

# **ELIGIBILITY OF EXPENDITURES: FOCUS ON THE ITALIAN BENEFICIARIES**

*Informative Seminar for First Level Controllers  
Bari, 18 December 2018*

# *Regulatory framework*



## ***EU legislation:***

- Reg. EU 1303/2013 laying down common provisions on ESI funds
- Reg. EU 1301/2013 on the European Regional Development Fund
- Reg. EU 1299/2013 on the European territorial cooperation objective
- Reg EU 481/2014 on eligibility of expenditure for ETC programmes

## ***Italian legislation:***

- Presidential Decree no. 22 of 5 February 2018 setting out the rules regarding the eligibility of the expenditure categories that are co-funded by the 2014-2020 Structural Funds
- Law n. 136 of 13 August 2010 on Traceability of financial flows

## **Specific Regulatory Framework:**

- Public procurements
- State aid
- Environmental rules
- Non discrimination and equal opportunities
- Programme, Call for proposals, Programme and Project manual, Guidance on management verification, etc.

# 1. *General Rules of Eligibility*

Expenditure have to be ***paid for*** and made by beneficiaries and to be:

- coherent and consistent with the approved project budget;
- clearly functional in the attainment of project objectives;
- of a reasonable amount and respectful of the principle of sound financial management;
- incurred in accordance with the accounting regulation in force and accounting rules of each Beneficiary;
- supported by invoices (or accounting documents of equivalent probative value), bank extracts, etc.;
- recorded in the accounting system of the beneficiary and clearly identifiable and distinguishable from expenditure for activities of a different nature;
- justified in the reporting documents detailing the connection between the expenditure incurred and the related project activities/output/deliverables;
- the same number of accounting reports will be presented, as the number of project partners.

## 2. General Rules of Eligibility

**Period of Eligibility** => between 1 January 2014 and 31 December 2023.

**Expenditures** => receipted within the closing date of the project activities and paid by 60 days.

**Tax and social security charges** => paid within a maximum of 90 days after the closing date of the project activities and in any case within 31 December 2023.

**Implementation Area of an Operation** => within the area covered by the Programme except duly conditions (e.g. WP6 activities or duly authorized by the MA).

### **Greece:**

Western Greece, Ionian Islands; Region of Epirus

### **Puglia Region:**

the whole territory.



# *Reporting documents*

## **Legal documents:**

- work contract, service order/letter of award, authorization, contracts with service suppliers;
- documentation proving compliance with tender procedures as per the respective legislation.

## **Expenditure documents:**

- payroll copies, invoices or receipts in the name of the Beneficiary, attesting to the purchase of a good or the use of a service;
- monthly timesheets indicating the employee's details, the activities and the hours worked on the project;
- boarding pass, tickets, agenda, list of participants;
- reports, studies or analysis, minutes.

## **Payment documents:**

- payment orders receipted by the bank's cashier and/or treasurer ;
- bank credit transfer or bank cheque (accompanied by a bank account statement proving this charge was made on the Beneficiary's bank account).

**All supporting documents shall be made available by both beneficiaries and FLCs for a three year period from 31 December following the submission of the accounts in which the final expenditure of the completed operation is included (Art. 140 of Reg. EU no 1303/2013.**

## ***Prohibition of cumulation of funding***

- Expenditure on a good/service for which the Beneficiary has already received national and/or Community funding is not considered eligible expenditure;
- As such, in order to respect the prohibition of cumulation of funding and to avoid double funding of the expenditure, all expenditure original documents must bear the following stamped inscription:

***Spesa finanziata con i fondi del Programma Interreg V-A Grecia-Italia 2014-2020, Progetto (acronimo) \_\_\_\_\_, Codice (MIS)\_\_\_\_\_ per un importo pari a €\_\_\_\_\_ periodo di rendicontazione\_\_\_\_\_ data di rendicontazione\_\_\_\_\_ Codice CUP\_\_\_\_\_.***

