



Questions & Answers: Eligibility of expenditure in cooperation programmes

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Disclaimer:

During the Workshop on eligibility of expenditure organised by INTERACT in June 2014, a number of questions were raised and discussed among the participants.

*Answers to questions presented in this document were elaborated by INTERACT in consultation with the European Commission. The document is meant to provide guidance on the interpretation of a number of provisions defined in the regulatory framework 2014-2020 (in particular rules on eligibility of expenditure set out in the Common Provisions Regulation (EU) 1303/2013, ETC Regulation (EU) 1299/2013, the Commission Delegated Regulation (EU) 481/2014) and practical application of the rules in cooperation programmes. **This is by no means a legally binding document, nor does it represent an official position of the European Commission.***

With regard to the use of simplified cost options, please also consult the Guidance on Simplified Cost Options (SCOs): Flat rate financing, Standard scales of unit costs, Lump sums (EGESIF_14-0017), prepared by the European Commission services.

General questions on categories of costs

1. Can a programme use just two budget lines: "Staff costs" and "Other costs"? Is this in line with the Commission Delegated Regulation (EU) 481/2014?

It is not possible to combine different categories of costs, which are defined in Article 18 of ETC Regulation (EU) 1299/2013 and further specified in the Commission Delegated Regulation (EU) 481/2014. Each category of costs must form a separate line. Programmes may decide not to use one or more of the categories, i.e. costs falling under the excluded category are not eligible under one or more priority axes. Programmes may establish additional cost categories for expenditure not covered by the 5 categories of costs set up in the EU Regulations. For example, an additional category of costs may be established to cover expenditure for the financing of infrastructure and construction works.

2. According to Article 1 of Commission Delegated Regulation (EU) 481/2014, the programme can decide that expenditure falling under one or more categories is not eligible. Does this mean all expenditure falling under one category, or single expenditure elements can be excluded and treated as ineligible for the programme support?

The participating Member States in the programme monitoring committee can agree that one or more expenditure categories are not eligible under one or more priority axis. This concerns all expenditure elements falling under the given expenditure category.

When a category of costs is used, all expenditure falling under this category (as listed in the Commission Delegated Regulation (EU) 481/2014) is eligible.

3. The Commission Delegated Regulation (EU) 481/2014 does not include any category of costs for hard infrastructure. Is cost of infrastructure eligible?

Article 18.1 of ETC Regulation (EU) 1299/2013 empowers the European Commission to establish specific rules on eligibility of expenditure for cooperation programmes with regard to the following 5 categories of expenditure: staff costs, office and administrative expenditure, travel and accommodation costs, external expertise and services costs, and equipment expenditure. Therefore, the Commission Delegated Regulation (EU) 481/2014 does not mention infrastructure costs. Infrastructure costs are eligible in line with Article 3 of ERDF Regulation (EU) 1301/2013 and general provisions on eligibility of expenditure set up in the Common Provisions Regulation (EU) 1303/2013.



Moreover, not all cooperation programmes will finance investments in infrastructure. Those programmes that support investments in infrastructure shall establish an additional category of costs that covers expenditure for the financing of infrastructure and construction works.

In the case of programmes supporting investments in the development of endogenous potential through fixed investments in equipment in accordance with Article 3.1(e) of ERDF Regulation (EU) 1301/2013, relevant costs are eligible under the *Equipment* category of costs (“(...) other specific equipment needed for operations”).

4. What is the understanding of gifts? Is there any limitation as to the number of gifts that can be provided to one person?

Costs of gifts are eligible, provided the total value of a gift does not exceed 50 EUR and the gift relates to promotion, communication, publicity or information. There is no limitation regarding the number of gifts that can be distributed. However, principles of sound financial management must be respected.

Gifts should be distinguished from prizes (e.g. prizes and awards provided to winners of sport competitions organised as part of the project), which are eligible in line with Article 65 of Common Provisions Regulation (EU) 1303/2013.

5. What category of costs should gifts be allocated to?

Gifts fall under the *External expertise and services* category of costs, as an example of a cost related to “promotion, communication, publicity or information linked to an operation or to a cooperation programme”.

