidy granted to the Final Beneficiary acting in the project as undertaking will be composed of IPA funds and national funds as well.

The following table shows examples of both cases where Final Beneficiary does not act as undertaking and where Final Beneficiary acts as undertaking in the framework of the project.

Typology of Final Beneficiary	Total budget (300.000 €=100%)			Rate of reimbursement from Programme bodies
	Programme Contribution		“de minimis” contribution (where required)	
	IPA funds	national co-financing		
Final Beneficiary NOT acting as undertaking	€ 255.000	€45.000	/	85% of the Programme contribution is reimbursed from IPA funds; the remaining will be (totally, partly or not) reimbursed according to the national co-financing system of the Country where the Beneficiary is located
	85%	15%	/	
Final Beneficiary acting as undertaking	€ 216.750	€ 38.250	€ 45.000	72,25% of the Programme contribution is reimbursed from IPA funds; the remaining 12,75% will be totally, partly or not) reimbursed according to the national co-financing system of the Country where the Final Beneficiary's is located
	72,25%	12,75%	15%	
	AND not higher than 200.000,00 € ³			

4.4.5.2. The National Co-financing

The national co-financing amount for a share of 15% of the Programme Contribution should be ensured by Final Beneficiary according to the co-financing system established by the Participating Country where it is located.

Countries		National co-financing sources*		
		% of contribution by national source	% of contribution from Beneficiaries	Total
	Albania		15%	15%
	Bosnia and Herzegovina		15%	15%
	Croatia		15%	15%
	Greece	15%		15%
	Italy	15%		15%
	Montenegro		15%	15%
	Serbia		15%	15%
	Slovenia	10%	5%	15%

* the percentage indicates the share of the Programme contribution.

³ For further specification on the *de minimis* regime see also § 4.4.1. of this Manual.

Thus, according to the established national co-financing system:

- Beneficiaries from Italy will receive national co-financing by State funds;
- Beneficiaries from Greece will receive national co-financing by state funds according to the legal provisions of the national management and control system regarding European Territorial Cooperation Programmes;
- Beneficiaries from Slovenia must secure as national co-financing a share of 5% of the Programme Contribution with their own resources; the co-financing left over (10%) will be guaranteed by the State;
- Beneficiaries from Albania, Croatia, Bosnia and Herzegovina, Montenegro and Serbia must co-finance whole 15% of the Programme Contribution with their own funds or other national resources.

Beneficiaries must precisely indicate their co-financing share to the project budget and the source of this national co-financing (state, regional, local, other public) in the Letter of intent and in the Application Form.

Specifically in the AF, the amount of national co-financing must be indicated under:

- "State" column, if the co-financing share is provided by State resources (in force of national law e.g. for Italy, or when a Ministry – or other State body - is a partner itself).
- "Regional" column, if the co-financing share is provided by regional public authorities;
- "Local" column, if the co-financing share is provided by local public authorities;
- "Other" column, if the co-financing share is provided by body governed by public law or by private bodies.

4.4.5.3. *The eligibility of expenditure*

Eligible costs are the ones necessary for carrying out the project activities and shall be paid out directly by Final Beneficiaries. They may be exclusively devoted to the project objectives and activities or may be allocated proportionally to the operation, applying a justifiable fair and equitable method of calculation.

As a general rule, in order to be eligible, costs must be actually incurred by the Final Beneficiaries (principle of "real cost") and meet all the following criteria:

- they are actually paid within the period of eligibility of the project (as explained below) by a Final Beneficiary listed in the Application Form;
- they are incurred in the Programme eligible area or, if outside the eligible area, must be necessary to achieve the project objectives;
- they are indicated in the estimated total budget and closely linked to the project approved by the JMC and necessary for its implementation;
- they are identifiable and verifiable, in particular they must be recorded in the accounting records of the Final Beneficiary and determined according to the applicable accounting standards of the Country where the Beneficiary is established and according to the usual cost-accounting practices of the Final Beneficiary;
- they comply with the requirements of applicable tax and social legislation;
- they are reasonable, justified, and comply with the requirements of a sound financial management, in particular regarding economy and efficiency.

According to the Articles 34 and 89 of the IPA Implementing Regulation and following amendments and integrations, the table below shows an overview of eligible, not eligible and costs eligible under certain conditions:

Eligible costs	Not eligible costs
Value added taxes if: <ul style="list-style-type: none"> - they are not recoverable by any means; - it is established that they are borne by the Final Beneficiary; and - they are clearly identified in the project proposal. 	Taxes, including VAT
Charges for transnational financial transactions.	Customs and import duties, or any other charges
The bank charges for opening and administering the accounts, where the implementation of an operation requires a separate account or accounts to be opened.	Bank charges, costs of guarantees and similar charges.
	Conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses.
Legal consultancy fees, notarial fees, costs of technical or financial experts, and accountancy or audit costs, if they are directly linked to the co-financed operation and are necessary for its preparation or implementation.	Fines, financial penalties and expenses of litigation.
The cost of guarantees provided by a bank or other financial institutions, to the extent that the guarantees are required by national or Community legislation.	
The purchase of land for an amount up to 10% of the eligible expenditure of the operation concerned.	Purchase, rent or leasing of land and existing buildings.
Overheads, provided they are based on real costs attributable to the implementation of the operation concerned. Flat-rates based on average costs may not exceed 25 % of those direct costs of an operation that can affect the level of overheads. The calculation shall be properly documented and periodically reviewed.	Operating costs
	Second hand equipment.
	Contribution in kind.
	Interest on debt.

Moreover, according to art. 89.4 of the IPA Implementing Regulation, the following expenditure paid by public authorities in the preparation or implementation of an operation shall be eligible:

- (a) the costs of professional services provided by a public authority other than the Final Beneficiary in the preparation or implementation of an operation;

- (b) the costs of the provision of services relating to the preparation and implementation of an operation provided by a public authority that is itself the Final Beneficiary and which is executing an operation for its own account without having recourse to other outside service providers if they are additional costs and relate either to expenditure actually and directly paid for the co-financed operation.

The public authority concerned shall either invoice the costs referred to in point (a) to the Final Beneficiary or certify those costs on the basis of documents of equivalent probative value which permit the identification of real costs paid by that authority for that operation. The costs referred to in point (b) must be certified by means of documents which permit the identification of real costs paid by the public authority concerned for that operation.

Sub-granting by Final Beneficiaries is not allowed in the 2nd Calls for Proposals.

Location of activities

As a general principle, expenditures shall be incurred in the Programme eligible area

As a general criteria, the expenditures are considered incurred in the place where the Final Beneficiary is located (where it has the registered office - see § 4.4.3.2 - or the branch office).

Branch office is to be considered any “fixed establishment”, which, according to Reg. (EC) No 282/2011, is other than the registered office, “characterized by a sufficient degree of permanence and a suitable structure in terms of human and technical resources to enable it to receive and use the services supplied to it for its own needs”

The following table synthesises the criteria in order to establish the location of expenditure according to each budget line:

	Criteria to establish the location of expenditure
<i>Staff</i>	Location of the registered office or of the fixed establishment (branch office) involved into the project.
<i>Travel and accommodation</i>	Location of the event/meeting
<i>Overheads</i>	Location of the registered office or of the fixed establishment (branch office) involved into the project.
<i>External expertise</i>	Location of the registered office or of the fixed establishment (branch office) involved into the project.
<i>Promotion</i>	Location of the registered office or of the fixed establishment (branch office) involved into the project.
<i>Meetings and Events</i>	Location of the event/meeting
<i>Equipment</i>	Place of location of the equipment
<i>Investments</i>	Place of location of the investment
<i>Financial guarantee and bank charges</i>	Location of the registered office or of the fixed establishment (branch office) involved into the project.

At project level, in exceptional cases, expenditures incurred outside the Programme area, may be eligible provided that both following conditions are respected:

1. the project could only achieve its objectives with that expenditures (art. 97.1 second subparagraph of Reg. (EC) 718/2007 as amended by Reg. (EC) 80/2010) **and**
2. the expenditures have been previously authorized in compliance with art. 97.2 of Reg. (EC) 718/2007.

If exceptional case occurs, the Final Beneficiary has to explain and motivate why these expenditures are necessary for the achievement of the project objectives, this explanation should be clearly given in the AF (see § 4.4.3.7 of this Manual).

The given explanation will be subject to the project assessor' appraisal, then the JMC taking into account the assessor's opinion (evaluation concerning the necessity for the expenditures outside the eligible area), may (or not) authorize these expenditures.