***Expenditure financed with the funds of the "Interreg V-A Greece-Italy Programme 2014-2020, Project (acronym)\_\_\_\_\_ - Code (MIS) \_\_\_\_\_, for a sum of € \_\_\_\_\_ accounting period \_\_\_\_\_ date of accounting\_\_\_\_\_, CUP code \_\_\_\_\_***

## *Traceability of financial flows*

All financial transactions must be carried out exclusively through a bank or postal credit transfer or other means of payment suitable to ensure full traceability of the operations and must be made to a current bank or postal account used.

Concerning all the Italian partners, it is mandatory to indicate the "CUP" on all administrative documents and accounting records, both paper and electronic, which are related to the project, from its birth through all the phases of its life.

**For each project, there will be as many CUPs as there are Italian partners.**  
**No CUP MASTER !!!**

The request of the "CUP" is the responsibility of each Italian partner, who will subsequently receive a single specific "CUP" that is associated with the public investment.

It is important to distinguish between two cases according to the beneficiary:

- a) public bodies or bodies governed by public law: the body requests the "CUP";
- b) private bodies: it is Puglia region that requests the "CUP".

The "CUP" will have to correspond to the partner project share of funding (ERDF quota + national/private quota).

## *The Tender Identification Code (CIG)*

- The CIG is to be requested by the Italian partners that intend to start up a procedure for the acquisition of services and supplies within the framework of the project activities.
- It must be requested for all public contracts, independently of the procedure adopted for the selection of the contractor and independently of the value of the contract: **there will be as many CIGs as there are award procedures adopted by each Italian partner.**
- It must be obtained before starting up a procedure and it must be indicated in the public notices, in the invitation letter or in the offer request, and it must also be indicated on the means of payment.
- The contracting body is required to insert a special clause into the contracts to be signed, by which the counterparty undertakes the obligation to ensure the traceability of the financial flows as per the cited law. Failure to do so will render the contract invalid.
- Exempt from having to request the CIG are contracts related with:
  - a) works, services and supplies in direct administration;
  - b) awards to in-house bodies;
  - c) awards for collaboration and professional contracts.





## ***Preparation Costs***

**Costs within the budget lines “staff costs, travel and accommodation costs and external expertise and services”, which have been incurred for the preparation of the project, are eligible for funding in accordance to the following conditions:**

- If they were invoiced or activities were implemented according to the national legislations. The related payments should have been actually made after 1 of January 2014 and/or during the implementation of the project. The related payments should have been actually made preferably in the first request for verification.
- If they show direct connection to the approved project and are included in the application form.
- If they do not exceed the amount of 40.000€ at project level.

**The following preparation costs are eligible:**

- external expertise costs and/ or staff costs for the preparation of the application documents;
- joint meetings for the preparation of the project;
- travelling expenses directly related to joint meetings, including participation in info days for the call for proposals;
- cost analysis and preparatory research reports for the project activities;
- external expertise costs for the preparation of technical design studies;
- other costs regarding licenses and permits fees, environmental impact assessment studies, technical assessment reports.

## ***WP 1 - Management Costs***

- They should be included only in WP1 and concern the cost related to the technical and administrative activities to be implemented for the efficient management and coordination of the project.
- The management costs of each project beneficiary should not exceed 10% of the total beneficiary's budget. For the Lead Beneficiary this percentage can be increased up 15% of its budget.
- The following WP1 costs are not calculated in the percentage limit:
  - preparation Activities
  - any costs incurred for meeting and events and travel and accommodation of beneficiary's staff.
  - any costs incurred for the external first level controller (2%, VAT and social security included, of total beneficiary budget).

## ***WP 2 - Information and publicity***

- The WP2 describes the actions for carrying out the external communication of project efforts and outputs, dissemination of results etc. The allocated budget cannot exceeded 15% of the total project budget, without limits at beneficiary level.