6. Article 2 of Commission Delegated Regulation (EU) 481/2014 stipulates that “(...) expenditure on legal disputes and litigation” are not eligible. What about costs of legal disputes and litigation incurred by the Managing Authority due to recoveries from a lead beneficiary or Article 27 of ETC Regulation (EU) 1299/2013?

In all cases, fines, financial penalties and expenditure on legal disputes and litigation shall not be eligible. Costs of legal consultancy (if not related to legal disputes and litigation) are eligible under the *External expertise and services* category of expenditure.

7. According to the 2007-2013 hierarchy of rules, beneficiaries must follow the strictest rules (e.g. based on national rules, the cost of taxis is not eligible). In 2014-2020, are programmes and/or individual Member States allowed to set rules that are stricter than rules defined in EU Regulations?

Member States participating in the programme monitoring committee may establish additional rules on eligibility of expenditure applicable to the programme as a whole. Those additional rules must be without prejudice to the eligibility rules laid down in EU Regulations. Only for matters not covered by the rules set up in the EU Regulations and the programme rules, national rules of individual Member States may apply.

In other words, eligibility rules set at different levels cannot be in contradiction. Moreover, rules set at a lower level in the hierarchy (e.g. national rules) cannot abolish rules established at a higher level (EU and programme rules).

Stricter programme and national rules may apply only in areas that are not precisely regulated at the EU level, and where EU Regulations provide the Member States with a discretionary power to set such rules. For the given example (travel cost by taxi), the Commission Delegated Regulation (EU) 481/2014 does not explicitly mention the cost of taxis.

Questions related to the Staff costs category of expenditure

8. Can programmes limit the reimbursement options (forms of grants), and decide which options apply?

Each programme must decide on the forms of grants that will apply to a given category of costs. For example, the monitoring committee of the programme may decide that financing of staff costs takes the form of:

- Real costs only. For all beneficiaries, staff costs are reimbursed as costs actually incurred and paid.
- Flat rate of up to 20% of direct costs. The programme finances staff costs based on a flat rate of up to 20% of direct costs other than the staff costs.



- Standard scale of unit costs. The programme finances staff costs based on a standard scale of unit costs.
- Real costs and a flat rate of up to 20% of direct costs.
- Standard scale of unit costs and a flat rate of up to 20% of direct costs.
- Standard scale of unit costs and real costs.
- Standard scale of unit costs, a flat rate of up to 20% of direct costs, and real costs.

If more than one of the reimbursement options (forms of grants) are used, programmes may set rules that define which options apply to certain projects and/or given types of beneficiaries. Otherwise, each beneficiary should choose the preferred option. It is recommended that programmes set the rules at the highest possible level.

9. Is it possible to apply Article 19 of ETC Regulation (EU) 1299/2013 on individual beneficiary level, thus not compulsory for all beneficiaries of the project? In order to calculate the eligible staff costs of the beneficiary, should the flat rate of (up to) 20% be multiplied by direct costs of the project or direct costs of the beneficiary concerned? Article 19 specifically mentions “(...) up to 20% of the direct costs other than the staff costs of that operation”.

It is possible to apply Article 19 of ETC Regulation (EU) 1299/2013 on the level of an individual beneficiary. Each beneficiary may choose the reimbursement option (real costs, simplified cost options in line with Article 67.1(b) to (d) of Common Provisions Regulation (EU) 1299/2013, or a flat rate according to Article 19 of ETC Regulation (EU) 1299/2013), unless the applicable options are set at the programme level. If Article 19 applies, staff costs of each beneficiary can be calculated at a flat rate of up to 20% of the direct costs other than the staff costs of this specific beneficiary.

10. Staff costs are calculated based on a flat rate of up to 20% of direct costs other than the staff costs. Who should decide on the applicable percentage?

The participating Member States in the programme monitoring committee must decide on the applicable rate and set it on the programme level. This means, whenever a flat rate option is used, the same percentage applies to all beneficiaries concerned.

In the case of significant differences in wages/salaries between the participating Member States, the monitoring committee can set different rates, provided that the principle of equal treatment is respected, e.g. a flat rate of 18% applies to beneficiaries in country A and a 20% flat rate in country B.

The 20% rate is a maximum rate. The programme monitoring committee may decide to use this rate or lower rates without having to carry out a specific calculation; no justification has to be provided.