Considering what mentioned above, in IPA Adriatic CBC Programme the following situations can take place:

- A)** when a Final Beneficiary has the **registered office located outside the eligible area but participates with its branch office located in that area**, its expenditures will be considered incurred where the branch office is located provided that, according to the criteria set out in the Calls for Proposals:
- i. at least one year of operation of a local organisational unit in the Programme area must be justified with administrative or accounting documentation **and**
 - ii. the leader of the branch office must be an authorised representative of the final beneficiary, entitled to act for the implementation of the project activities.
 - iii. its registered office is anyway established in one of the Programme Participating Countries.
- B)** When the Final Beneficiary has neither the registered office nor a branch office in the eligible area, but its registered office is located in one of the Participating Country, it is eligible as well, and, as exceptional case, its expenditure may be considered eligible provided that the conditions foreseen in Art. 97 (1,2) are respected.
- For example this can be the case of national or regional public authorities, or bodies governed by public law which are located outside the eligible area, which have neither a branch office in the eligible area, but which can be necessary for achieving the objectives of the project due to their competences in the area, or their particular tasks/experiences. The motivation of the necessity of their activities must be clearly explained in the AF (see § 4.4.3.7 of this Manual).
- C)** When a Final Beneficiary is located in the Programme eligible area but plans to incur expenditures outside the eligible area, it must clearly explain why that expenditure are needed to achieve the project objectives, as exceptional cases as above explained.

Period of eligibility

The precondition of the eligibility of expenditure is that the project has been approved by the Joint Monitoring Committee and that expenditures have been incurred in the eligibility period.

As a general rule, the starting date of eligibility of expenditures is different for Member States and for IPA Countries Beneficiaries.

Expenditures incurred on or after the 1st January 2007, are eligible for Greek, Italian and Slovenian Beneficiaries.

For Albanian, Bosnian and Herzegovinian, Croatian, Montenegrin and Serbian Beneficiaries expenditures are eligible if incurred after the signature of the Financing Agreement between each of participant Country and the European Commission for 2010 and 2011. The JTS will promptly inform Applicants about the date of signature of these Agreements.

This means that the costs incurred by Beneficiaries from IPA Countries cannot be in any case considered eligible if incurred before these dates.

Eligible expenditures can be distinguished between:

- **project preparation costs** - if costs are incurred to prepare the project idea (for activities such as the finalization of the application documents, the organization of joint meetings, the development of preparatory studies, analysis and researches for activities preliminary to the project). The activities related to these costs must be described in the WPO (see § 4.4.4.1 of this Manual) and can only be eligible for those projects finally approved for funding.

Only preparation costs not exceeding 2% of the approved total budget are eligible.

In order to be eligible these costs must refer to activities carried out in the period between the starting date of eligibility (defined for each Participating Country as above explained) and the day of submission of the project application.

Preparation costs must be included in the first Progress Report.

Overheads, promotion costs, investments, equipments and financial charges costs are not eligible in the preparation phase.

In case Beneficiaries fall into the *de minimis* regime, the preparation costs are not eligible.

- **project implementation costs** if incurred from the starting date of the project to its closing date, as defined in the Application Form approved by the JMC (and eventually revised upon request of the MA). At the earliest, implementation costs are eligible from the first day after the closure of the Calls for proposals, provided that this day is the official start of the project. In this case, Beneficiaries may decide at their own risk to start the implementation activities before the project is finally selected for granting.

The duration (project implementation) of an ordinary project must not exceed 36 months.

The start and end date of the project which determinate its length must be stated in the Application Form (see § 4.4.1.2 of this Manual). The length of the project includes the implementation phase, thus the preparation phase is excluded.

It is reminded that the project duration should include sufficient time to carry out also all the technical and financial activities needed to close the project.

Expenditures are eligible only if paid out within the project duration since the end of project is also the end of the eligibility of expenditure

This means that the end date stated in the AF will be also the last month within which payments must be done otherwise the related expenditures will not be eligible for reimbursement.

It is suggested not to envisage activities in the last month or pretty nearer but to reserve a feasible time to make all the payments and close the project (send the last Progress Reports) within the indicated project end.

The categories of expenditure (Budget lines)

Total project budget of each Final Beneficiary must be split in the following nine budget lines:

- Staff costs;
- Overheads
- Travel and Accommodation
- External Expertise
- Meetings and Events

- Promotion costs
- Equipment
- Investments
- Financial charges and guarantee costs.

Staff costs

Expenses are considered eligible in this category if the expenses incurred for personnel⁴ employed by the organization of the Final Beneficiary acting as an employer, and if they are directly related to project activities. These costs comprise actual salaries plus social security, health insurance and other statutory costs included in the remuneration (all calculated in accordance with the national legislation).

Costs <u>NOT</u> included in 'Staff costs' budget line	
Costs for professional experts contracted by the Beneficiary organization for project purposes.	These costs should be reported under the following category of expenditure: " <i>External expertise</i> "
Travel and accommodation costs borne by personnel of Final Beneficiary working on the project	These costs should be reported under the following category of expenditure: " <i>Travel and Accommodations</i> "

Overheads

This budget line refers to all **direct general costs** (i.e. costs deriving exclusively from the project) and **indirect general costs** (overheads related to the project's activities, based on real costs and calculated on a pro-rata basis according to a duly justified, fair and equitable method).

For example, all costs related to the following services may be included:

<i>Eligible costs examples</i>
Office costs such as electricity, heating, water, cleaning, office supplies, office rent.
Administrative costs such as telephone, fax, internet, mailing, copying, stationery, and office supplies related solely to project activities.
All costs/charges for national financial transactions, provided that they are based on real costs attributable to the implementation of the project, in case a specific bank account for the project has not been opened.

Direct general costs:

Direct general costs attributed directly to the project are totally eligible within IPA Adriatic CBC Programme provided that the following criteria are fulfilled:

- they show a direct link to the project's activities;
- they are calculated on the basis of actual costs and easily verified, i.e. based on factual elements in the Beneficiary's general accounting system which can be verified by First Level Controller and/or auditor;
- no lump sums, overall estimations or arbitrary keys are allowed.

⁴ Employee or employed under national labour law.

Indirect general costs, allocated proportionally to project

If overheads cannot be attributed directly to the project they can be calculated proportionally provided that they are based on *real costs* and that they relate to the implementation of an IPA Adriatic CBC project, are *allocated pro rata* to the project according to a duly justified fair and equitable method and their calculation has to be done on flat rates based on average costs. The resulting flat rates may not exceed 25% of those direct costs of a project that can affect the level of overheads.

This means that, in case actual costs are shared with organisational non-project costs, then apportionment (flat rate) is permitted providing that:

- the apportioned overheads are actual, auditable and directly attributable to the project;
- the source cost is eligible for the IPA Adriatic CBC Programme and fully auditable (by means of receipts, bills etc);
- the indirect general costs attributable to the implementation of the project are allocated pro rata to the project according to **a duly justified fair and equitable method**;
- the cost is clearly relevant and can be realistically apportioned to reach a figure that reflects the true cost incurred by the Final Beneficiary in carrying out the project;
- the costs must be distributed according to the following methods on which can best reflect the type of cost:
 - the ratio of the number of people working for the project/number of people working in the organisation or department;
 - the ratio of the number of hours worked on the project/number of hours worked in total in the organisation or department;
 - the ratio of the surface used by the personnel working for the project/surface of the organisation or department.
- the calculation of overheads shall be properly documented and reviewed periodically, when appropriate.

The share of apportionment shall not exceed 25% of those direct costs of the project that can affect the level of overheads. This means that, since any direct cost of a project actually incurred by project Beneficiaries serves as the basis for calculation of indirect costs that can be proportionally allocated to a project, any reduction in these direct costs (i.e. in relation to the estimated budget or following a financial correction) will have an impact on the total flat-rate amount of indirect costs.

Travel and accommodation

This cost category refers to the travel and accommodation costs of employees of the Beneficiary institutions listed in the Application Form related to their participation in meetings, seminars, conferences and other similar activities, closely related to the project.

Travel and accommodation costs for project staff (see 'staff costs' budget line), may be reported in accordance with the provisions indicated in national rules or in any regulations/internal circulars of Beneficiary institutions.

Travel and accommodation expenses must correspond to **affordability (inexpensiveness) criteria**.

This means that the most cost-efficient means of transport shall be used (normally public means); no business or first-class airline or train tickets are eligible irrespective of the fact that these types of tickets may be allowed by the internal rules of the institution; any exception to this principle must be duly justified, otherwise the related expenditure will not be eligible; board and lodging costs can be reimbursed if they are within a reasonable price range.

In case of transport by taxi or by a rented car⁵, reimbursement may be allowed on the basis of the actual cost, provided that this type of cost is not excessive in relation to expenditure which might have been incurred for the use of alternative means of transport.