## ***Expenditure categories***



- **Staff**
- **Office and administration**
- **External expertise and services**
- **Equipment**
- **Infrastructure and Works**

## ***Staff cost calculated on a real cost basis (option 1)***

**Staff costs may be entered into the accounts only if they were foreseen by the operation itself, if explicitly indicated in the Application form:**

- staff employed on an open-ended contract;
- staff employed on a fixed term contract;
- staff employed for the specific project (excluding occasional and professional collaboration contracts subject to VAT);
- scholarships and/or research allowances

**The costs include all direct and indirect charges to be paid either by the employee or by the employer:**

- direct costs (i.e. salary-base with likelihood of more favorable additional remuneration, wage indexation, long-service bonus);
- indirect costs (i.e. sick leaves, holidays, extra rest days for cancelled public holidays, for midweek public holidays, extra rest days due to the reduction of working hours, thirteenth or fourteenth month pay, productivity bonus.

**Reimbursable remuneration must be in proportion with the hours worked in the project, and must be calculated on a monthly basis.**

# *Eligible expenditure calculation method*

**GYR+DR+SC**

\_\_\_\_\_

**h/w**

**x h/person**

**GYR** = gross yearly remuneration, including welfare contributions and withholding taxes to be paid by the worker excluding variable components (various indemnities established by the Collective Agreement or the work contract);

**DR** = deferred remuneration (employee severance indemnity [TFR], thirteen and fourteen month pay, other forms of remuneration and bonuses foreseen by the National Collective Contract);

**SC** = social and fiscal charges to be paid by the Beneficiary, and that are not included in the payroll (i.e. not to be paid by the employee);

**h/w** = yearly working hours (e.g. 1.720 hours);

**h/person** = working hours dedicated to the project.

**The Beneficiary must attach all necessary supporting documents to reconstruct the calculation method used in determining this amount.**

**Each beneficiary must formalize the names of the staff involved in the project by an administrative document as the body's normal procedures (i.e. service order, deliberation).**

**It is also necessary to compile a monthly "Timesheet" .**

**(INDIVIDUAL WORKING TIME SHEET)**

<b>OPERATIONAL PROGRAMME</b>	
<b>PROJECT TITLE</b>	
<b>BENEFICIARY</b>	
<b>PERSONNEL</b>	
<b>TAXATION NO</b>	
<b>YEAR/MONTH</b>	

WORKING PACKAGE	Activity	Working hour per day																															Total hours	Hourly rate	Requested amount		
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31					
WP1:																																		0		0	
																																		0		0	
																																		0		0	
WP2:																																		0		0	
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WP3:																																		0		0	
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WP5:																																		0		0	
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WP6:																																		0		0	
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																																		0		0	
<b>Total working hours per day</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
<b>Total monthly payment</b>																																					0

The table is filled in at the end of each month. Monthly remuneration for each employee is certified by the head of the accounting office of the stakeholder. This is to certify that monthly salary of employee was ..... and is inserted in the accounting system's separate unit no.

Full name  
 Position  
 Signature

**COMMENTS:**

**PESRONNEL TIMESHEET**

<b>OPERATIONAL PROGRAMME</b>	
<b>BENEFICIARY</b>	
<b>PERSONNEL</b>	
<b>TAXATION NO</b>	
<b>YEAR/MONTH</b>	

PROJECTS	OPERATIONAL PROGRAMME	Working hours per day																															Total hours per project	Hourly rate	Requested amount	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31				
Project 1		1		1		5																												7	10	70
Project 2																																		0		0
Project 3										1	2		4	4																				11		0
Project 4																									2	2	2							6		0
Project 5																																		0		0
Project 6																																		0		0
<b>Total working hours per day</b>		1	0	1	0	5	0	0	0	0	1	2	0	4	4	0	0	0	0	0	0	0	0	0	2	2	2	0	0	0	0	0	24		0	
<b>Total monthly payment</b>																																				0

The table is filled in at the end of each month. Monthly remuneration for each employee is certified by the head of the accounting office of the stakeholder. This is to certify that monthly salary of employee was ..... and is inserted in the accounting system's separate unit no.