11. Staff costs are calculated based on real costs. Are time sheets or records from the time registration system required for staff working full-time on the project, and for staff working part-time with a fixed percentage of time worked per month?

In those two cases, there is no obligation to provide time sheets or records from the time registration system. For staff working full-time on the project, the employment document gives sufficient evidence to establish that the person works 100% on the project. For staff working part-time on the project with a fixed percentage of time worked per month, a document must be issued that specifies the percentage of time to be worked on the project (if not set out in the employment document). Such a document provides sufficient evidence of the time worked on the project, and no separate time registration system is required.

12. What documents are required in order to justify that staff costs of an employee relate to the project?

The employment document (employment/work contract) is the main reference document. In addition, tasks and responsibilities shall be specified in the job description of the staff member concerned.

13. In the case of employees working part-time on the project according to a fixed percentage of time per month, what documentation will the first level controller require?

The beneficiary must ensure that the following main documents are available for control purposes:

- Employment/work contract or an appointment decision/contract considered as an employment document.
- Document setting out the percentage of time to be worked on the project per month (if not specified in the contract).
- Job description providing information on responsibilities related to the project.



- Payslips or other documents of equivalent probative value.
- Proof of payment of salaries and the employer's contribution.
- *No registration of the working time is required.*

14. Does the document setting out the percentage of time to be worked on the project have to indicate the time to be worked per month, or can the document include information on the fixed percentage to be worked on the project in general?

This option concerns employees on a part-time assignment with a fixed percentage of time per month, as defined in Article 3.1(b) of Commission Delegated Regulation (EU) 481/2014. Since there is no obligation to use a time registration system to justify the working time per month, the document must set out the fixed percentage of time to be worked on the project per month.

15. A staff member works part-time on the project according to a fixed percentage of time per month. Can the percentage change during the project implementation?

Provided it is justified due to changes in tasks and responsibilities of the employee, the percentage of time to be worked on the project may change. The employer must issue an amendment to the document setting out the fixed percentage of time on the project.

16. For staff employed by the beneficiary organisation on a limited contract (not 100%), can the hourly rate based on the standard number of 1720 hours/year still be used? For example, a person is employed to work 80% for the beneficiary organisation; the person will spend only part of their working time on the project.

This method can still be used. However, it is less attractive, as the hourly rate calculated based on 1720 hour/year would be much lower than the hourly rate calculated by dividing the monthly gross employment cost by the monthly working time fixed in the employment document.

17. In cases when there is no data available on the latest annual gross employment cost (e.g. new staff), is it still possible to calculate the hourly rate based on the method that divides the latest documented gross employment cost by 1720 hours? In other words, is it possible to break down the annual reference period and use for example: latest 6-month gross employment cost and $1720/2$, or latest monthly gross employment cost and $1720/12$, etc.?

The latest annual gross employment cost does not have to be the cost of the particular person. For example, a corresponding annual gross employment cost of the person's predecessor on the same position can be used.

Whenever the hourly rate is calculated based on the method that divides the latest documented annual gross employment cost by 1720 hours, annual data must always be available. It is not possible to break down the annual period into half-year periods, quarters, months, etc.

18. What is "the latest documented annual gross employment cost" when staff costs related to the January-June 2015 reporting period are declared to the programme on 1 October 2015:

- Previous calendar year, i.e. gross employment cost of January-December 2014?, or
- July 2014 to June 2015? (what is the "latest documented annual gross employment cost" for the next reporting period July-December 2015 declared on 1 April 2016), or
- Accounting year (which in some countries ends in April, not in December)?

The latest annual gross employment cost does not have to refer to the calendar year. The latest available data from a period of one year (12 consecutive months) must be used to calculate the hourly rate.

In this example, data from July 2014-June 2015 (if available) should be used for the reporting period January-June 2015 and data from January-December 2015 (if available) should be used for the reporting period July-December 2015.

19. Is any recalculation of the staff costs necessary at the end of the year, when the option of 1720 hours per year is used? Are adjustments to the salary payments required, once the actual total annual staff cost is known with regard to the year during which work on the project was done?

In this context, the hourly rate calculated by dividing the latest documented annual gross employment cost by 1720 hours is not a simplified cost option. Still, it is a simplified method to determine the eligible staff costs (as real costs). No recalculation of the staff costs is required nor recommended, as this might be a source of error.