⁵ In case of car rental the maximum class allowed is class C or the equivalent.

Costs <u>NOT</u> included in 'Travel and Accommodation' budget line	
The travel and accommodation costs of any external experts participating in project activities.	These costs should be budgeted under another category of expenditure: " <i>External expertise</i> ".
The travel and accommodation costs for the participation of Associates in the project meetings and activities as long as paid by final Beneficiaries.	

External expertise

External expertise budget line includes costs paid for professional services provided by an external expert, consultant or other supplier, independently from the type of contract and exclusively engaged for the purpose of the project (thus the total contract amount must be reported in the project) for carrying out certain tasks of the project (e.g. studies and surveys, translation, coordination, financial management, legal consultancy fees and notarial fees directly linked to the project and necessary for its implementation), which the Beneficiary's organization cannot perform with already engaged resources. The cost of these professional services are eligible on the basis of contracts or written agreements, which define the tasks to be accomplished and paid against invoices or requests of reimbursement. Public Procurement rules must be observed with reference to the selection of an individual or a company which will carry out the tasks.

Project Beneficiaries and Associates cannot be contracted as external experts or subcontractors.

For example, all costs related to the following goods and services may be included:

Project Beneficiaries, Associates cannot be contracted as external experts or be subcontractors.

Travel and accommodation costs for Associate/s shall be budgeted under "External expertise" budget line

By way of example all costs related to the following goods and services may be included:

Eligible costs examples
Professional expertise (e.g. studies, researches, etc.).
Travel and accommodation costs of external experts participating in project activities.
Project management experts, assistants, financial managers, etc. (in case the Lead Partner and/or the Final Beneficiary do not have adequate professionals to perform the tasks related to the project or to shared activities).
Costs of technical and financial experts, accountancy and legal consultancy fees, if they are directly linked to the project and are necessary for its implementation.
Other services necessary to implement the project (e.g. translation of project documents not related to specific budget lines).

Costs <u>NOT</u> included in 'External Expertise' budget line	
Reproduction or translation of project documents related to specific events.	These costs should be related under the following category of expenditure: " <i>Meetings and Events</i> ".

Meetings and Events

In this category costs for the organization of conferences, seminars, meetings, workshops, events directly related to the project and traceable from the approved Application Form, shall be allowed.

For example, the costs related to the following services may be included:

Eligible costs examples
Renting of equipment for events.
Interpretation at events and translation of documents related to specific events.
Printing of materials directly related to events, etc.
Catering expenses.

The purpose, list of participants, location, duration, number of participants and number of languages for which translation is provided must be clearly indicated for each event.

Public Procurement rules must be observed with reference to the selection of a company or an individual that will carry out the assignment.

Promotion costs

Promotion expenditures include all costs related to communication and visibility activities related to the project. It is advisable to plan all activities in order to ensure a constant flow of information on the assistance provided by European funds to illustrate the role of the Community and to ensure transparency.

Communication and visibility activities should be properly planned and budgeted at early stage of the project implementation. These activities should not only focus on publicising the EU support for a particular action, but also on its outcome and impact. Special attention should be directed to the presentation of results at the end of the project.

For example, all costs related to the following services may be included:

Eligible costs examples
Brochures, leaflets and newsletters.
Press releases, inserts in newspapers.
The design and maintenance of web page for the project.
Other publication costs related to the project but not to specific events or seminars (e.g. display panels, commemorative plaques, banners, promotional items, photographs and audio-video production).
Other services concerning costs not related to specific events, but necessary for the implementation of promotion activities (e.g. translations of promotional project documents).

All costs in this category must comply with the requirements deriving from EU Regulations on publicity and information in order to be considered eligible.

Equipment

This cost category refers to the following:

- a) *purchase of equipment;*
- b) *rent of equipment;*
- c) *leasing of equipment.*

In accordance with Art. 34 of Commission Regulation (EC) No 718/2007 costs for second hand equipment shall not be eligible.

In case the equipment is used **exclusively for the purpose of the project**, two options can apply:

- o 100 % full cost can be charged for the project;
- o depreciation method.

The ***purchase price*** is fully (100%) eligible provided that:

- o the equipment is of low-value and thus it is not depreciable, or
- o the period from purchase date until the end date of the project is longer than or equal to the normal depreciation period for each type of equipment; or
- o the period from the purchase date until the end date of the project is shorter than the normal depreciation period, only in case:
 - the equipment is used by the project partners and project target groups for the same purpose for at least five years following the completion of project activities; ***or***
 - the equipment is part of a specific goal of the project (for example office furniture if the goal of the project is to set up a bureau which will provide services for the target group not only during the project implementation period).

The ***depreciation method*** instead applies in all those cases in which the full purchase price is not eligible. In this case, the depreciation rate has to be determined according to the applicable accounting rule (applicable tax legislation) of the Country where the concerned Final Beneficiary is established and the depreciation allowances of the equipment are charged proportionally in each Progress Report until the end of the project.

Equipment ***NOT used exclusively for the purpose of the project*** (for instance, when the equipment is used by staff working part-time on the project), should be charged on a ***pro-rata basis***, also as far as depreciation is concerned. Thus, only a share of actual costs (of the purchase price or of the depreciation rate) can be allocated to the project and calculated according to a fair, justified and equitable method.

a) ***Rent of equipment***

It is also possible to rent equipment provided that the rental is the most economic and cost-effective way of getting the equipment for the project purposes.

b) ***Leasing of equipment***

The leasing of equipment is eligible if the total leasing fee does not exceed the cost of the rental of the same item and relating to the same period of use in the project. Beneficiaries are required to respect Public Procurement Rules.

Investments

In order to be eligible, investments must be specified in the budget and they have to show a clear cross-border added value.

This cost category includes costs related to:

- a) ***construction works***
- b) ***the purchase of land (up to a limit of 10% of the total project budget)***
- c) purchase of physical objects not falling within the equipment budget line and which may relate to, or be independent from the construction works or the purchase of land.

Depending on the nature of the investment, all compulsory requirements set by the Community (where applicable) and national legislation on the matter of investments and environmental policies (e.g.

feasibility study, environmental impact assessment, building permission, etc.) must be fulfilled⁶. Additionally, all investments must be directly related to project implementation and clearly mentioned in the Application Form.

a) Construction works

These costs comprise expenditure related to construction activities, such as construction of buildings, works and infrastructure. Additionally, they consist of expenditures related to works needed for the reconstruction, expansion or renovation of already existing building and infrastructure.

For the above-mentioned types of actions, the amounts have to reflect the actual costs in the context of the project.

The **full cost** will be eligible only in case the implemented construction work is **used exclusively for the purpose of the project** and if it remains in use for the same purpose by the project partners and project target groups for at least five years following the completion of project activities. In addition, Final Beneficiary - within five years from the end of the project - shall avoid any substantial modification:

- affecting the nature of the construction work or its implementation conditions or giving to a firm or a public body an undue advantage; and
- of infrastructure ownership.

In case the implemented construction work is **not used exclusively for the purpose of the project**, only a share of the actual cost can be attributed pro-rata to the project. This share has to be calculated according to a **fair, justified and equitable method**.

Valid and legally effective construction permit and/or other document prescribed by national law for investment are required from Final Beneficiaries before signing the IPA Subsidy Contract. The owner of the permit must be partner in the project. In case construction works do not require permit, the ownership of investment should be agreed among the project partners.

In case of an investment on real estate by a project partner who is not the owner, it is allowed to present a proof of ownership of the real estate which is being state-owned, or public-owned in case of public infrastructure. In case of project investing into real estate, which is owned by private legal or natural persons, the partner is required to submit a long-term hiring agreement or easement contract (with a minimum validity of 5 years upon project completion).

b) Land purchase

The cost of purchase of land not built on shall be eligible under the following four conditions:

- there shall be a direct link between the land purchase and the objectives of the co-financed project;
- the cost of land represents an amount of up to 10% of the project eligible total budget;
- a certificate shall be obtained from an independent qualified assessor or duly authorized official body confirming that the purchase price does not exceed the market value;
- the copy of draft contract of sale, showing that the land is free of any other burden has been submitted before the signature of the IPA Subsidy Contract.

c) Other investments

Durable goods as physical objects not falling within the equipment budget line and which may relate to or be independent from the construction works or the purchase of land must be reported under this budget line, following the same rules of eligibility foreseen for the "Equipment" (full price or depreciation method).

⁶ For instance the Slovenian Applicants are required by the "Decree on the Uniform Methodology for the Preparation and Treatment of Investment Documentation in the Field of Public Finance" to produce a Document of Identification of an Investment Project (DIIP) and for larger investments the Investment Plan (IP) and Pre-investment study. These documents must be attached before signing the IPA Subsidy Contract provided that they are still valid.