Full name  
 Position  
 Signature

Comments:

Name and signature of individual Name and signature of Responsible Supervising Person

## *The simplified costs option*



- The eligible costs are calculated according to a predefined method based on outputs, results or some other costs.
- The tracing of every euro of co-financed expenditure to individual supporting documents is no longer required.
- Simplified costs also contribute to more correct use of the Funds (lower error rate).
- Those in charge of management verifications and audits will not verify the real costs underlying categories of expenditure calculated by a flat rate.
- The audits will be carried out on the basis of the calculation method used to set the simplified costs and will check the supporting financial documents to verify the absence of double declaration of costs that have been paid and declared in advance.
- Any eventual reduction of the amount verified for the categories of eligible costs on which the flat rate is applied (i.e. in relation to the estimated budget or following a financial correction) will affect proportionally the amount accepted for the flat rate calculated categories.



## ***Staff costs calculated on 20 % flat rate (option 2)***



- *For staff costs calculated on flat rate basis option, the calculation is based on a flat rate of up to 20% of the direct costs other than the staff costs.*
- *Direct costs linked to projects or part of them, subject to public procurement contracts that constitute the biggest part of the project, should be excluded from the calculation basis of the flat rate.*
- *If the beneficiary outsources the entire implementation of all or part of the project via public procurement contracts, the flat rate calculation cannot be applied to those parts of the project which are subject to public procurement contracts. (p. 12 EGESIF14\_007)*
- *If the beneficiary itself implements a project (meaning keeping full control of the management and implementation of the project), the flat rate is applicable, even if some of the categories of costs within the project are procured (e.g. some of the project implementation costs like cleaning services, external expertise, purchase of furniture, etc.).*

## *When the flat rate calculation cannot be applied*

	Total Project activities	Total project budget
	<b>Extent of Procurement with significant effect on the project</b>	
	External expertise and services	250.000€
	Equipment	300.000€
	Infrastructure	350.000€
<b>A</b>	<b>Total Direct Costs with significant effect to be outsourced</b>	<b>900.000€</b>
<b>B</b>	<b>Maximum Flat rate for calculation of Staff Cost can apply</b>	<b>0,00%</b>
<b>C</b>	<b>Staff Costs, calculated on flat rate basis, of the entire project (A*B)</b>	<b>0,00€</b>
<b>C1</b>	<b>Staff Costs (real cost calculation)</b>	<b>20.000€</b>
<b>D</b>	<b>Total Project budget (A+C+C1)</b>	<b>920.000€</b>

## *When the flat rate calculation can be applied*

	<b>Extent of Procurement with significant effect on the project</b>	
	External expertise and services	200.000€
	Equipment	200.000€
	Infrastructure	300.000€
<b>A</b>	<b>Total Direct Costs with significant effect to be outsourced</b>	<b>700.000€</b>
	Travel and Accommodation	30.000€
	External expertise ( <i>external experts, cleaning services, etc.</i> )	80.000€
	Equipment (furniture)	10.000€
<b>B</b>	<b>Total Direct Costs with limited effect to be outsourced</b>	<b>120.000€</b>
<b>C</b>	<b>Maximum Flat rate for calculation of Staff Cost</b>	<b>20,00%</b>
<b>D</b>	<b>Maximum Eligible Staff Costs of the entire project (B*C)</b>	<b>24.000€</b>
	<b>Total Project budget (A+B+D)</b>	<b>844.000€</b>