20. The employee works part-time on the project, with a flexible number of hours per month. The hourly rate is calculated by dividing the latest annual gross employment costs by 1720 hours. A time recording system is used to register 100% of the actual working time of the employee. In a case where the 100% actual working time exceeds 1720, is the cost of the working time over 1720 hours eligible?

The hourly rate calculated by dividing the latest documented annual gross employment cost by 1720 hours is a simplified method to determine the eligible staff cost (as real costs). This means it does not necessarily reflect the reality.

In this example, working time over 1720 hours may be eligible provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the employee. The same calculation method applies to overtime as to other working time that the employee spent on the project.

21. How to deal with a long sick leave and maternity/paternity leaves? Are such costs eligible?

Sickness benefits, maternity and equivalent paternity benefits are eligible, provided they are not recoverable by the employer; they are fixed in the employment document or by law; and they are in accordance with the legislation and standard practices in the country and/or organisation.

There must be a direct link between such benefits and the salary payments. For full-time staff and part-time staff with a fixed percentage of time worked on the project per month, the cost derives directly from the employment document (and a document setting out the percentage of time to be worked on the project, in the case of part-time staff).

For part-time staff with a flexible number of hours worked on the project, eligible staff cost is calculated based on an hourly rate and the actual time worked on the project. If an employee is on a sick leave, the time worked on the project equals zero.

22. Are lunch vouchers, relocation benefits and bonus payments eligible?

Taxable benefits (e.g. lunch vouchers, relocation benefits, bonus payments) may be eligible, as long as they are in line with the employment policy of the beneficiary organisation. They must be directly linked to the salary payments and figure on the payslip.

23. Staff costs are calculated based on real costs. Can payslips be considered as sufficient evidence to justify the payment of staff costs or must any other proof of payment be provided?

Payslips provide evidence of the expenditure incurred. Proof of payment is required in order to justify the actual defrayal of the salaries and the employer's contribution. This requirement has not changed compared to the period 2007-2013.

24. In the case of programmes that finance in-kind contribution, does the eligible cost have to be allocated within the categories of costs defined in the Commission Delegated Regulation (EU) 481/2013, or should an additional category be established for in-kind contribution?

In-kind contribution is a form to declare certain expenditure; it is not a separate category of cost. Depending on the type of in-kind contribution, the costs should be allocated to the relevant cost category. For example, in-kind contribution in the form of works falls under *Staff costs*; services provided as in-kind contribution fall under the *External expertise and services* category of costs, etc.

25. Voluntary work (in-kind contribution) is financed by the programme, and the cost falls under the *Staff cost* category of cost. Are office and administration costs eligible if calculated at a flat rate of up to 15% of staff costs, being the voluntary work?

Office and administration costs can be calculated based on a flat rate of up to 15% of direct staff costs. This includes voluntary work eligible under the *Staff costs* category of costs.

Questions related to the Office and administrative expenditure

26. What is the connection between Article 4 of Commission Delegated Regulation (EU) 481/2014 and Article 68.1 of Common Provisions Regulation (EU) 1303/2013?

Article 4 of Commission Delegated Regulation (EU) 481/2014 lists all office and administrative expenditure that are eligible under this category of costs. No distinction is made between direct and indirect costs.



Programmes can apply Article 68.1 of Common Provisions Regulation (EU) 1303/2013 to the office and administration category of costs. In such a case, the flat rate covers all office and administrative expenditure, and no other costs are eligible under this category as real costs. According to Article 67.3 of Regulation (EU) 1303/2013, only one reimbursement option can be used for each category of expenditure.

27. According to the programme rules, a flat rate of up to 15% of direct staff costs may be used to calculate indirect costs. Who should decide on the applicable percentage? Can each beneficiary set up its own flat rate?

The participating Member States in the programme monitoring committee must decide on the applicable rate and set it on the programme level. This means, whenever a flat rate option is used (in line with Article 68.1(b) of Common Provisions Regulation (EU) 1303/2013), the same percentage applies to all beneficiaries concerned. The programme monitoring committee can set different rates for beneficiaries from different Member States, provided that the principle of equal treatment is respected.