Financial charges and guarantee costs

This budget line shall include:

- charges for transnational financial transactions;
- the bank charges for opening and administering the accounts where the implementation of a project requires a separate account or accounts to be opened;
- the cost of guarantees provided by a bank or other financial institutions, up to the extent required by national or Community legislation;
- the cost of guarantees required from the private (not-profit) Lead Beneficiary up to the same amount as the cost of the guarantees covering the amount of the pre-financing (Reg. (EC) 2342 Art. 182).

4.4.5.4. Creating the project budget

After having read and understood all the previous Programme requirements about budget and the eligible expenditures, now Lead Applicants and project Beneficiaries can work out together to develop project budget.

The financial size of the project must truly reflect the activities foreseen in the work plan, respecting the principles of a sound financial management. A realistic budget should always be prepared on the basis of the activities needed to meet the project objectives and the resources required to carry out these activities within the time scheduled.

The estimated budget must be indicated in EUR, also by Beneficiaries from Countries with a different currency.

The Lead Applicants and project Beneficiaries have to set up their project budget with a “total budget” planning approach. ‘Total budget’ is the 100% of the financial resources needed to implement project activities.

The budget should be kept as accurate as possible. The ‘consistency of the budget’ is linked to the ‘value for money’ of the project. If the overall budget is considered very high (compared to the planned activities, project duration and number of partners involved), it also means that the consistency of the budget is not clearly demonstrated because it is over-estimated.

Therefore it is recommended to envisage:

- o **a reasonable** total budget compared with the planned activities/outputs, project duration and the number of partners involved;
- o **an appropriate** budget allocated to management and coordination tasks (WP1) according to the project structure, the number of partners and duration of project; it is also suggested that the budget for WP1 does not exceed 20% of the total project budget;
- o **a balanced budget between partners** in relation to their role in the project;
- o **a realistic** budget share planned for ‘external expertise’ and “staff” according to the project content;
- o that the budget of every category of expenditure is **in line with the planned activities**: for examples the budget line. ‘Promotion costs’ should clearly reflect the planned and described activities/outputs concerning the promotion/communication activities;
- o that equipment/investments costs (if envisaged) are **suitable** for the nature of equipment/investments and the produced benefit.

The Section ‘*Budget*’ of the AF is composed of 7 financial tables interlinked among them and with the work plan sections. The AF requires the budget split by budget line and component, and payment forecast per WP for the whole partnership.

Most of these tables are automatically filled in.

Firstly, Applicants must fill in the following two tables:

- 5.5- 'Beneficiaries' budgets per budget lines and per WP' inserting all the figures related to the budget of each Final Beneficiary per WP;
- 5.6- 'Beneficiaries' spending forecast per WP and per period'.

In this last table, for every project Final Beneficiary the budget per WP which is indented to be spent, must be indicated. The AF generates the spending forecast periods according to the project length.

The four spending forecast periods per year are:

Spending forecast periods
From 1st February to 30th April
From 1st May to 30th June
From 1st July to 31st October
From 1st November to 31st January

In the table 5.6 of the Application Form, Beneficiaries define the spending pattern of their budget and commit themselves to keep this rhythm of expenditure during the implementation of the project.

The Programme bodies will monitor the progress of the project during the implementation checking if the project goes on according to the spending forecast defined in the AF. In case it is not, the Programme bodies will take the necessary measures.

Moreover, when building their spending forecasts, Lead Applicants and project Beneficiaries should take into consideration the following elements:

- at least an allocation of 30% of the total project budget should be foreseen by the 1st year of project implementation;
- the budget foreseen in each spending forecast period partly reflects the activities taking place in that period; in fact if an activity is carried out close to the end of this period, the related payment may perhaps be done in the next period. Therefore the amount foreseen for a spending forecast period should correspond to the payments to be made in that period.

Finally, table 5.2. "Table of co-financing sources per Beneficiary" must be filled in. The table summarizes the sources of national co-financing. Each participating Country applies a different system in providing national co-financing (see also the § 4.4.5.2 of this Manual for details about national contribution), thus each project partner completes this table inserting the amount of its national co-financing according to the national contribution system envisaged by the Country where it is located.

Other tables are automatically filled in.

4.5. Relevant issues

4.5.1. State aid and de minimis regime

According to the Article 90.6 of the EC Regulation No. 718/2007, "for State aid to enterprises in the meaning of Article 87 of the Treaty, public aid granted under cross-border programmes shall observe the ceilings on State aid". It means that State aid rules must be applied under the IPA Adriatic CBC Programme both in Member States and non Member States.

It is important to define when the Programme contribution can be considered a State aid. The following conditions are laid down by the Art. 107 of the Treaty on the functioning of the European Union:

Condition	Explanation	Check under IPA CBC Adriatic Programme
Transfer of public resources	The resources come from public bodies (EU, national, regional and local authorities, public banks, etc). Financial transfers that constitute aid can take many forms: not just grants or interest rate rebates, but also loan guarantee, accelerated depreciation allowances, capital injections, tax exemptions, etc.	YES
Economic advantage	The aid should constitute an economic advantage that the undertaking would not have received in the normal course of business.	To be evaluated case by case
Selectivity	A contribution is considered "selective" if the authorities administrating the funds enjoy a degree of discretionary power.	YES
Effect on competition and trade	Aid must have a potential effect on competition and trade among Member States. The nature of the Beneficiary is not relevant in this context (even a non-profit organization can be engaged in economic activities).	To be evaluated case by case

The conditions "*Transfer of public resources*" and "*Selectivity*" are commonly present in all projects funded under the call for proposals procedures, while the others ("*Economic advantage*" and "*Effect on competition and trade*") should be verified case by case, focusing mainly on the Final Beneficiary's activities in the project.

The assessor/s will evaluate if activities assigned to each Final Beneficiary (irrespective of its legal status) are *market oriented*, if, in other words, the Programme contribution constitutes an economic advantage and it can, also only potentially, distort the regular competition among economic operators.

The main requirement to consider a Beneficiary subject to the State aid regime is the nature of the activities it intends to implement and not its legal status (public or private).

The IPA Adriatic CBC Programme applies under the 2nd Calls for proposals the *de minimis* scheme, according to the EC Regulation N°. 1998/2006. This Regulation covers small amount of subsidies ("*de minimis* aid") which does not constitute State aid in the meaning of Article 107 of the Treaty on the functioning of the European Union.

It means that if the Final Beneficiary is acting in the project as an undertaking - that is any entity engaged in an economic activity regardless its legal status (public or private) and the way in which it is financed – the *de minimis* scheme will apply.

The public assistance to project Beneficiaries constituted under public or private law and operating as undertaking in the projects will be granted by IPA Adriatic CBC Programme under the *de minimis* rule, according to the EC Regulation n. 1998/2006.

Within the domain of competition law, an undertaking is identified as any entity which exercises an activity of an economic nature and which offers goods and services in competition (actual or potential) with other operators active in the market, carrying out activities of an economic nature, devoted to the production and marketing of goods and services on the market.

This very wide concept of undertaking also includes all private and public firms whatever they produce. Activities carried out within the framework of statutory tasks normally performed by public authorities do not fall within the concept of an undertaking, in view of their non-business purposes and procedures.

In many cases, however, local public or administrative bodies may be considered to be similar to undertakings. In this regard the Commission has observed:

“Admittedly, municipalities and local authority associations are not normally regarded as undertakings. But, even though they may carry out a range of public tasks and exercise public powers, they can, according to the ruling given by the Court of Justice of the European Communities on 16 June 1987, in Case 118/85 (Commission vs Italy), be regarded as undertakings if they carry out an economic activity on the market. This is to be assumed to be the case here especially if the municipalities are active via an owner-operated municipal enterprise”.

When assessing the whole range of activities of these bodies it is necessary to have a pragmatic approach taking into account the activities that will be implemented within the market. Waste disposal or treatment, for example, which in the past was the prerogative of local administrations or was provided by them outside the market logic, is now largely considered a business activity. In general, such activities are often carried out by entities that are mainly or completely controlled by public bodies and directed towards a public interest and so they are considered business activities.

The *de minimis* rule implies that undertakings (i.e. private companies, together with public authorities and bodies governed by public law developing economic activities on the market) will be granted funding provided that they have not received grants under the “*de minimis*” rule exceeding 200.000 EUR over a three-year fiscal period.

Each Final Beneficiary must declare in the *de minimis* and Legal Status Declaration if the activities that it will carry out in the project are relevant for the application of the *de minimis* rules.