## ATTENTION!!!



- *Each beneficiary will have to provide the rationale of the staff costs estimations in the Justification of the Budget document even when the flat rate option is selected. The participation of the beneficiaries' staff must be linked to specific project deliverables according to their role and expertise.*
- *When the 20% flat rate option is applied, it has to be proved that the project beneficiary has at least one permanent employee (e.g. by providing a registration at the social insurance agency or other related documents) to be appointed for the project;*
- *The flat rate is linked to the eligibility and verification of other direct costs. Should financial corrections be necessary (e.g. due to deficiencies in procurements) or in case of savings in tenders leading to smaller eligible direct costs on a project level, the basis for calculation of the flat rate will reduce correspondingly and this will result in a lower amount of staff costs that can be verified and co-funded.*
- *Those in charge of management verifications and audits will not verify the real costs underlying categories of expenditure calculated by a flat rate.*
- *The audits will be carried out on the basis of the calculation method used to set the simplified costs and will check the supporting financial documents to verify the absence of double declaration of costs that have been paid and declared in advance.*

## *Office and Administration*

They cover operating and administrative expenses of the beneficiary organisation that support delivery of project activities.

The following options for calculating O&A are available in this Programme:

1. Real costs, or
2. Flat rate of (up to) **15%** of staff costs.

In both cases the Office and Administration expenditures cannot exceed the **4%** of the total beneficiary's budget.

### **Attention!**

**The option selected applies on a beneficiary level for the entire project period.** (I.e. **Each beneficiary** should follow either the flat rate or the real costs calculation option which will remain unchanged through the entire project period. This must be declared in the Application form in the **Partnership Section**.)

## *Office and Administration*

- office rent
- insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances)
- utilities (e.g. electricity, heating, water)
- office supplies
- general accounting provided inside the beneficiary organisation
- archives
- maintenance, cleaning and repairs
- security
- IT systems
- communication (e.g. telephone, fax, internet, postal services, business cards)
- bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened
- charges for transnational financial transactions

## ***Travel and accomodation***

This category includes costs incurred on missions that are closely related to the project, by natural persons coming under the category “Staff costs” (e.g. participation to seminars, meetings, conferences, field research, or similar activities, which are explicitly declared in the activities of the project proposal):

- ✓ Transport: use of the cheapest means of transport (public)
  - ✓ Food and accommodation (up to a 3-4 stars category)
  - ✓ Daily allowance when in line with the conditions imposed by the public authorities of the respective Member States
- 
- The Italian partners have to respect the National law and their rules for the travel and accomodation.
  - If the Italian partner does not have rules for the travel and accomodation they will respect the parameters of Puglia Region (Decreto Presidente Regione Puglia n° 631/2011 issued on the BURP n°94 of 16/06/2011)
  - Expenditure attributed on a lump-sum system is not eligible and it is indispensable to justify the amounts entered into the accounts with detailed documentation of the expenditure incurred.
  - The mission duration must be in line with its objective (i.e.: from the day before to the day after the event/meeting took place).
  - Project meetings must take place within the cooperation area;
  - Travel expenses going beyond the cooperation area are eligible only if approved by the Programme Managing Authority.

## ***External Expertise & Services***

Expenditure incurred by the Beneficiary on external service suppliers to carry out certain tasks of the project and which the Beneficiary cannot carry out on his own. They are paid on the basis of contracts and against invoices:

- studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- training;
- translations;
- IT systems and website development, modifications and updates;
- promotion, communication, publicity or information linked to the project;
- project and financial management;
- services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (e.g. registration fees);
- verifications under Article 125(4)(a) of Regulation (EU) No 1303/2013 and Article 23(4) of Regulation (EU) No 1299/2013;
- the provision of guarantees by a bank or other financial institution;
- travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- other specific expertise and services needed for operations.