The 15% rate is a maximum rate. The programme monitoring committee may decide to use this rate or lower rates without having to carry out a specific calculation; no justification has to be provided.

28. Under the category of *Office and administrative expenditure*, the programme intends to use a flat rate of up to 15% of direct staff costs, according to Article 68.1(b) of Common Provisions Regulation (EU) 1303/2013. Is it possible to use a flat rate of 10% for technical assistance, as applied by the programme in 2007-2013 (and without any further justification), and a flat rate of 8% for projects under other priority axes - the same flat rate applied in 2007-2013?

Continuation of the options already in place is encouraged. Programmes that have been using simplified cost options in 2007-2013 may apply the same schemes for 2014-2020.

29. Is it possible for a beneficiary to apply Article 68.1(b) of Common Provisions Regulation (EU) 1303/2013 in combination with Article 19 of ETC Regulation (EU) 1299/2013?

It is possible to combine both options as long as Article 67.3 of Common Provisions Regulation (EU) 1303/2013 is respected, i.e. each option covers different categories of costs. Staff costs calculated at a flat rate in line with Article 19 of ETC Regulation (EU) 1299/2013 can still form the basis for calculation of indirect costs at a flat rate of up to 15% of staff costs, according to Article 68.1(b) of Common Provisions Regulation (EU) 1303/2013.

30. If real office and administration costs of a beneficiary exceed the flat rate of 15 % of staff costs (e.g. the actual rate is 30 %), does the beneficiary have to calculate the costs on a real costs basis?

Flat rates are simplified cost options. They involve approximations of costs; therefore they may on occasion overcompensate or undervalue costs actually incurred. One of the main purposes of using flat rates is to lower the administrative burden related to calculation, reporting and control of project costs. Unless set at the programme level, each beneficiary may decide to apply a flat rate in line with Article 68.1 of Common Provisions Regulation (EU) 1303/2013, or report office and administration costs as real costs.

31. According to Article 4 of Commission Delegated Regulation (EU) 481/2014, charges for transnational financial transactions are eligible under *Office and administrative expenditure*. What about charges for national financial transactions (e.g. transfers of funds from the lead beneficiary to other beneficiaries located in the same country)? Are such costs eligible?

The category of *Office and administrative expenditure* includes only charges for transnational financial transactions. Charges for national financial transactions are not eligible.

32. Article 4 of Commission Delegated Regulation (EU) 481/2014 stipulates that “Office and administrative expenditure shall be limited to the following elements (...)”. What about specific costs borne by the beneficiary itself (not related to external expertise and services), e.g. purchase of education/guidance books to facilitate project management, coffee/biscuits for small project meetings, etc.

Such costs fall under the *Office and administrative expenditure* category. Office supply of coffee/biscuits for internal meetings related to the project is eligible. Other examples of office supply may include guidance books to support project management.



33. Article 4 of Commission Delegated Regulation (EU) 481/2014 includes costs related to general accounting provided inside the beneficiary organisation. The Regulation does not mention costs of legal advice provided inside the beneficiary organisation. Where should such costs be assigned to?

Legal consultancy provided by an external expert is eligible under the *External expertise and services* category of expenditure. With regard to costs of legal advice provided inside the beneficiary organisation, these cannot be included under *Office and administrative expenditure*. The cost of legal advice provided inside the beneficiary organisation (e.g. by a legal department of the beneficiary organisation) is eligible as *Staff costs*.

34. The cost of “IT systems” is listed under Article 4 of the Commission Delegated Regulation (EU) 481/2014 (*Office and administrative expenditure*) and Article 6 (*External expertise and services*). What is the difference?

IT system support purchased or leased by the beneficiary organisation to support delivery of the project activities is an eligible cost under the category of *Office and administrative expenditure*. In situations where an external expert is contracted to carry out certain tasks/activities within the project related to development, modifications or updates of the project IT system or a website, such a cost falls under *External expertise and services*. The cost of IT software is eligible under the *Equipment* category of costs.

35. Article 6 of Commission Delegated Regulation (EU) 481/2014 includes costs of “promotion, communication, publicity or information (...)”, when provided by external experts or service providers. Which category of costs should costs of promotion, communication, etc. when provided by the beneficiary itself be assigned to? For example, the beneficiary prints 500 brochures about the project for promotion purposes.