The Final Beneficiary must respect the ceilings and the rules of the *de minimis* regime, if the activities that it will implement in the project are market oriented (having an industrial or commercial character) and can affect the trade between Member States.

The *de minimis* rules under EC Regulation 1998/2006 apply to aid granted to undertakings in all sectors, with the following exceptions:

Sector	Applicable rules
Transport	Public assistance up to € 100.000,00 (Reg. EC 1998/2006)
Fishery and aquaculture	Public assistance up to € 30.000,00 (Reg. EC 875/2007)
Primary production of agricultural products	Public assistance up to € 7.500,00 (Reg. EC 1535/2007)
Operators in the primary production of agricultural products	<i>De minimis</i> regime is applicable just in certain cases (Regulation EC 1998/2006)
Aid contingent upon the use of domestic over imported goods.	<i>De minimis</i> regime not applicable
Coal sector	<i>De minimis</i> regime not applicable
Acquisition of road freight transport vehicles granted to undertakings performing road freight transport for hire or reward.	<i>De minimis</i> regime not applicable
Undertakings in difficulty.	<i>De minimis</i> regime not applicable
Export aid	<i>De minimis</i> regime not applicable

If Beneficiaries' project activities can be considered as State aid relevant, the maximum grant (cash and/or gross equivalent) will be calculated in compliance with the *de minimis* regime.

This means that the maximum aid intensity is equal to 85% of the grant that would have been assigned if the Final Beneficiary was not acting in the project as an undertaking (see § 4.4.5.2 of this Manual).

In this case, the Final Beneficiary must ensure 15% of its total budget from its own resources.

According to the Calls rules, IPA Adriatic CBC Programme will grant under the *de minimis* rule:

- Private project partners (profit or no-profit making) unless they justify that they are **not** acting in the project as undertakings and for private interest;
- Public bodies and bodies governed by public law **ONLY** in case they declare to act in the project as undertakings and for private interest.

The condition within the Beneficiary falls in has to be indicated in the Beneficiaries' description of AF.

4.5.2. Public procurement

If the implementation of a project requires procurement of services, supplies or works by any Final Beneficiary, the contract must be awarded to the best value for money tender (i.e., the tender offering the best price-quality ratio), in accordance with the principles of transparency and fair competition for potential contractors and taking care to avoid any conflict of interest.

To this end, the Final Beneficiaries shall apply Article 121 of Regulation (EC) n. 718/2007⁷, according to which all Beneficiaries (from EU and non EU Countries; public and private as well) shall follow the contents of the “*Rules and procedures for service, supply and works contracts financed from the general budget of the European communities for the purposes of cooperation with third Countries*”⁸, Those provisions shall apply in the whole area of the Programme.

Final Beneficiaries are suggested to consult Practical Guide to Contract procedures for EU external actions (hereinafter referred to as “PRAG”) available from the following Internet address: http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm, as well as from the Programme website. In the case templates other than PRAG are used, they must be in line with the EU rules and regulations regarding the public procurement applied to this Programme

Public procurement rules and procedures applicable to service, supply and work contracts financed by the general budget of the European Communities for the purposes of cooperation with third Countries are mandatory and have to be respected by all Beneficiaries irrespective of their legal status (public or private) and their location (Member States or IPA Countries).

The **principles of transparency, equal treatment, non-discrimination and sound financial management of the public funds** must always be respected also below the threshold values, as recommended by the EC in the Interpretation Decision (2006/C 179/02).

4.5.3. Revenues

As a general rule, the grant may not have the purpose or effect of producing a profit for the Final Beneficiaries and consequently it must be restricted to the amount required to balance income and expenditure for the project.

This being said, any revenue generated by the project must be deducted from the project total cost. This deduction will be made in full or pro-rata depending on whether it was generated entirely or partly by the co-financed project.

Revenues can be defined as earnings generated during the project implementation through the sales of products and merchandise, participation fees, rentals, services, or any other provisions of services against payment.

Any time a project has generated revenues, the Final Beneficiary shall declare them in the Activity Report.

Should the project be identified as revenue-generating, the MA is entitled to deduct from the final request for payment the estimated net revenue that may be generated by the project.

The key decision is to consider if revenues can be (or not) calculated in advance:

- if revenues can be calculated in advance, the net revenue (the revenue minus the operating costs generated all throughout project lifetime) has to be calculated and deducted from total costs;
- if it is not possible to calculate the revenue in advance, all revenue generated within five years from operation completion has to be deducted.

The Programme contribution will be calculated on the basis of the total eligible expenditures having deducted any revenue to be generated during the project implementation period, therefore contracts with Lead Beneficiaries will be concluded without taking revenues into account.

All revenue not taken into account will have to be refunded to Programme budget.

If Final Beneficiaries are able to estimate the revenues in advance, their amount must be indicated in the “Budget breakdown”, annexed specifications of the AF (see § 4.6.2.1 of this Manual).

⁷ “For the award of service, supply and work contracts, the procurement procedures shall follow the provisions of Chapter 3 of Part 2, Title IV of Regulation (EC, Euratom) No 1605/2002 and Chapter 3 of Part 2, Title III of Regulation (EC, Euratom) No 2342/2002, as well as Commission Decision C(2007) 2034 on the rules and procedures applicable to service, supply and work contracts financed by the general budget of the European Communities for the purposes of cooperation with third countries, with the exclusion of Section II.8.2. Those provisions shall apply in the whole area of the cross-border programme, both on the Member States’ and on the beneficiary countries’ territory.”

⁸ Decision of the European Commission EC n. 2034/2007 (sections II2-II7).

4.5.4. In-kind contribution

In the framework of IPA Adriatic CBC Programme the contributions in-kind (e.g. free use of room, equipment or other facilities, unpaid voluntary work, generally any contribution without money flow) do not represent actual expenditure and are not eligible costs.

The costs of staff assigned to the Project is considered as an eligible cost, not a contribution in kind when paid by the Final Beneficiary, since counting as an '*in-cash*' contribution. Staff ***not*** paid by the Final Beneficiary would be considered a contribution in kind. In this case, Final Beneficiaries should pay particular attention to ensure that these are real costs based on standard rates.

4.5.5. VAT

As a general rule, Value Added Taxes are considered as non-eligible costs in this Programme.

Anyway, those Final Beneficiaries who cannot recover VAT according to their VAT status (defined in the Country of establishment) can include VAT costs in their budget, provided that:

- they are not recoverable by any means;
- they are borne by the Final Beneficiary; and
- they are clearly identified in the project proposal.

This being said, each Final Beneficiary must plan its project budget including VAT only if it is an eligible expenditure.

4.6. Application Form's annexes

The Project proposal, a part of the Application Form, has different annexes. The following sub-paragraphs explain how these annexes must be submitted and who has to fill them in.

It is reminded that only Lead Applicants can upload/send the project proposal and the annexes, thus the other Final Beneficiaries have to send the required documents/information to the Lead Applicant prior in advance.

The provided forms have not to be modified.

4.6.1. Overview of the types of annexes to be produced

Type of Annex		Who?	How to submit?	Annex format for up-load in M.I.S.	How to name the file?
AF annexed specifications	Budget breakdown	To be filled in by every Final Beneficiary for its budget.	To be uploaded on line by the Lead Applicant in <u>one single file containing</u> all the Beneficiaries' budget breakdowns. A stamped hard copy must be sent by mail too.	EXCEL	Project Acronym_Budget Breakdown
	Investment details	To be filled in for the entire project only investment/s.	To be uploaded on line by the Lead Applicant. A stamped hard copy must be sent by mail too.	EXCEL	Project Acronym_Investment details
Declaration documents	Letter of Intent	Every Final Beneficiary fills in its own letter	To be submitted by Lead Applicant ONLY in hard copy by mail.	PAPER	/
	The "de minimis" and Legal Status Declaration	Every Final Beneficiary fills in its own declaration	To be submitted by Lead Applicant ONLY in hard copy by mail	PAPER	/
	The Letter of Interest of the Associate	In case there are Associates, every Associate fills in its own letter	To be submitted by Lead Applicant ONLY in hard copy by mail	PAPER	/
Supporting documents	Legal documents	By every Final Beneficiary	To be uploaded ONLY on line by the Lead Applicant in one compressed folder.	PDF/JPG/ (or similar)	Named according to the name of Final Beneficiary which each document refers to.
	Final Beneficiary Bank Account Identification Notice	By every Final Beneficiary			
	Balance sheets	By every Final Beneficiary except public bodies			

4.6.2. How to provide annexes

4.6.2.1. 'Budget breakdown' Form

The 'Budget breakdown' is an excel form accompanying the AF (as annexed specification) and represents a tool both for the Final Beneficiaries (to plan expenditures) and for the assessors.