## *External Expertise & Services: recommendations*

**These costs must correspond to current market prices and must be adequately justified.**

- **Events**: included in the project should be limited to those necessary for the project.
- **Participation in exhibitions** or other similar events should be duly justified in terms of the necessity for the project objectives and of the benefits expected.
- **Leaflets/brochures**: the analysis of these deliverables should include the cost of the elaboration, of the production, the amount of materials to be produced and where they will be distributed. In favor of the environmental protection, the production of printed material should be reduced to that obligatory by the I&P Guide of the Programme.
- **Promotional material**: the analysis of the cost of the promotional material should include the type of material, the cost of the design of logos, the cost of the type of material and the number to be produced.
- **Studies** should be fully justified in terms of the necessity for the project implementation and of the benefits expected and should include the appropriate breaking down (i.e. number of employment, man--months, amount and experience of researchers, bill of quantities).
- **Not justified studies, in terms of the necessity, or not justified costs are subject to a budget reduction.**

# ***Equipment***

## **Acquisition of equipment (i.e. machinery, tools and other equipment) closely related to the project activity and to obtaining its objectives:**

- Administrative type of equipment used in the project's management (i.e. computers, printers, projectors). For this type of equipment, the entire purchase price of the good is eligible only where it is exclusively used for the project and where the depreciation period is equal or inferior to the actual project duration;
- technical equipment relating to the project context, exclusively used and essential in achieving the objectives (i.e. specific software, technical instruments). The entire cost of the good is eligible in this type of equipment. In this case, the ownership and the usage of the good must be ensured for the period of at least 5 years following the end of the project and from the date the final reimbursement was made.
- It is necessary a statement by the legal representative that declares the exclusive use and also that the use of the equipment itself at the end of the project activities is only for follow-up activities and / or continuation of the project actions themselves.

**This expenditure category includes expenditure on accessories used for the purchase of goods (i.e. transport, installation, delivery, etc.).**

**Purchase of equipment and machinery must comply with the relevant rules in force of the public procurements.**

## ***Investments/Infrastructure***

**This includes expenditure related to public utility infrastructure that may be considered eligible only if they are:**

- strictly functional and relevant to the project's objectives;
- of an obvious cross-border interest;
- essential in benefitting territorial integration;
- with very limited financial dimensions.

**It is also necessary to attach to the accounting report a specific declaration, attesting that the infrastructure in question presents at the same time all of the following characteristics:**

- it constitutes the project result/output or a component of it;
- it is exclusively destined for project activities and it is not transferred at the end of the project activities;
- there is guarantee of its continuous functioning/use for the project results, and beyond the closure of the activities, for a period no less than the life-span of the good.

**Beneficiary expenditure on feasibility studies and on the preliminary, actual and executive project planning phases is also eligible.**

**Purchased goods and infrastructures must carry labels indicating the co-financing of the ERDF and the respective role of the EU, according to the regulatory framework and the instructions of the Programme's Managing Authority.**

**In particular, those labels must clearly and indelibly indicate the EU logo, the Programme and the Project code within the Programme's framework.**



## *VAT, charges and other taxes*

- If a Beneficiary is in the position of recovering the VAT paid for the implemented activity within the Project framework, the respective costs must be entered into the accounts excluding VAT;
- if the Beneficiary is not in a position to recover the VAT paid, the costs can be entered into the accounts including VAT.
- Moreover, the Italian registration tax referring to an operation is an eligible expenditure.
- Any other tax and fiscal, social, or insurance charges for operations co-financed by Structural Funds constitute eligible expenditure, so long as they are not recoverable by the Beneficiary (e.g. IRAP).



## *Ineligible expenditures*

- Fines, penalties and expenses for legal disputes and litigation;
- The costs of gifts, with the exception of those with a unit value of no more than 50 euros where they are linked to promotion, communication, advertising or information activities;
- Interest expense, with the exception of those relating to grants awarded in the form of an interest subsidy or a transfer on the guarantee fee;
- Purchase of land for a percentage of expenditure higher than that set by article 69, paragraph 3, letter b) of Regulation (EU) no. 1303/2013 value added tax if recoverable

# Thank you for your attention

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