Office supplies of paper and toner fall under the category of *Office and administrative expenditure*. Working time of staff involved in this activity should be reported under *Staff costs*.

Questions on expenditure incurred outside the Union part of the programme area

36. Can ERDF be allocated to beneficiaries outside the EU?

Beneficiaries located outside the EU may receive ERDF, provided provisions of Article 20.2 of ETC Regulation (EU) 1299/2013 are respected.

37. In accordance with Article 20 of ETC Regulation (EU) 1299/2013, ERDF expenditure can be incurred “outside the Union part of the programme area”. What does this term mean?

ERDF expenditure may be incurred outside the Union part of the programme area, in line with Article 20 of ETC Regulation (EU) 1299/2013. “Outside the Union part of the programme area” covers:

- Non-EU countries that are part of the programme area (e.g. Norway is part of the North Sea Region Programme but not an EU country).
- EU countries outside the programme area (e.g. Poland is not part of the North Sea Region Programme).
- Non-EU countries outside the programme area (e.g. Belarus is not an EU country nor is it part of the North Sea Region Programme).

38. In the case of IPA cross-border programmes, does ERDF expenditure have to be monitored against the 20% threshold if incurred in the IPA country of the programme?

IPA cross-border programmes combine ERDF and IPA funds and they monitor the programme budget as one fund. In such a case, expenditure incurred in the IPA country of the programme is considered as inside the eligible area of the fund, i.e. the programme area. Article 44 of Commission Implementing Regulation (EU) 447/2014 provides definition of the programme area and it sets out rules on the allocation of IPA cross-border funds outside the programme area.

39. According to Article 20.2(b) of ETC Regulation (EU) 1299/2013, the threshold of 20% (or 30% in the case of programmes covering outermost regions) applies at the programme level. Are Member States participating in the programme monitoring committee allowed to set the ceiling at the project level? Can the programme decide not to finance projects that are entirely implemented outside the Union part of the programme area?

Article 20 of ETC Regulation (EU) 1299/2013 is derogation from Article 70 of Common Provisions Regulation (EU) 1303/2013; still, the provisions shall apply in a similar manner. The threshold of 20% (or



30% in the case of outermost regions) of the ERDF at the programme level has been set on purpose, as decided by the European Parliament and the Council. Bringing down the ceiling to the project level limits the possibility to support all of a project, or its bigger part (i.e. more than 20% of the ERDF support to the project) outside the Union part of the programme area. This was not the intention of the legislator. In consequence, it is not possible to set stricter programme rules. However, the programme monitoring committee (or a steering committee acting on its behalf) can decide on a case-by-case basis when selecting projects not to approve certain activities.

40. According to Article 20.3 of ETC Regulation (EU) 1299/2013, promotional activities and capacity-building do not have to be monitored against the ceiling of 20% of ERDF support at the programme level (30% in the case of programmes covering outermost regions). Are Member States participating in the programme monitoring committee allowed to set stricter rules and decide that no exception applies to promotional activities and capacity-building, i.e. all activities outside the Union part of the programme area fall under the 20% threshold?

It is not possible to rule out provisions of Article 20.3 of ETC Regulation (EU) 1299/2013. Each programme is responsible for providing clear guidance to beneficiaries in order to avoid any misinterpretation, and for facilitating correct application of this exemption to promotional activities and capacity-building.

Apart from promotional activities and capacity-building, the same exemption applies to technical assistance.

41. How to effectively monitor costs of travel and accommodation incurred outside the Union part of the programme area?

Any travel and accommodation costs incurred outside the Union part of the programme area and related to promotional activities and capacity-building should not be monitored against the threshold of 20%.

Travel and accommodation costs incurred in relation to any other activities may fall under the 20% ceiling, depending on the location of the beneficiary. For beneficiaries located outside the Union part of the programme area, the ceiling applies to all travel and accommodation costs, regardless of the travel destination (event/action located inside or outside the Union part of the programme area).

For beneficiaries located inside the Union part of the programme area, travel and accommodation costs incurred in relation to travel outside the Union part of the programme area do not fall under the 20% ceiling, apart from costs of meals, accommodation and local transport, if such costs are not covered by daily allowances.