It is highlighted that the compilation of this form does not represent an additional burden for the project Beneficiaries. It has been conceived:

- to help the Beneficiaries to plan their expenditure realistically and in a more accurate manner, in accordance with the actual needs related to the implementation of each Work Package/activity foreseen;
- to help the assessors during the quality assessment process of the project proposals, who will verify the necessity and accuracy of the total amount for each budget line foreseen in the Application form. This tool will give a more detailed picture of the planned costs to be incurred during the project implementation, thus it is advisable to forecast the budget in as much details as possible.

The 'Budget breakdown' consists of:

- two informative sheets: the first one contains few technical instructions, the second one shows an example of a fictitious project, only for illustration purposes. The contents of these two sheets are blocked;
- a number of sheets equal to the number of the Beneficiaries. Each Final Beneficiary must fill in one of these sheets in the form, describing the planned expenditure referred to a specific activity for each budget line.

The Beneficiaries should respect all the eligibility rules of the Calls previously mentioned when planning their budget and compiling the sheets.

At the top of each sheet, the Project title, Acronym and the name of the relevant Final Beneficiary must be indicated.

For each expenditure, the following must be indicated:

- **unit** - which may be, for example: hour, man/day, month, ticket, km, computer, chair.....)
- **# of units** - number of the units needed
- **Unit rate (in EUR)** which should represent a realistic estimation of the cost per unit
- **Costs (in EUR)** - which is calculated on the basis of: **Unit rate x # of units**.

In case the VAT is an eligible expenditure for the Final Beneficiary (see also § 4.5.5 of this Manual) according to its VAT status, VAT must be clearly indicated in the relevant column of this form (column H).

The total amount in the last column (I) must be the one to be indicated in the Application Form.

The Beneficiaries are advised to verify that the expenditures shown in the "Budget breakdown" form match those indicated in the Application Form.

At the bottom of the budget lines description, there is a table on "revenues". It should only be filled in case Final Beneficiary foresees revenues (see also § 4.5.3 of this Manual). The estimated amount of net revenues defined here serves only as information. If it is possible to objectively estimate the revenues in advance, indicate the amount of the expected revenues in this field, otherwise, leave it blank.

Each Final Beneficiary has to fill in one sheet and send it to the Lead Applicant. The Lead Applicant must collect all the sheets in one single file, renamed '*Project Acronym_Budget breakdown*', and submit it (in excel format) on line. Then the Lead Applicant must print out all Beneficiaries' sheets (its own included), stamp each page and send them together with all the other hard copies of the Project Proposal by mail (see § 5.1 of this Manual).

4.6.2.2. 'Investment details' form

The 'Investment details' is an excel form accompanying the AF (as annexed specification) and represents a tool both for the Final Beneficiaries and for the assessors.

The form will be used to verify the necessity and accuracy of the investment expenditure foreseen in the Application form during the quality assessment process of the project proposals. It aims to give a detailed evidence and consistency of the planned Investments and the costs needed for them.

It must be filled in ONLY in case the project proposal foresees investment/s.

The 'Investment details' form consists of:

- two informative sheets: the first one contains few technical instructions, the second one shows an example of a fictitious project, only for illustration purposes. The contents of these two sheets are blocked;
- general description sheet, where the investment should be clearly described specifying the types (land purchase, construction, reconstruction, renovation, extension, other works), the detailed description of the investment, its location, the involved Final Beneficiary/ies, the cross-border character, the financial, institutional and political sustainability of the investment after project end, as well as duration; a sheet should be duplicated in case of more investments;
In the description of the investments it is suggested to be concise and precise avoiding superfluous words but trying to really make understand what the investment/s concern/s.
- costs description sheet: the estimated costs for all the foreseen investment/s should be listed; it is advisable to forecast the costs in as much details as possible.

In case the VAT is an eligible expenditure for the Final Beneficiary (see also § 4.5.5 of this Manual) according to its VAT status, the VAT must be clearly indicated in the relevant column of this form (column G).

The total amount in the last column (H) must be the one to be indicated in the Application Form.

The Beneficiaries are advised to verify that the expenditures shown in the "Investment details" form match those indicated in the Application Form.

Once filled in, the Lead Applicant should print the sheets out and stamp each page.

The filled in form, renamed '*Project Acronym_Investment details*', should be submitted by Lead Applicant on line (in excel format) and then sent together with all the other hard copies of the Project Proposal by mail (see § 5.1 of this Manual).

4.6.2.3. 'Letter of Intent' Form

Lead Applicant and each Final Beneficiary must provide a signed Letter of Intent. The template of Letter of Intent is provided by the Programme and is available in the Application Package.

The letter of Intent has a double aim:

- to declare not to fall in one of the situations under the provisions of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248 of 16.09.2002), amended by Regulations (EC, Euratom) No 1995/2006 (OJ L 390 of 30.12.2006) and (EC) No 1525/2007 (OJ L 343 of 27.12.2007) of the Financial Regulation applicable to the general budget of the European Communities, according to which grants may not be awarded to Final Beneficiary falling in any of those situations;
- to state the co-financing amount to be secured for the project as laid down in the Application Form (see also § 4.4.5.2 of this Manual).

The Letter of Intent of each Final Beneficiary must clearly refer to the specific project proposal (indicating the Acronym, the title and the Lead Applicant).

The Letter of Intent must be signed in handwriting by the legal representative (or authorised representative) of the Final Beneficiary. In case of a signature by an authorized representative, the

document proving the authorization must be provided or quoted (relevant statute/law provision or the general/special delegation act).

A handwritten signature means a signature written by hand, with wet ink, no scanned, stamped or electronic signatures are allowed.

Each Final Beneficiary has to fill in one Letter of Intent and send it to the Lead Applicant. The Lead Applicant must collect all the Beneficiaries' Letters of Intent and submit them together with all the other hard copies of the Project Proposal by mail (see § 5.1 of this Manual).

4.6.2.4. *'de minimis and Legal Status Declaration' Form*

Lead Applicant and each Final Beneficiary must provide a signed "*de minimis*" and Legal Status Declaration. The template - which is available in the Application Package - is pretty self-explanatory: it is important to follow what reported in italics wording between brackets.

The "*de minimis*" and Legal Status Declaration of each Final Beneficiary must clearly refer to the specific project proposal (indicating the Acronym, the title and the Lead Applicant).

The "*de minimis*" and Legal Status Declaration must be signed in handwriting by the legal representative (or authorised representative) of the Final Beneficiary. In case of a signature by an authorized representative, the document proving the authorization must be provided or quoted (relevant statute/law provision or the general/special delegation act).

A handwritten signature means a signature written by hand, with wet ink, no scanned, stamped or electronic signature are allowed.

Each Final Beneficiary has to fill in its own the "*de minimis*" and Legal Status Declaration and send it to the Lead Applicant. The Lead Applicant must collect all the Beneficiaries' Declarations and submit them together with all the other hard copies of the Project Proposal by mail (see § 5.1.2. of this Manual).

4.6.2.5. *The Letter of Interest of the Associate*

In case in the project Associates are involved (see § 4.3.3.6 of this Manual), each Associate must fill in a single **Letter of Interest**. The template is available in the Application Package.

The Letter of Interest of each Associate must clearly refer to the specific project proposal (indicating the Acronym, the title and the Lead Applicant).

The Letter of Interest must be signed in handwriting by the legal representative (or authorised representative) of the Associate. In case of a signature by an authorized representative, the document proving the authorization must be provided or quoted (relevant statute/law provision or the general/special delegation act).

A handwritten signature means a signature written by hand, with wet ink, no scanned, stamped or electronic signatures are allowed.

Each Associate has to fill in one Letter of Interest and send it to the Lead Applicant. The Lead Applicant must collect all the Associates' Letter and submit them together with all the other hard copies of the Project Proposal by mail (see § 5.1 of this Manual).

Considering that Associates do not have an active (and financial) role into the project, in case the letter is not submitted, the project will not be anyway rejected even though the participation of the Associate will not be taken into consideration until a Letter of Interest is provided.

4.6.2.6. **Supporting documents**

Several supporting documents related to all the project partners (Lead Applicant included) must be provided in order to verify the eligibility of the project Beneficiaries.

The supporting documents are:

Legal documents

- Legal documents prove the legal existence of the organization and that the organization is established according to the respective national law(s). Legal documents must be consistent with the legal status of the Final Beneficiary's data declared in section 2. "Cross-border partnership" of the Project Application Form. If the applicable national law requires a registration, a copy of this registration should be included as well. Legal documents can be submitted in national language.
- For public bodies (e.g. cities, regions and municipalities, or governmental institutions, universities...), it is sufficient to provide a copy of the resolution, law, decree or decision establishing the body in question, or, if not available, any other official document originating from this body if the header contains the name, address and when applicable the registration number.
- In case of project Beneficiaries located outside the Programme eligible area, but with a branch office in the eligible area, the provided legal documents must also give evidence of the existence of the local organisational unit in the Programme as required in § 5 of the Calls.

Final Beneficiary Bank Account Identification Notice

Each Final Beneficiary and the Lead Beneficiary has to provide Final Beneficiary Bank Account Identification Notice signed by the legal (or authorised) representative in compliance with the relevant statute/law provision or the general/special delegation act.

It is very important to make sure that the denomination (title) and the address of the account that each Final Beneficiary will mention on the form are exactly in compliance with what is recorded at their own bank.

It is even suggested to attach a copy of a recent bank statement (you can hide the amounts, if necessary). In this case the stamp and the signature of the bank's representative are not required.

Balance sheets

All project Beneficiaries – except public bodies – have to provide their balance sheets for the most recent year that accounts are closed.

Organisation which, according to their national law, do not need to establish balance sheet should provide the closest equivalent, e.g. a statement of income and expenditures. Newly founded organisations, which do not yet have balance sheets and profit and loss account available, should attach their business plan.

The above mentioned supporting documents (legal documents, Final Beneficiary Bank account Identification Notice and Balance sheets when applicable) should be collected by Lead Applicant from every Final Beneficiary. It is suggested to collect all these documents in a folder on PC/laptop and finally compress them using the compressed (zipped) folders feature.

All the above-mentioned supporting documents should be marked as "certified copy" before being scanned and uploaded in the online submission system.

The purpose of the certification of the required documents is to confirm that the submitted copies correspond to the original. This certification can be given by any authorised person of the Final Beneficiary by stating on the document "Corresponding to the original" and having this statement signed, stamped and dated. In case (some of) these documents are published in a national public register, the copies do not need to be certified. In case of voluminous documents, only the first page needs to be certified.

Lead Applicants have to upload this compressed folder into the *Programme Management and Information System*, together with the other AF annexed specifications.

In case the size of the file does not permit the online submission, Lead Applicant can submit the supporting documents by mail, together with the other documents.

§. 5. SUBMISSION OF A PROJECT PROPOSAL

5.1. How to submit a project proposal

Only the Lead Applicant can submit the project proposal collecting the required documents from all the other partners.

The Project proposal has to contain the following elements:

- The project Application Form and its annexed specifications;
- Letters of Intent from each partner;
- The “de minimis” and Legal Status Declaration from each partner;
- Letter of Interest of Associates (if any);
- Supporting documents.

The documents forming the project proposal must be submitted according to the forms required by the Programme and do not have to be modified.

The Project proposal must be submitted **both via web and via mail** following the procedures described below.

5.1.1. On line submission

Firstly, Applicants must submit project proposal via web through the *Programme Management Information System* (hereinafter referred to as M.I.S.).

Proposals not submitted through the System and arrived at the MA/JTS by any other means will be considered as “not submitted” and will not be evaluated.

The Project proposal's elements to be submitted via web are:

- the Application Form filled in on line,
- the uploaded annexed specifications,
- the uploaded required supporting documents.

The submission and validation process in the M.I.S. must be completed within the Calls deadline:

02/11/2011, by the 11:59 p.m. UTC/GMT+1 hour (Rome time)

It is recommended to use the “*Guideline for the submission of project proposals through the Management and Information System*” in order to better understand how the submission process works.

When the submission procedures are completed, the M.I.S. will produce the “**Project submission Receipt**”, attesting the submission of the proposal which indicates the assigned project code, the data and time of the submission. The Receipt must be printed, signed in handwriting and stamped with the official stamp of the institution of the Lead Applicant.

This Receipt must be signed by the legal representative or by an authorized representative of the Lead Applicants. In case of a signature put by an authorized representative, the document proving the authorization must be provided or quoted⁹.

5.1.2. Hard copies submission

The Project proposal must be submitted **also via mail**.

The following documents must be sent by mail:

- the signed "Project submission Receipt" in original version;
- the hard copy of the annexed specifications ('Budget Breakdown', 'Investments details') to the Project Application Form as uploaded in the System, in original version;
- the original versions of the Letter/s of Intent, the "*de minimis*" and the *Legal Status* Declarations of the Lead Applicant and of every partner;
- the authorization/s to sign, in case an authorized person signed the above-mentioned documents (*when applicable*);
- original version/s of Letter/s of Interest in case of Associate/s.

All these documents must be submitted in original, that means no scan, copies or photocopies are allowed.

In case the Lead Applicant does not succeed in the online submission of the required supporting documents due to files size, the same documents must be sent by mail in the same envelope with the other hard copies' documents.

The Application form must never be submitted by e-mail nor by mail, but only online through the M.I.S.

The deadline to send the above-mentioned hard copies documents is:

22/11/2011>, by the 11:59 p.m. UTC/GMT+1 hour (Rome time)

The stamp proves that the deadline is respected. This means that only the date marked on the official mailed envelope will be taken into account (for instance postal stamp, freight note); no other proof will be accepted.

The Project proposal put in a sealed envelope can be sent **by post, registered letter or express courier** (no personal delivery) to the following address:

**IPA Adriatic CBC Programme - Joint Technical Secretariat
c/o Regione Abruzzo
Via Salaria Antica Est, n. 27
I-67100, L'Aquila
ITALY**

⁹ These documents may be: the relevant statute or law provision or the general/special delegation act, letter.

The envelope must be marked as follows:

"IPA Adriatic CBC Programme – 2nd Call for Ordinary Projects Proposals

Priority <To be specified>

Lead Applicant: (denomination and address)

Acronym of the project proposal

Do not open".

It is recommended to submit the Project Proposal well before the deadline(s), in order to avoid late submission!

§. 6. PROJECT SELECTION PROCEDURES

The project selection procedure starts with assessing the formal check of the submitted proposals against a set of admissibility and eligibility criteria. Finally the eligible project proposals will be evaluated against a set of quality criteria. The evaluation (formal and quality) criteria are listed in § 12 of the Calls.

6.1. The formal assessment

First, Project proposals are evaluated by the Joint Technical Secretariat, under the supervision of the Managing Authority against two sets of criteria: the formal admissibility check and the eligibility check.

- A** **Formal Admissibility check:** at first, the JTS will check the project proposals against the following set of the **formal admissibility criteria**:
- the Project proposal has been submitted online within the given deadline (Admissible criterion A);
 - the requested hard copies' documents have been sent by mail in due time according to the deadline set in the relevant Call for proposals (Admissible criterion A);
 - the Project submission Receipt, the Letter of Intent of each partner and the "de minimis" and Legal Status Declaration from each partner have been sent in due time and in the duly forms (Admissible criterion B and C).

The Projects proposal will be rejected automatically if any of the requirements listed above is not fulfilled.

Only project proposals fulfilling all the above-mentioned formal admissibility criteria will pass to the next eligibility check

- B** **Formal Eligibility check:** the formal admissible projects will then be checked by the JTS against the following set of the **formal eligibility criteria**:
- Project fulfils the minimum cross-border partnership required by the Programme (see § 4.4.3.1 of the Manual).
 - The project budget is within the financial thresholds established by the Calls and all the costs have been expressed in EUR (see § 4.4.5.1 of the Manual).
 - Final Beneficiaries have secured the national co-financing shares, according to Calls rules, and own contribution where required for undertaking activities (*in case of "de minimis" subsidies*) (see § 4.5.1 of this Manual).
 - The project proposal clearly indicates the Measure to which it is referred.
 - The Lead Beneficiaries and all Final Beneficiaries are eligible, according to the rules of the Calls for proposals (see § 4.4.3 of this Manual).
 - All the documents required for the Lead Applicant and the Final Beneficiaries have been filled in all their parts and are consistent with each other, thus what has been declared in one document (as in the Application Form; i.e. the legal status or legal/authorized representative) is the same of what declared in the others (Letter of Intent or de minimis and legal status declaration...).
 - The project proposal is in the English language in all its parts and sections, unless another language is permitted by the Calls.
 - Final Beneficiaries acting under a State aid regime respect the relevant disciplines and the financial limits (*de minimis* regime).
 - Location of activities implementation has been clearly indicated in the Application Form (see § 4.4.5.3 of this Manual).

- When a Final Beneficiary is located outside the Programme area, its nationality and its registered office have been clearly indicated (see § 4.4.3.7 of this Manual).
- Project partners cooperate in at least two of the ways foreseen in the Calls (see § 4.4.2.8 of this Manual).
- The project duration of the project does not exceed 36 months.
- The project does not duplicate already financed project, as declared in the Letter of Intent.
- The project excludes double financing, as declared in the Letter of Intent.