Programmes should put in place monitoring systems that allow proper monitoring of costs incurred outside the Union part of the programme area.

Additional questions on simplified cost options

42. Is the use of simplified cost options subject to prior approval by the European Commission?

If simplified cost options are used, they shall be established by the programme based on the methods defined in Article 67.5 of Common Provisions Regulation (EU) 1303/2013. No prior approval by the European Commission is required.

43. According to Article 67.1(c) of Common Provisions Regulation (EU) 1299/2013, lump sums cannot exceed 100.000 EUR of public contribution. Does the limit of 100.000 EUR apply per project, or can several lump sums (up to 100 000 EUR each) be allocated to one project?

The amount of a lump sum must be defined based on one of the methods referred to in Article 67.5 of Common Provisions Regulation (EU) 1303/2013. Article 67.1(c) of the same Regulation sets the maximum limit of 100.000 EUR of public contribution for each lump sum. The Regulation does not define any limits as regards the number of lump sums that can be allocated to a single project.

However, the use of lump sums requires that activities/outputs (to be financed by the lump sum) are clearly defined in the terms of agreement. The payment of a lump sum is dependent on the successful delivery of the agreed activities and/or achievement of a concrete output.

44. Which category of costs do lump sums belong to?

There is no general rule that indicates which category of costs a lump sum should be allocated to. The amount of a lump sum as well as its allocation within the project budget (categories of costs) shall be defined by the programme, based on one of the methods referred to in Article 67.5 of Common Provisions



Regulation (EU) 1303/2013. Similarly, there is no general rule on the distribution of a lump sum between different beneficiaries. In principle, the amount is allocated to the lead beneficiary and the programme does not interfere in how it is distributed within the partnership.

For example, lump sums may be considered as an option to finance costs of project preparation (according to Article 67.3 of Common Provisions Regulation (EU) 1303/2013, different reimbursement options can be used for successive phases of an operation). If lump sums are used during the project implementation phase, it must be clear which costs are covered by the lump sum. The costs must be clearly separated in order to avoid any risk of double financing.

45. What are the tasks of first level controllers and the audit authority when simplified cost options are used?

The tasks of first level control and second level control remain the same as in the period 2007-2013.

If simplified cost options are used, first level controllers must verify how each option is set up and applied by the beneficiary. For example, if a flat rate of direct costs is used to calculate office and administrative expenditure, the controller must verify the eligibility of direct costs that formed the basis for the calculation. If a standard scale of unit costs is used, the controller verifies how the cost units apply to the quantities that have been achieved.

During the second level control, the audit authority must verify the method followed by the programme managing authority when setting up each of the simplified cost options. In addition, the audit authority must check if the simplified cost options have been correctly applied by the beneficiaries.

Detailed guidance on tasks and responsibilities of controllers and auditors is provided in the European Commission *Guidance on Simplified Cost Options* (EGESIF_14-0017-final, 6/10/2014).

46. Can simplified cost options be used by beneficiaries of technical assistance?

Programme funds under any of the priority axes can take the form of simplified cost options. This includes technical assistance.

47. Can simplified cost options be used for projects subject to public procurement? Can simplified cost options be used if only certain activities within the project are covered by contracts of public procurement?

Simplified cost options do not apply to projects that are exclusively subject to public procurement. However, if only certain parts of the project are implemented through public procurement, simplified cost options can still be used on the parts not covered by public procurement.

48. Can simplified cost options be used for advanced payments to projects?

Simplified cost options can be used for advance payments, provided that all conditions related to the eligibility of such payments based on simplified cost options are met. For example, if a flat rate of direct costs is used, it must be ensured that the direct costs are actually incurred and paid. In the case of standard scale of unit costs or lump sums, it must be ensured that the quantities are eventually achieved or concrete outputs delivered.

49. Do beneficiaries using simplified cost options have to register costs on a separate account? What about beneficiaries using real costs and simplified cost options for different categories of costs?

EU Regulations do not define any obligation that would require the beneficiaries to register expenditure financed in the form of simplified cost options on a separate account.

Questions on revenue generating operations

50. What is the difference between revenue and net revenue? Which one should be reported to the programme and deducted from the total eligible expenditure?

Compared to 2007-2013, EU Regulations applicable to 2014-2020 provide a clear definition of net revenue. According to Article 61 of Common Provisions Regulation (EU) 1303/2013 “net revenue means cash inflows directly paid by users for the goods and services provided by the operation, such as charges borne directly by the users for the use of infrastructure, sale or rent of land or buildings, or payments for services less any operating costs and replacement costs of short-life equipment incurred during the corresponding period.” In addition, operating cost-savings generated by the project shall be treated as net revenue. All net revenue must be deducted from the project total eligible expenditure. The calculation of



revenue is specified further in Article 16 of Commission Delegated Regulation (EU) 480/2014. Net revenue is revenue minus costs, which are determined in Article 17 of the same Delegated Regulation.

51. What happens to operating costs (“(...) less any operating costs and replacement costs of short-life equipment incurred during the corresponding period”), when revenue has been generated during project implementation but not foreseen at the application stage? Do operating costs increase the total eligible expenditure of the project, or should such costs be treated as part of the beneficiary contribution (no change to the total eligible budget of the project, and no change to the amount of ERDF committed by the programme to the project)?

Operating costs and replacement costs of short-life equipment (as referred to in Article 17 of Commission Delegated Regulation (EU) 480/2014) have evidently no influence on the revenue, but decrease the net revenue in cases where the revenue remains unchanged. If operating costs related to revenue are identified only during project implementation but not foreseen at the application stage, they may not change the net revenue applied for determining the programme support, as the eligible expenditure shall be reduced in advance by the net revenue. Accordingly, cost increases have to be covered by the beneficiary if not anticipated ex-ante.

Furthermore, operating cost-savings generated by the project shall be treated as net revenue. The higher the operating cost-savings, the higher is the net revenue.

52. According to Article 61.7(b) of Common Provisions Regulation (EU) 1303/2013, in the case of projects with a total eligible cost below 1.000.000 EUR, net revenue does not have to be deducted. Are all ETC projects with the total eligible cost below 1.000.000 EUR excluded from the obligation to report on net revenue?

Article 61.7(b) of Common Provisions Regulation (EU) 1303/2013 exempts projects below 1.000.000 EUR of the total eligible costs from the ex-ante calculation of net revenue according to the methods specified in point 3 of the same Article. However, net revenue generated during implementation of such projects and not taken into account at the time of the approval of the project must still be deducted from the eligible expenditure, in line with Article 65.8 of Common Provisions Regulation (EU) 1303/2013, no later than at the final payment claim submitted by the beneficiary.

53. Article 61.7(f) of Common Provisions Regulation (EU) 1303/2013 mentions that paragraphs 1 to 6 of this Article are not applicable to “operations for which public support takes the form of lump sums or standard scale of unit costs”. How broadly can this be interpreted? If one beneficiary uses a standard scale of unit costs for its staff costs, can the whole project be exempt from declaring net revenue, or does this apply only to the beneficiary concerned?

The exemption according to Article 61.7(f) of Common Provisions Regulation (EU) 1303/2013 applies only to those activities that generated net revenue and where costs are covered based on simplified cost options. For example, if a lump sum is used to finance a set of activities that lead to a concrete output, any net revenue generated by these activities does not have to be reported to the programme. In such a case, the reimbursement is done on the basis of the lump sum, which should implicitly be established based on a fair, equitable and verifiable calculation method, thus the revenue should in principle be taken into account when determining the lump sum.

54. Article 61.8(b) of Common Provisions Regulation (EU) 1303/2013 mentions that paragraphs 1 to 6 of this Article are not applicable to “operations for which support under the programme constitutes compatible aid to SME, where an aid intensity or an aid amount limit is applied in relation to State aid”. Does this mean that if only one beneficiary implements activities compatible with State aid under GBER, the entire project is exempt from reporting on net revenue, or does this apply only to the beneficiary concerned? Or only this beneficiary in relation to State aid activities covered by GBER?

This exemption applies only to activities to which an aid intensity or aid amount limit is applied. Any other activities not covered for instance by the GBER or other State aid schemes carried out within the project are not exempted. This means, if net revenue is generated in the context of such activities, it must be reported to the programme and deducted from the project total eligible expenditure.