Project proposal will be rejected if any of the eligibility criteria has not been fulfilled.

Only project proposals that fulfil all the above-mentioned eligibility criteria will pass to the quality assessment.

In some cases, the Lead Applicants may be invited by the Managing Authority to submit missing documents and/or clarification, which will be requested only once during the formal assessment process.

The missing of Project submission Receipt, the Letter of Intent of each partner and the “de minimis” and Legal Status Declaration from each partner, is a ground for exclusion in the Formal Admissibility check.

If necessary to better achieve the formal assessment, the JTS might require, also to the Programme National Authorities/Coordinator, to provide documents that might integrate the evidential documents already provided by the Final Beneficiaries in order to finalize the examination of the fulfilment of the formal assessment criteria.

When the missing documents/clarification are received, the following decisions can be taken:

- a) if the project proposal meets all the formal assessment criteria, it will be recommended for further evaluation;
- b) in case of any formal deficiency of the project proposal (missing documents/clarification were unsuccessful) against the formal assessment grid, it will not be recommended for further evaluation.

Once the formal check is concluded, the JTS communicates the results to the JMC, with a Report on the formal assessment of all the project proposals. Once the JMC approves the report, the Managing Authority will publish on the Programme website the list of the project admitted to the quality assessment, according to the principle of transparency and publicity of the selection procedure.

Lead Applicants will be also informed by a written communication about the reasons of rejection of their project proposals.

6.2. The quality assessment

The quality assessment will be carried out based on the quality assessment grid containing evaluation criteria classified as selection criteria, as indicated in § 12 of the Calls.

The maximum score per project proposal is 100 points resulting from the score of the five sections of the quality grid.

A project proposal will not be eligible for funding if:

- it achieves a score lower than 70 points, **or**
- it does not reach to at least half points of the predefined maximum score for each of the five sections of the quality grid.

Projects that do not fulfil both above-mentioned minimum scores are not eligible for funding by the Programme

In parallel to the Quality assessment a “*de minimis*” check will be made to analyse the state aid status of the Project Partners in order to screen the aid intensity for project activities which fall under the State aid rules.

For the second Calls for proposals no specific criteria per Measure are envisaged.

All the project proposals will be assessed on the basis of the general criteria as above mentioned. The JMC is responsible for selecting and approving operations, whilst the quality assessment is carried out by JTS, the IPA Adriatic CBC Programme National or Regional Authorities/Coordinator and, if necessary, by the external experts.

In case two or more projects have the same scores, priority will be given to projects that have the higher score under the Section D “Quality of the intervention” of the evaluation grid. In case of further equality, the priority will be given to projects with the higher score under the other Sections of the evaluation grid, taking in account the following order of precedence: Section A “*Consistency with the programme strategy*”; Section B “*Cross border character of the intervention*”; Section C “*Financial and management capacity*”; Section E “*Budget of the project*”.

When the assessors conclude the quality assessment, the JTS will prepare the list of projects recommended for co-financing ranked by their average points and the list of projects not eligible for co-financing. On the basis of the ranking list of projects proposals eligible for funding for every Priority, the JMC will make the final decision on selection of projects.

The projects are financed according to the available budget of the Calls for proposals and under the conditions set out by the JMC. The JMC may in fact decide to finance proposals under certain conditions (budget modification, budget decrease, compliance with EU or national regulations, horizontal principles, etc). These conditions will be communicated to the Lead Applicants in the letter on result of quality assessment sent by the Managing Authority, through the JTS, at the end of the selection process.

The final ranking list will be published by the Managing Authority according to the national and regional regulation; it will be published also in the Programme website.

§. 7. CONTRACTING AND IMPLEMENTATION PHASES

7.1. Contracting phase

The Lead Beneficiaries of projects selected for funding will be notified by the Managing Authority on the amount of Programme contribution approved and on the conditions of approval of the Project (if any).

At the same time they will be requested to submit – on behalf of the partnership – documents necessary for the preparation of the IPA Subsidy Contract, among others (*the below list is indicative and serves only for information purposes*):

- A) Partnership Agreement between the Lead Beneficiary and all Project Partners, signed in the original version. The purpose of the Partnership Agreement is to make sure that all partners are aware of the information that the Lead Partner needs to fulfil its responsibilities and that, if anything goes wrong, the concerned partner will accept responsibility and pay back any incorrectly used funds. Final Beneficiaries must be in fact aware that they are clearly (financially) responsible for the use of their funds.
- B) Financial guarantee(s) in case of a **private Lead Beneficiary**, which shall be issued by the Lead Beneficiary itself for the total IPA contribution assigned to the project Final Beneficiaries with a private legal status.

The financial guarantee shall be based on the format (financial_guarantee_template.doc) required by the Managing Authority and annexed to the Calls, it shall be valid until the final reimbursement made by the Programme and has to be issued in compliance with article 19 of General Conditions of the IPA Subsidy Contract. In addition, the guarantee shall be supplied by an approved bank or financial institution established in one of the European Member States or Country participating to the Programme, if that bank or financial institution offers equivalent security as that offered by a bank or financial institution established in an European Member State.
- C) In case of approval of a project with Beneficiaries (public bodies excluded) whose grant assigned for the action exceeds EUR 500.000,00 an audit report produced by an approved external auditor must be submitted by the related Final Beneficiary. That report must certify the accounts for the last two available financial years.
- D) Original certified copies of the supporting documents provided by each Final Beneficiary in the online submission of the project Application Form.
- E) In case the project includes investments, further documents may be required:
 - land or building registration certificates (certified copies issued by the respective institution which issues land or building registration certificates) or copies certified by a public notary. They can be in the original language;
 - valid and legally effective construction permit and/or other document required by national law, as environmental permits or environmental impact assessment and legally binding environmental permits¹⁰. The owner of the permit must be partner in the project.
- F) If relevant, any additional documents requested by the MA/JMC relating to any condition for approval of the project.

Once the documents necessary for the finalization of the IPA Subsidy Contract have been submitted by the Lead Beneficiary on behalf of all its partners, the JTS prepares the IPA Subsidy Contract.

¹⁰ For instance the Slovenian Applicants are required by the "Decree on the Uniform Methodology for the Preparation and Treatment of Investment Documentation in the Field of Public Finance" to produce a Document of Identification of an Investment Project (DIIP) and for larger investments the Investment Plan (IP) and Pre-investment study. These documents must be attached before signing the IPA Subsidy Contract provided it is still valid by then.

The contracting and implementing rules are described in the General Conditions of the IPA Subsidy Contract. The IPA Subsidy Contract is signed between the Managing Authority on one side, and the Lead Beneficiary on the other side.

As soon the IPA Subsidy Contract is finalized, the Managing Authority will assign, upon a pre-financing payment request, an advance payment to the Lead Beneficiary for the project start up, up to the limit of 20% of Community contribution allocated to the project. The advance payment is anyway granted to Lead Beneficiaries under the condition that the Managing Authority has already received by the European Commission the Programme pre-financing, according to the Article 128 of EC Regulation 718/2007.

The amount of the advance payment is transferred to the Lead Beneficiary's bank account and the Lead Beneficiary is responsible for transferring the respective advanced amounts specified in the Subsidy Contract to the Project Partners as agreed in the Partnership Agreement.

7.2. Project implementation

Project proposals have to be planned in order to be able to start working immediately without the risk of delay.

All financing projects should foresee an expenditure level at least of 30% of the total project budget within the 1st year of project implementation.

The JMC will reserve the right to reduce the Programme contribution to projects which will report a level of expenditures below the amount of the total project budget planned to be paid out within the 1st year of project implementation.

As a general rule, the grant payments are made on a reimbursement basis. Payment claims ("Application for Reimbursement") are transmitted by the Lead Beneficiary to the Managing Authority on behalf of the partners. The validated amount of IPA contribution is then transferred in EUR by the Certifying Authority of the Programme to the bank account held by the LB, which has the responsibility to transfer the respective IPA amount to each Project Partner within the deadline agreed in the Partnership Agreement. The payment of the national co-financing shares will instead follow the rules and procedures established by single Programme Participating Countries.

Other information concerning the grant payment and project implementing rules are described in the General Conditions of the IPA Subsidy Contract that are to be considered integral parts of the Calls for proposals.

During the project implementation, changes in its implementation rather than modification of the budget can be allowed in some cases in order to adapt the project to real context/situation. Article 17 of the General Conditions of the IPA Subsidy Contract (SC) defines the range of options and the procedures for project modifications.